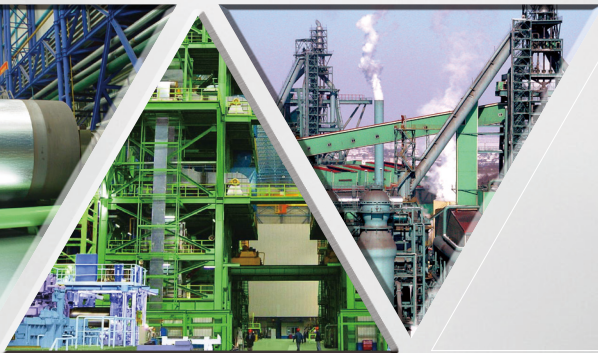
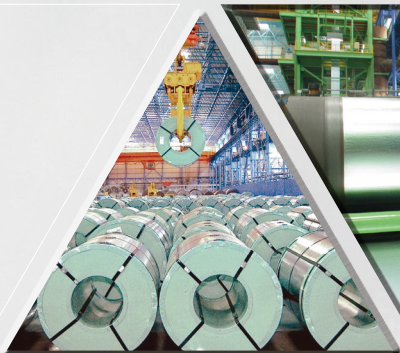




鞍 鋼 股 份 有 限 公 司  
ANGANG STEEL COMPANY LIMITED\*

Stock Code: 0347



# 2017 INTERIM REPORT

\* For identification purposes only

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# Important Notice and Definitions

## IMPORTANT NOTICE

The Board and the Supervisory Committee, the Directors and the Supervisors and the senior management of the Company confirm that there are no false representations or misleading statements contained in, or material omissions from, this interim report, and jointly and severally take responsibilities for the truthfulness, accuracy and completeness of the contents contained herein.

Mr. Yao Lin, the Chairman of the Company, Mr. Zhang Jingfan, Chief Accountant and Mrs. Che Chengwei, person in charge of the accounting institution guarantee the truthfulness, accuracy and completeness of the financial statements in this interim report.

The 2017 interim financial report of the Company is unaudited.

The 2017 interim financial report of the Company is prepared in accordance with the Accounting Standards for Business Enterprises in the PRC.

## DEFINITIONS

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

“Angang”	Angang Group Company* (鞍鋼集團公司)
“Angang Financial Company”	Angang Group Financial Company Limited* (鞍鋼集團財務有限責任公司)
“Angang Group”	Angang Group Company and subsidiaries held by it as to 30% or more (excluding the Group)
“Angang Holding”	Anshan Iron & Steel Co. Ltd* (鞍山鋼鐵集團有限公司)
“ANSC-TKS”	ANSC-TKS Automobile Steel Company Ltd. (鞍鋼蒂森克虜伯汽車鋼有限公司)
“Company”, “Angang Steel”	Angang Steel Company Limited* (鞍鋼股份有限公司)

## Important Notice and Definitions (*Continued*)

“Group”	Angang Steel Company Limited and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Karara”	Australia Karara Mining Limited (澳大利亞卡拉拉礦業有限公司)
“Pangang Vanadium & Titanium”	Pangang Group Steel Vanadium & Titanium Co., Ltd* (攀鋼集團鈮鈦資源股份有限公司)
“PRC”	the People’s Republic of China (for the purpose of this report, excluding Hong Kong and Macau Special Administrative Region)

\* *For identification purposes only*

# Corporate Profile

## I. CORPORATE INFORMATION

Stock Exchange Listings	Shenzhen Stock Exchange
Stock Abbreviation	Angang Steel      Stock Code      (A share) 000898
Stock Exchange Listings	Hong Kong Stock Exchange
Stock Abbreviation	Angang Steel      Stock Code      (H share) 00347
Chinese Name of the Company	鞍鋼股份有限公司
Chinese Name Abbreviation	鞍鋼股份
English Name of the Company	Angang Steel Company Limited
English Name Abbreviation	ANSTEEL
Legal Representative of the Company	Yao Lin

## II. CONTACT PERSONS AND CONTACT METHODS

	<b>Joint Company Secretary</b>	<b>Joint Company Secretary</b>	<b>Securities Affairs Representative</b>
Name	Zhang Jingfan	Kwok Siu Man	Jin Yimin
Address	Production Area of Angang Steel, Tiexi District, Anshan City, Liaoning Province, the PRC	Room A, 36th Floor, Victoria Centre Block 2, 15 Watson Road, Hong Kong	Production Area of Angang Steel, Tiexi District, Anshan City, Liaoning Province, the PRC
Telephone	0412-6734878	00852-2504 6911	0412-8417273 0412-6751100
Fax	0412-6727772	00852-2598 7500	0412-6727772
E-mail	zhangjf@ansteel.com.cn	seaman.kwok@boardroomlimited.com	ansteel@ansteel.com.cn

### **III. OTHER INFORMATION**

#### **1. Contact methods of the Company**

There was no change in registered address, business address and postal code, website and email address of the Company during the Reporting Period. Please refer to the 2016 Annual Report of the Company for details.

#### **2. Information disclosure and place for inspection**

There was no change in Company's designated newspapers for disclosure of information, website for publication of interim report designated by the CSRC and place for inspection of the Company's interim report during the Reporting Period. Please refer to the 2016 Annual Report of the Company for details.

#### **3. Other relevant information**

There was no change in other relevant information during the Reporting Period.

# Summary of Accounting Figures and Financial Indicators

## I. PRINCIPAL ACCOUNTING FIGURES AND FINANCIAL INDICATORS OF THE GROUP

Unit: RMB million

	During the Reporting Period (from January to June)	Corresponding period of the previous year	Increase/decrease for the Reporting Period as compared with the corresponding period of the previous year (%)
Operating income	39,057	25,430	53.59
Net profit attributable to the shareholders of the Company	1,823	300	507.67
Net profit attributable to the shareholders of the Company after non-recurring items	1,834	275	566.91
Basic earnings per share (RMB/share)	0.252	0.041	514.63
Diluted earnings per share (RMB/share)	0.252	0.041	514.63
Returns on net assets on weighted average basis (%)	3.98	0.69	Increased by 3.29 percentage points
Net cash flow from operating activities	610	1,439	-57.61

	As at the end of the Reporting Period	As at the end of the previous year	Increase/decrease as at the end of the Reporting Period as compared with the end of the previous year (%)
Total assets	87,532	88,069	-0.61
Equity (or shareholders' equity) attributable to the shareholders of the Company	46,235	44,882	3.01

Total share capital of the Company as at 28 August 2017:

Total share capital of the Company on the trading day immediately before the date of disclosure (shares)	7,234,807,847
Comprehensive diluted earnings per share calculated based on the latest share capital (RMB/share)	0.252

## II. NON-RECURRING ITEMS:

No.	Items	Effect on profit (RMB million)
1	Gains/losses from disposal of non-current assets	-13
2	Government subsidies (except for government subsidies which are closely related to the Company's operations and entitled in fixed amount or quantity in conformity with the standards of the State) attributable to gains or losses for the period	0
3	Other non-operating income and expenses apart from those stated above	-1
4	Subtotal	-14
5	Effect of income tax	3
6	Total	-11

*Note:* For non-recurring items, "+" refers to gains or incomes, "-" refers to losses or expenditures.

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

Applicable       Not applicable



## I. OVERVIEW

In the first half of the year, leveraging the opportunities arising from the recovery of the steel market in a timely manner and adhering to the principle of “market-orientated operations centering on economic benefits under the lead of contract operations”, the Company fully implemented the market-orientated operation plan, continued to optimize its product portfolio, and explored its internal potential, thus resulting in significantly improvement in operating results.

In the first half of the year, the Group recorded revenue of RMB39,057 million, representing an increase of 53.59% as compared with the corresponding period of the previous year; gross profit amounted to RMB1,869 million, representing an increase of 506.82% as compared with the corresponding period of the previous year; net profit attributable to shareholders of the Company amounted to RMB1,823 million, representing an increase of 507.67% as compared with the corresponding period of the previous year; basic earnings per share amounted to RMB0.252 per share, representing an increase of 514.63% as compared with the corresponding period of the previous year.

### (1) **Strengthening coordinated production to stabilize production scale**

During the Reporting Period, the Group produced 10.6783 million tons of iron, representing a decrease of 1.11% as compared with the corresponding period of the previous year; 10.9085 million tons of steel, representing an increase of 1.60% as compared with the corresponding period of the previous year; and 10.2192 million tons of rolled steel, representing an increase of 3.64% as compared with the corresponding period of the previous year. Sale of rolled steel amounted to 9.9957 million tons, representing an increase of 4.00% as compared with the corresponding period of the previous year. The Group achieved a sales-output ratio of 97.81%.

## I. OVERVIEW *(Continued)*

### (2) Deepening corporate reform and facilitating market-orientated operations

The Company facilitated market-orientated operations and implemented contract management. Adhering to the principle of “qualitative execution and quantitative improvement”, with market-orientated operations centering on economic benefits under the lead of contract operations, the Company fully established the system for market-orientated operations. The Company had been conducting evaluation on the implementation of market-orientated operations by 37 production plants and operators of subsidiaries under the Company. The Company implemented contract management, and established the economic accountability indicators in four aspects, namely efficiency, effectiveness, risk and growth. Internal contract operation has been adopted in production line of 3.8 meters medium steel board of Bayuquan Iron & Steel Branch Company (鯀魚圈鋼鐵分公司), seamless steel tube production plants and small production lines in large plants, creating favorable condition for the full implementation of contract management.

## I. OVERVIEW (*Continued*)

### (3) Deepening cost-reducing measures adopted in system to stimulate internal momentum

The Company facilitated the “three enhancements and three reductions (三提三降)” policy so as to reduce its operating costs. It actively facilitated the implementation of “scrap steel enhancement and iron reduction (提廢降鐵)” measure so as to increase the proportion of scrap steel, thereby increasing the production volume of steel to meet with the demands on steel. The Company also actively facilitated the implementation of “coal enhancement and coke reduction (提煤降焦)” measure so as to further reduce the costs for continuous rolling. Moreover, the Company actively facilitated the implementation of “production enhancement and inventory reduction” measure so as to control bulk raw materials procurement in a reasonable way and make plan on stocking in a scientific way, thus greatly reducing the inventories of billets and work-in-progress. The Company had formulated the 2017 cost-reducing measure, which covered 12 major areas with 70 target missions to be accomplished. In particular, significant achievements had been made in the researches on coal crusher, coke powder crusher, iron tanker covering, AKR desulphurization and other themes.

The Company expanded its procurement channels, thus lowering the raw material costs. It had steadily made procurement from major channels, enhanced procurement efficiency, and avoided making procurement in peak seasons. The Company also explored potential suppliers and introduced quality suppliers continuously. Moreover, the Company kept an eye on the price trend in future and spot market, and took profits when opportunities arise.

## I. OVERVIEW (*Continued*)

### (4) **Enhancing product development and leveraging on its edges in scientific researches**

The Company staunchly followed the path of pursuing high quality with differentiation, specialty and professionalization. It promoted new product development towards steel type with high efficiency and high technology. The Company fully facilitated the works on scientific research and development, aiming to accelerate the development and application of new work flow and new technology, optimize product structure and strengthen the “full coverage” of products. Centering on key quality issues, the Company had established the “10 major” quality improvement projects, thereby fully enhancing key quality indicators and quality of physical products. In addition, the Company optimized the 3-grade spot inspection and equipment quoting system, dynamically updated the visible boards for different units, and continued to conduct the six sigma quality management training, thus strengthening the basis of quality management.

## I. OVERVIEW (*Continued*)

### (4) **Enhancing product development and leveraging on its edges in scientific researches** (*Continued*)

The “AG728 research and manufacture of high tensile steel plate for steel containment vessel” had been examined by Shanghai Nuclear Engineering Research and Design Institute, thus facilitating the upgrade of steel products for nuclear containment vessels. Such product successfully replaced import products. The A588Gr.B steel plates for nuclear power were successfully applied in nuclear power projects in Sanmen, Lufeng and Haiyang. Hence, the Company had gained a market share in high-end market of steel for nuclear power. Moreover, the S32101 nuclear grade ultra-wide 4,000mm duplex stainless steel plate, which was successfully invented by the Company, had made up for the deficiency in short special steel plate in the PRC, and reached the world-class standard. This was a huge breakthrough in the localization and independence of key equipment and materials for nuclear power in the PRC. In addition, the Company successfully won the tender for the supply of 18MND5 steel plate for Ningde accumulation tank No. 6 for nuclear power unit of Hualong One. The localization of 18MND5 steel plate for the first time had filled the gap in the PRC. The “innovation and application of whole-process key technology for steels used in ultra-large container ships” had been certified as world-class technology by China Iron and Steel Industry Association. The Company exclusively won the first batch procurement contract of the world-class ultra-large ore carrier. It also successfully invented the Q450NQR1 ultra-thick weathering steel for railway of 16–20mm thickness, which filled the Company’s gap in lack of ultra-thick weathering steel for railway in its product portfolio. Based on the personalized demands of different users, the Company had self-invented the AQ30 alloy cold-rolling steel wire rod for motor engine, a new product which was able to be produced according to customized requirements, and realized steady supply of product in batches.

## I. OVERVIEW (*Continued*)

### (5) Optimizing marketing system and enhancing marketing services

The Company strengthened the establishment of marketing management system, optimized internal corporate structure and integrated sales units, thereby enhancing the efficiency of marketing system. It also facilitated the reform of regional marketing companies through establishing professional sales departments, strengthening indicator break-down and stimulating corporate vitality and motivation of sales personnel. Focusing on direct clients, the Company had implemented the estimated contract sale mode, which was able to improve the efficiency of production lines, shorten supply cycle and fulfill clients' demands on delivery period. The Company strived for the implementation of strategies in core sales areas in Northeastern China. Hence, its leading position and market share in Northeastern China was enhanced.

The Company increased the marketing activities of key products, and continued to meet with the requirements of clients. It put greater effort into the marketing of key products, and continuously boosted the sales volume of different products such as heavy rails, color coating plates, motor steel and silicon steel etc. Hence, its product portfolio greatly improved with significant increase in quality improvement indicators. Among which, the contracted sales for motor steel was 630,000 tons, reaching a record high for the same period. The year-on-year increase has exceeded 16%, substantially higher than the increase in motor industry of 4.64% for the first half of the year. Hence, the market share has increased to 15.2%. The Company had implemented the key engineering brand strategy, strengthened its project management and formed project teams. It also actively commenced storage, processing and delivery services, thereby realizing the offering of value-added services.

## I. OVERVIEW (*Continued*)

### (5) **Optimizing marketing system and enhancing marketing services** (*Continued*)

Leveraging the opportunities for strategic development arising from the “Belt and Road” initiative, the Company had established the export service team, and put great effort into expanding into the global market. It had optimized its shipping logistics mode. With the introduction of “designation port” delivery service, the delivery period for Shanghai and Guangzhou was shortened by 5–6 days. Moreover, the Company had expanded the service scope of “final 1 km” service and offered diversified options for delivery route, thus fulfilling the customized demands of different clients.

### (6) **Enhancing capital utilization to secure financial support**

Striving for the objective of minimizing cash use and optimizing capital utilization, the Company made arrangements on capital utilization in a scientific, reasonable way, thus effectively enhancing capital utilization. In order to ensure smooth capital flows, the Company implemented dynamic fund balancing and formulated remedial measures for cash flow gap, which greatly reduced utilization of current capital and enhanced capital utilization. The Company also implemented the market-orientated operation management. Indicators for current asset turnover rate and inventory turnover rate were horizontally broken down to departments and vertically implemented in production plants. Moreover, the Company put greater effort into the recovery of overdue amounts, accelerated fund recovery, implemented strict control over prepayments and reduced capital utilization.

## I. OVERVIEW *(Continued)*

### (6) **Enhancing capital utilization to secure financial support** *(Continued)*

The Company had strengthened its financing channels so as to secure financial support. Grasping the opportunities arising from sluggish market, the Company commenced the tariff negotiation credit business. It continued to promote the import trading business, and actively facilitated the works on issuance of interbank bonds. As the liquidity in the market was tightened, the Company successfully issued super short-term commercial paper of RMB1.5 billion in the first half of the year in order to ensure that smooth direct financing channel was maintained.

### (7) **Strengthening environmental protection management and fully enhancing environment protection standards**

The Company had formulated and issued the internal caps on pollutant emission for 2017, and amended the environmental protection administrative measure and environmental protection management procedural documents. Based on the comprehensive management information platform for environmental protection, the Company fully deepened the establishment of environment protection management system, which included the environmental protection indicator system, the supervisory system and accountability system, thereby enhancing the execution power and management standards for environmental protection works.

In the first half of 2017, the Company did not have any significant pollution accident, with 100% execution of the “three simultaneous” eco-friendly policy for construction projects. Hazardous wastes were treated in compliance with regulation and radioactive sources were safely used. Our works on environmental protection had made significant achievement.



# Report of the Board of Directors (*Continued*)

## II. ANALYSIS OF PRINCIPAL BUSINESSES

### 1. Overview

*Unit: RMB million*

Item	The Reporting Period	Corresponding period of the previous year	Year-on-year increase/decrease (%)	Reasons for the changes
Operating income	<b>39,057</b>	25,430	53.59	Mainly attributable to the rise in product prices and the increase in sales volume.
Operating costs	<b>34,675</b>	22,217	56.07	Mainly attributable to the rise in the prices of raw materials and the increase in sales volume.
Marketing expenses	<b>1,188</b>	961	23.62	-
Administrative expenses	<b>628</b>	729	-13.85	-
Financial expenses	<b>555</b>	618	-10.19	-
Income tax expenses	<b>38</b>	11	245.45	Mainly attributable to the increase in both profits of subsidiaries and income tax expenses recognized.

## II. ANALYSIS OF PRINCIPAL BUSINESSES *(Continued)*

### 1. Overview *(Continued)*

Item	The Reporting Period	Corresponding period of the previous year	Year-on-year increase/decrease (%)	Reasons for the changes
Net cash flow from operating activities	610	1,439	-57.61	Net cash flow from operating activities decreased by RMB829 million as compared with the corresponding period of the previous year, mainly attributable to the fact that (i) the cash received from sales of goods increased by RMB8,634 million as a result of the rise in price and the increase in sales volume of steel products during the reporting period as compared with the corresponding period of the previous year; (ii) the cash payment for purchase of goods and services increased by RMB9,165 million as compared with the corresponding period of the previous year as a result of the rise in raw fuels price; (iii) government grants decreased by RMB106 million as compared with the corresponding period of the previous year; and (iv) cash payment for freight and contracted processing fees increased by RMB218 million as compared with the corresponding period of the previous year.

# Report of the Board of Directors (Continued)

## II. ANALYSIS OF PRINCIPAL BUSINESSES (Continued)

### 1. Overview (Continued)

Item	The Reporting Period	Corresponding period of the previous year	Year-on-year increase/decrease (%)	Reasons for the changes
Net cash flow from investing activities	-665	138	-581.88	Net cash flow from investing activities decreased by RMB803 million as compared with the corresponding period of the previous year, mainly attributable to the fact that (i) the cash received from investment gains decreased by RMB150 million as compared with the corresponding period of the previous year; and (ii) the cash payment for acquisition of fixed assets increased by RMB610 million as compared with the corresponding period of the previous year.
Net cash flow from financing activities	185	-2,752	106.72	Net cash flow from financing activities increased by RMB2,937 million as compared with the corresponding period of the previous year, mainly attributable to the fact that (i) the cash received from borrowings during the reporting period decreased by RMB2,025 million as compared with the corresponding period of the previous year; (ii) the cash payment for repayment of borrowings decreased by RMB5,204 million as compared with the corresponding period of the previous year; and (iii) the cash payment for dividend distribution and interest payment increased by RMB240 million as compared with the corresponding period of the previous year.

## II. ANALYSIS OF PRINCIPAL BUSINESSES *(Continued)*

### 1. Overview *(Continued)*

Item	The Reporting Period	Corresponding period of the previous year	Year-on-year increase/decrease (%)	Reasons for the changes
Net increase of cash and cash equivalents	130	-1,194	110.89	Net increase of cash and cash equivalents increased by RMB1,324 million, mainly attributable to the fact that (i) the net cash flow from operating activities decreased by RMB829 million as compared with the corresponding period of the previous year; (ii) the net cash flow from investing activities decreased by RMB803 million as compared with the corresponding period of the previous year; (iii) the net cash flow from financing activities increased by RMB2,937 million as compared with the corresponding period of the previous year; and (iv) the effect of exchange fluctuation on cash increased by RMB19 million as compared with the corresponding period of the previous year.

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

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

# Report of the Board of Directors (*Continued*)

## II. ANALYSIS OF PRINCIPAL BUSINESSES (*Continued*)

### 3. Composition of the principal businesses

Principal businesses of the Group by industry and product

*Unit: RMB million*

	Operating income	Operating cost	Gross profit margin  (%)	Increase/ decrease in operating income as compared with the corresponding period of the previous year  (%)	Increase/ decrease in operating costs as compared with the corresponding period of the previous year  (%)	Increase/ decrease in gross profit margin as compared with the corresponding period of the previous year  (Percentage point)
<b>By industry</b>						
Steel pressing and processing industry	39,023	34,643	11.22	53.79	56.30	-1.43
<b>By product</b>						
Hot-rolled sheets products	11,715	10,305	12.04	51.10	56.66	-3.12
Cold-rolled sheets products	14,053	11,667	16.98	55.06	46.85	4.64
Medium-thick plates	5,418	5,145	5.04	58.01	58.75	-0.44
<b>By geographical location</b>						
China	35,966	31,796	11.59	54.37	58.49	-2.30
Export sales	3,057	2,847	6.87	47.25	35.44	8.12

## II. ANALYSIS OF PRINCIPAL BUSINESSES (*Continued*)

### 3. Composition of the principal businesses (*Continued*)

Principal businesses of the Group by industry and product (*Continued*)

*Note:* The increase in operating income from different series of steel products of the Company as compared with the corresponding period of the previous year was primarily due to higher product prices.

The increase in operating cost as compared with the corresponding period of the previous year was primarily due to the higher raw fuel costs. Meanwhile, the Company facilitated its works on systematic cost reduction, explored internal potential to reduce production cost, strengthened and refined expenses management, and implemented strict control over expenses, thus reducing processing costs in the first half of the year.

### 4. Liquidity and financial resources

As at 30 June 2017, the Group had long-term loans (exclusive of loans due within one year) of RMB3,297 million with interest rates ranging from 2.65% to 4.9% per annum. The term of such loans range from 2 to 5 years, and the loans will fall due during the period from 2019 to 2022. The loans are mainly used for replenishing the working capital. The Group's long-term loans due within one year amounted to RMB166 million.

In 2017, with good credibility, the Group was reviewed and rated by the rating committee of China Chengxin International Credit Rating Co., Ltd. (中誠信國際信用評級有限責任公司) with a long-term credit rating of "AAA". The Group is capable of repaying its debts when they become due.

As at 30 June 2017, the Group had a total capital commitment of RMB1,555 million, which was primarily attributable to the construction and renovation contracts entered into but not yet performed or partially performed, and the external investment contracts entered into but not yet performed or partially performed.

# Report of the Board of Directors (*Continued*)

## II. ANALYSIS OF PRINCIPAL BUSINESSES (*Continued*)

### 5. Foreign exchange risk

The Group adopts fixed exchange rates in settling its transactions with export and import agents for export of products for selling, import and procurement of raw materials for production and other equipment for projects. Therefore, the Group is not subject to any significant foreign currency risk arising from transactions.

Foreign currency borrowings held by the Group amounted to USD150 million, of which the foreign exchange risk was dependent on the foreign exchange rate of RMB over USD (with foreign currency forward contract entered into based on maturity and there was no exchange risk exposure). In the first half of 2017, due to the changes in exchange rate of RMB over USD, the Company incurred a loss of RMB0 million in currency exchange.

## III. ANALYSIS OF PRINCIPAL BUSINESSES

*Unit: RMB million*

	Amount	As a percentage of total profit	Reasons for the changes	Sustainable or not
Investment income	229	12.25%	Investment income from long-term equity investments accounted by equity method and financial assets at fair value through profit or loss	Yes
Gains or losses arising from changes in fair value	5	0.27%	Financial assets and financial liabilities at fair value through profit or loss	No
Asset impairment	-10	-0.54%	Mainly included asset impairment losses such as losses on inventory falling price	No
Other gains	22	1.18%	Mainly included government grants	No
Non-operating income	6	0.32%	Mainly included gains on disposal of non-current assets	No
Non-operating expenses	20	1.07%	Mainly included losses on disposal of non-current assets	No

#### IV. ASSETS AND LIABILITIES

##### 1. Significant changes in composition of assets

Unit: RMB million

	End of the reporting period		End of the corresponding period of the previous year		Increase/ decrease (Percentage point)	Explanation for significant change
	Amount	As a percentage of total assets (%)	Amount	As a percentage of total assets (%)		
Monetary capital	2,098	2.40	1,968	2.23	0.17	-
Account receivables	2,276	2.60	1,942	2.21	0.39	-
Inventories	11,179	12.77	10,466	11.88	0.89	-
Long-term equity investments	2,927	3.34	2,968	3.37	-0.03	-
Fixed assets	47,702	54.50	49,065	55.71	-1.21	-
Construction in progress	2,366	2.70	2,232	2.53	0.17	-
Short-term loans	16,617	18.98	18,995	21.57	-2.59	-
Long-term loans	3,297	3.77	1,296	1.47	2.30	-



# Report of the Board of Directors (Continued)

## IV. ASSETS AND LIABILITIES (Continued)

### 2. Assets and liabilities measured at fair value

Unit: RMB million

Item	Opening balance	Gains or losses arising from changes in fair value for the period	Changes in fair value reported in equity	Impairment made for the period	Purchases during the period	Disposals during the period	Closing balance
Financial assets							
Of which:							
1. Financial assets measured at fair value through profit and loss (excluding derivative financial assets)	0	-	-	-	-	-	6
2. Derivative financial assets	-	-	-	-	-	-	-
3. Available-for-sale financial assets	52	-	2	-	-	-	40
Sub-total of financial assets	52	-	2	-	-	-	46
Investment properties	-	-	-	-	-	-	-
Productive biological assets	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-
Total	52	-	2	-	-	-	46
Financial liabilities	0	-	-	-	-	-	1

Material changes in measurement of major assets during the Reporting Period

Yes

No

## **IV. ASSETS AND LIABILITIES** *(Continued)*

### **3. Gearing ratio**

As at 30 June 2017 and 31 December 2016, the Group's ratio of equity to liability was 1.14 times and 1.06 times, respectively.

### **4. Restrictions on assets power as at the end of the Reporting Period**

The Group pledged notes receivable with a carrying amount of RMB92 million to bank during the period to apply for the issuance of notes payable of RMB92 million. The term of pledge is from January 2017 to January 2018. The Group pledged notes receivable with a carrying amount of RMB1,379 million to bank to obtain short-term borrowings of RMB1,201 million.

### **5. Contingent liabilities**

As at 30 June 2017, the Group had no contingent liabilities.

## **V. BUSINESS PLAN FOR THE SECOND HALF OF 2017**

1. Strengthen market-orientated operations and facilitate contract management.
2. Deepen systematic cost reduction and continue to reduce operating cost.
3. Deepen product structure adjustment and improve product profitability.
4. Strengthen product quality control and enhance brand image continuously.
5. Put greater efforts on technology research and development as to enhance technology innovation level.
6. Enhance risk prevention capability as to ensure steady operations.

## VI. INVESTMENT ANALYSIS

### 1. Overview

Investment for the Reporting Period (RMB million)	External investment Investment for the corresponding period of the previous year (RMB million)	Changes (%)
0	0	-

### 2. Significant equity investments made during the Reporting Period

Applicable       Not applicable

### 3. Significant non-equity investments being conducted during the Reporting Period

Applicable       Not applicable

### 4. Financial asset investments

(1) Securities investments

Stock type	Stock code	Abbreviation	Initial investment (RMB million)	Accounting measurements	beginning of the period (RMB million)	Gains or losses on change for the current period	Gains or losses arising from changes in fair value reported in equity (RMB million)	Purchase amount for the current period	Disposal amount for the current period (RMB million)	Loss or gain during the period (RMB million)	Book value at the end of the period (RMB million)	Accounting item	Source of funds
Shares	600961	Zhuye Group (株冶集團)	81	Measured at fair value	52	-	2	-	-	-	40	Available for sale financial assets	Self-owned funds

## VI. INVESTMENT ANALYSIS (Continued)

### 4. Financial asset investments (Continued)

#### (2) Derivatives investments

Unit: RMB million

Name of the derivatives investment operator	Relationship with the Group	Connected party transaction or not	Type of derivatives investment	Initial investment amount of derivatives investment	Date of commencement	Date of termination	Investments at the beginning of the period	Purchase amount during the Reporting Period	Disposal amount during the Reporting Period	Provision for impairment (if any)	Investments at the end of the period	Proportion of investments at the end of the period to net assets of the Company	Actual profit or loss during the Reporting Period
Angang Steel	None	No	Futures hedging	1	29 April 2015	-	181	955	813	-	185	0.4%	21
Total				1	-	-	181	955	813	-	185	0.4%	21

Source of funds for derivative investments

Self-owned funds

Litigation case (if applicable)

None

Date of the announcement disclosing the approval of derivatives investment by the Board

On 28 March 2017, the resolution in relation to the Company's carrying out business of hedging with commodity futures in 2017 was approved at the tenth meeting of the seventh session of the Board.

Date of the announcement disclosing the approval of derivatives investment at shareholders' meeting

None

## VI. INVESTMENT ANALYSIS (*Continued*)

### 4. Financial asset investments (*Continued*)

#### (2) Derivatives investments (*Continued*)

Risk analysis of positions in derivatives during the Reporting Period and explanations of risk control measures (including but not limited to market risk, liquidity risk, credit risk, operation risk, legal risk, etc.)

(1) Market risk exists when the position held by the Company is related to the steel products industry, which is highly relevant to spot commodity operated by the Company. Although the Company makes regular analysis and estimation on the market, the judgment on the market may be deviated, resulting in potential risk. However, the risk is controllable after futures hedging with spot commodities.

(2) As the category of position held has a sufficient liquidity, there is no liquidity risk.

(3) The Futures Exchange provides credit guarantee for the category of position held, thus the credit risk is minimal.

(4) The Company carries out such business in strict compliance with the relevant requirements of hedging and total holding position and term are in line with the Company's approval.

The Company has performed valuation of relevant legal risks. Business development is carried out in accordance with the laws and regulations of futures exchanges in the PRC, and thus, risks can be controlled.

## VI. INVESTMENT ANALYSIS *(Continued)*

### 4. Financial asset investments *(Continued)*

#### (2) Derivatives investments *(Continued)*

Changes in market price or product fair value of derivatives invested during the Reporting Period, where specific methods and relevant assumptions and parameters used shall be disclosed in the analysis of derivatives' fair value

Dominant future contract settlement prices of deformed bar and hot-rolled coil quoted on the Shanghai Futures Exchange, and future contract settlement prices of iron ore and coking coal quoted on the Dalian Commodity Exchange. On 3 January 2017, the settlement prices of deformed bar, hot-rolled coil, iron ore and coking coal were RMB2,914/ton, RMB3,353/ton, RMB550.5/ton and RMB1,159/ton, respectively; on 30 June 2017, the settlement prices of deformed bar, hot-rolled coil, iron ore and coking coal were RMB3,306/ton, RMB3,369/ton, RMB471/ton and RMB1,115/ton, respectively. The fair values of deformed bar, hot-rolled coil, iron ore and coking coal were +RMB392/ton, +RMB16/ton, -RMB79.5/ton and -RMB44/ton, respectively.

Explanations of any significant changes in the Company's accounting policies and specific accounting principles on derivatives adopted during the Reporting Period as compared with those of the last reporting period

N/A

## VI. INVESTMENT ANALYSIS (*Continued*)

### 4. Financial asset investments (*Continued*)

#### (2) Derivatives investments (*Continued*)

Specific opinions of independent Directors on the derivatives investment and risk control of the Company

- (1) The Company utilized self-owned capital for the development of futures hedging business under its assurance of its normal production and operation, and performed related approval procedures in compliance with relevant requirements of the relevant laws, regulations and the articles of association of the Company, which was beneficial to the reduction of operating risks of the Company, without prejudice to the Company and shareholders as a whole.
- (2) The Company established the Administrative Measures on Angang Steel Company Limited Commodity Futures Hedging, and clarified internal control procedures such as the business operation procedures, approval process and risks prevention and control, thereby providing assurance for the Company's control of hedging-related risks.
- (3) The Company confirmed that the maximum amount and the types of products for trading under the annual hedging guarantees were reasonable and in line with the actual situation of production and operation of the Company, and thus, favorable to the Company's reasonable control over trading risks.

## VII. DISPOSAL OF SIGNIFICANT ASSETS AND EQUITY INTERESTS

### 1. Disposal of significant assets

Applicable       Not applicable

### 2. Disposal of significant equity interests

Applicable       Not applicable

## VIII. ANALYSIS OF MAJOR SUBSIDIARIES AND INVESTEEES

*Unit: RMB million*

Name of companies	Type of companies	Industry	Principal products or services	Registered capital	Total assets	Net assets	Operating income	Operating profit	Net profit
ANSC-TKS	Sino-foreign cooperative venture	Steel pressing and processing industry	Production of rolled hot dip galvanized steel products and alloyed steel plate and strip products, sale of self-produced products and provision of after-sale services	USD132 million	2,194	1,382	2,706	341	291
Angang Financial Company	Company with limited liability	Financial	Deposit, lending and financing	4,000	20,798	7,131	514	439	335

Acquisition and disposal of subsidiaries during the Reporting Period

Applicable       Not applicable

## IX. STRUCTURED ENTITIES CONTROLLED BY THE COMPANY

Applicable       Not applicable



## **X. RISK EXPOSURES AND RISK RESPONSE MEASURES OF THE COMPANY**

### **1. Environmental protection risks**

#### (1) Details of the risks

With the implementation of the new Environmental Protection Law, the new standards on emissions of pollutants and other relevant laws, the regulation and enforcement of the government have become increasingly demanding, the supervision and standards with respect of the environmental protection measures of companies is stricter, and the requirements on the environmental protection measures of companies have increased due to the higher public awareness of environmental protection, exerting enormous pressure on the steel and iron industry in terms of environmental protection.

#### (2) Risk management solutions

In accordance with the requirements under environmental protection standards and relevant laws and regulation, the Company will put a lot of effort into pollution management. Adhering to the “zero tolerance” concept, the Company will conduct its environmental protection works and actively adopt risk aversion measures in order to avoid default events in relation to environmental protection laws and regulation. The Company will also make a great effort into conducting reform to raise the emission standards, implement key projects for energy conservation, emission reduction and control, and facilitate the Blue Sky Project in an orderly manner. In respect of the new projects, it will strictly implement the eco-friendly system that requires the design, construction and operation of the pollution control facilities to be simultaneous with those of the principal project, and suspend the commencement of projects pending approval from the environment assessment authority. It will speed up the rectification of construction projects in order to complete the environmental protection filing for such projects.

**X. RISK EXPOSURES AND RISK RESPONSE MEASURES OF THE COMPANY** (*Continued*)

**2. Human resources risks – material risk exposure**

(1) Details of the risks

The overall plan on human resources is not specific, and it is not closely related to the development strategy of the Company. Management over the key personnel team is not satisfactory, while the incentive mechanism is insufficient and not attractive enough. There is too much on-duty staff with unreasonable structure, high labor cost and unsound development mechanism. The unsound exit mechanism for human resources has become an obstacle for the sustainable development of the Company.

(2) Risk management solutions

Aiming to improve labor production rate, the Company will deepen the reform on management assignment, labor employment and income allocation. Moreover, it will strengthen the composition of key personnel team, optimize human resources allocation, control labor cost, arrange proper job assignment, promote corporate reform and development, and improve production efficiency, thereby enhancing its core competitiveness.

## **X. RISK EXPOSURES AND RISK RESPONSE MEASURES OF THE COMPANY** (*Continued*)

### **3. Procurement risks**

#### (1) Details of the risks

Prolong fluctuation at a high level of external coal and coke prices and increase in raw material prices may result in high procurement cost, thus lowering the profits of steel companies. It is expected that it will be more difficult to predict the iron ore prices due to their greater fluctuation in 2017. Hence, the occurrence and impact of possible procurement risks will be greater.

#### (2) Risk management solutions

The Company always closely monitors the changes in delivery, consumption and storage of various bulk raw materials and fuels. It will make procurement based on inventory during non-peak seasons so as to mitigate the impacts of contingency on supply, thereby ensure smooth production. The Company will put a great effort into procurement tendering and improve the accuracy of demand plan so as to avoid emergency procurement. It will maintain its inventory at a reasonable level, and reduce the funds set aside. In respect of rare raw materials and fuels, the Company will make procurement from major suppliers in China through strategic cooperation, and strengthen the stability of supplier channels, thereby ensuring stable production and supply. The Company will also put a great effort into the management of contracts and suppliers, inspections and random inspections of procurement operations, and enhance the management standard of procurement product quality, thereby ensuring the quality of procurement.

Adhering to the concept of “secure supply” and aiming to achieve the goal of “continuous and standardized” production, the Company will strengthen the awareness of quality management and make secure supply its top priority.

## **X. RISK EXPOSURES AND RISK RESPONSE MEASURES OF THE COMPANY** *(Continued)*

### **4. Marketing risks – material risk exposure**

#### (1) Details of the risks

The production capacity reduction of the steel industry has a limited role in enhancing industry competitiveness and optimizing the market environment. The existing heavy overcapacity in the steel industry remains unsolved with substantial imbalance between supply and demand. The overall market demand in the lower-stream industry remains sluggish. The Company may face a more intense competition in facilitating brand marketing, characteristic marketing and service marketing, and enhancing its brand influence, leadership in price determination and market share.

#### (2) Risk management solutions

Adhering to the implementation of the working requirement of “one goal, one strategy, two alternation and two reforms”, the Company will facilitate brand marketing, characteristic marketing and service marketing, and enhance its brand influence, leadership in price determination and market share.

The Company will strengthen the establishment of marketing systems and mechanisms, build up the philosophy of “expanding direct supply, stabilizing supply channels, increasing direct sales”, and continue to optimize its systems and mechanisms. Making regional sale companies as the principal distribution agent, the Company will facilitate the reform of regional sale companies, thereby achieving the goal of “sale with available stocks, direct marketing and direct sales”. The Company will accelerate the process of transformation, from a simple commercial service provider transforming into multi-service comprehensive service provider. It will focus on its works centering on product types and customers.

# Report of the Board of Directors (*Continued*)

## XI. EMPLOYEES

As at 30 June 2017, the constitution of employees is set out below:

*Unit: Person*

**30 June 2017**

Number of current employees in the Company	35,704
Number of current employees in major subsidiaries	914
Total number of current employees	36,618
Total number of employees receiving remuneration during the current period	36,618
Number of ex-employees or retired employees for which the Company and the major subsidiaries have obligations	0

### Specialty composition

<b>Category of specialty composition</b>	<i>Number of people</i>
Production	29,756
Sales	568
Technical	4,138
Finance	296
Administration	937
Others	923
<b>Total</b>	<b>36,618</b>

### Education level

<b>Category of education level</b>	<i>Number of people</i>
Bachelor's degree and above	9,513
Post-secondary	9,834
Technical secondary school	15,952
Others	1,319
<b>Total</b>	<b>36,618</b>

### **XI. EMPLOYEES** (*Continued*)

In the first half of the year, adhering to the principles of focusing on services, managing to survive and seeking development, the Company continued to facilitate the improvement in professional quality of employees. Striving for innovation-oriented operation, structural optimization and green development while seizing the key opportunities arising from human resources optimization and reform, the Company further facilitated the implementation of talent priority development strategy, maximized the pilot and innovative levels of trainings and continued to enhance the attractiveness of training works, thus realizing effective connection between training and production and operation. As at the end of June, the Company conducted annual special corporate training with attendance of 10,667. The attendance of knowledge training for junior staff, skill training for junior staff and safety training for certified staff engaging in specialized operations was 14,168, 19,856 and 4,940, respectively. The Company fulfilled its goals on training programs.

As a result of a series of training, extensive talent and intellectual support were provided to the Company for its development. The overall quality of employees had been substantially improved and corporate competitiveness was comprehensively enhanced.

The Company has adopted position-based incentive packages and risk-based annual remuneration packages for senior management personnel, position-based incentive packages and profit-sharing incentives of profit from newly-developed products for technical research personnel, sales/profit-related remuneration packages for sales personnel, and position-based incentive packages for other personnel.

### **XII. PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY**

During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

### **XIII. SECURITIES TRANSACTIONS OF DIRECTORS**

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

### **XIV. INDEPENDENT NON-EXECUTIVE DIRECTORS**

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

### **XV. AUDIT COMMITTEE**

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

The Audit Committee and the management have reviewed the accounting standards, principles and measurements adopted by the Company, and considered the interim financial report in relation to audit, internal control and the unaudited interim financial report for the six months ended 30 June 2017.

## I. ANNUAL GENERAL MEETING AND EXTRAORDINARY GENERAL MEETING CONVENED DURING THE REPORTING PERIOD

### 1. General Meetings During the Reporting Period

<b>Meeting</b>	<b>Type of meeting</b>	<b>Participation</b>	<b>Date</b>
2017 first extraordinary general meeting	Extraordinary general meeting	71.66%	15 February 2017
2016 annual general meeting	Annual general meeting	71.67%	8 June 2017

## II. PROPOSALS OF PROFIT DISTRIBUTION AND TRANSFER OF RESERVE TO SHARE CAPITAL DURING THE REPORTING PERIOD

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



**III. THE UNDERTAKINGS PERFORMED BY RELEVANT UNDERTAKING PARTIES INCLUDING DE FACTO CONTROLLERS OF THE COMPANY, SHAREHOLDERS, CONNECTED PARTIES, OFFERORS AND THE COMPANY DURING THE REPORTING PERIOD AS WELL AS THE UNDERTAKINGS THAT THEY HAVE NOT YET PERFORMED AS AT THE END OF THE REPORTING PERIOD**

Undertaking	Undertaking Party	Type of Undertaking	Contents of Undertaking	Date of Undertaking	Period of Undertaking	Performance of Undertaking
Undertaking made during the restructuring of assets	Angang Holding	Industry competition commitments	<p>The Non-competition Undertaking Letter of Anshan Iron &amp; Steel Group Complex (《鞍山鋼鐵集團公司避免同業競爭承諾函》):</p> <p>(1) Angang Holding and its wholly-owned and holding subsidiaries have complied with relevant requirements of the state on the non-competition.</p> <p>(2) Angang Holding and its wholly-owned and holding subsidiaries have never engaged in any business which directly or indirectly competes with the iron and steel business, the principal business of the Company.</p> <p>(3) Angang Holding undertakes that the Company is entitled to the pre-emptive rights for the assets and business to be disposed by Angang Holding or the wholly-owned and controlling subsidiaries of Angang Holding, which are related to the iron and steel business of the Company.</p>	20 May 2007	Indefinite	There was no breach of such undertaking

**III. THE UNDERTAKINGS PERFORMED BY RELEVANT UNDERTAKING PARTIES INCLUDING DE FACTO CONTROLLERS OF THE COMPANY, SHAREHOLDERS, CONNECTED PARTIES, OFFERORS AND THE COMPANY DURING THE REPORTING PERIOD AS WELL AS THE UNDERTAKINGS THAT THEY HAVE NOT YET PERFORMED AS AT THE END OF THE REPORTING PERIOD (*Continued*)**

Undertaking	Undertaking Party	Type of Undertaking	Contents of Undertaking	Date of Undertaking	Period of Undertaking	Performance of Undertaking
			<p>(4) If the enterprises in which Angang Holding holds equity interests produce products or engage in business which compete or may compete with the Company, Angang Holding undertakes that it will transfer all the capital contribution, shares or equity interests and grant the Company preemptive rights for such capital contribution, shares or equity interests.</p> <p>(5) If Angang Holding and its wholly-owned and holding subsidiaries have assets and business which compete or may compete with the Company, when the Company proposes the purchase requirement, Angang Holding and its wholly-owned and holding subsidiaries will transfer relevant assets and business to the Company with priority based on reasonable prices and conditions according to the processes required by laws.</p> <p>(6) During the effective period of the undertakings, on the premise of equal investment qualifications, Angang Holding shall inform the Company first for the opportunity of new business.</p>			

## Significant Events (Continued)

### III. THE UNDERTAKINGS PERFORMED BY RELEVANT UNDERTAKING PARTIES INCLUDING DE FACTO CONTROLLERS OF THE COMPANY, SHAREHOLDERS, CONNECTED PARTIES, OFFERORS AND THE COMPANY DURING THE REPORTING PERIOD AS WELL AS THE UNDERTAKINGS THAT THEY HAVE NOT YET PERFORMED AS AT THE END OF THE REPORTING PERIOD (Continued)

Undertaking	Undertaking Party	Type of Undertaking	Contents of Undertaking	Date of Undertaking	Period of Undertaking	Performance of Undertaking
			<p>If the Company accepts such opportunity of new business, Angang Holding shall transfer such new business to the Company for free. Angang Holding and its wholly-owned and holding subsidiaries have the rights to invest in the new business only if the Company expressly refuses such opportunity.</p> <p>If the Company proposes the purchase requirement in the future, Angang Holding and its wholly-owned and holding subsidiaries still need to transfer the assets and business formed by such opportunities to the Company with priority based on reasonable prices and conditions.</p> <p>(7) Other effective measures to avoid and eliminate horizontal competition.</p> <p>The above undertakings do not limit the business of Angang Holding and its wholly-owned and holding subsidiaries which do not compete with the Company, especially the business of provision of required materials or services necessary for the operation of the Company.</p>			

**III. THE UNDERTAKINGS PERFORMED BY RELEVANT UNDERTAKING PARTIES INCLUDING DE FACTO CONTROLLERS OF THE COMPANY, SHAREHOLDERS, CONNECTED PARTIES, OFFERORS AND THE COMPANY DURING THE REPORTING PERIOD AS WELL AS THE UNDERTAKINGS THAT THEY HAVE NOT YET PERFORMED AS AT THE END OF THE REPORTING PERIOD (*Continued*)**

Undertaking	Undertaking Party	Type of Undertaking	Contents of Undertaking	Date of Undertaking	Period of Undertaking	Performance of Undertaking
			<p>All the undertakings made by Angang Holding are based on the national requirements and subject to the adjustments according to the national requirements. Angang Holding is eligible for engaging in business not prohibited by the state.</p> <p>Such undertakings became effective from the date of issuance, and shall be terminated once one of following conditions occurs:</p> <ol style="list-style-type: none"> <li>(1) Angang Holding ceases to be the controlling shareholder of the Company;</li> <li>(2) The shares of the Company cease to be listed on any stock exchanges (except for temporary suspension of the shares of the Company due to any reason);</li> <li>(3) When the state does not require the contents of certain undertakings, relevant section shall be terminated automatically.</li> </ol>			

**III. THE UNDERTAKINGS PERFORMED BY RELEVANT UNDERTAKING PARTIES INCLUDING DE FACTO CONTROLLERS OF THE COMPANY, SHAREHOLDERS, CONNECTED PARTIES, OFFERORS AND THE COMPANY DURING THE REPORTING PERIOD AS WELL AS THE UNDERTAKINGS THAT THEY HAVE NOT YET PERFORMED AS AT THE END OF THE REPORTING PERIOD (Continued)**

Undertaking	Undertaking Party	Type of Undertaking	Contents of Undertaking	Date of Undertaking	Period of Undertaking	Performance of Undertaking
Whether the commitments are fulfilled on time	Yes		Considering that Angang Holding does not have any iron and steel production projects in production which compete with the Company, therefore, the undertakings made in the undertaking letter shall prevail if any inconsistencies occur between such undertakings and all the undertakings made by Angang Holding concerning the competitions with the Company before the date of the issuance of the undertaking letter.			

### **IV. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRM**

The interim report is unaudited.

### **V. MATTERS RELATING TO INSOLVENCY AND RESTRUCTURING**

There was no matter relating to insolvency and restructuring during the Reporting Period.

### **VI. LITIGATION**

The Company was not involved in any material litigation and arbitration during the Reporting Period.

### **VII. PENALTY AND RECTIFICATION**

Applicable       Not applicable

### **VIII. CREDIBILITY OF THE COMPANY, ITS CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLERS**

Applicable       Not applicable

## Significant Events (Continued)

### IX. MAJOR CONNECTED TRANSACTIONS

#### 1. Continuing connected transactions related to daily operations

##### A. Connected party: Angang Group

Connected relationship: Controlling shareholder of the Company

Settlement method of the connected transaction: Cash payment

Type	Details	Pricing principle	Price <i>(RMB)</i>	Amount <i>(RMB million)</i>	As a percentage of the amount of similar transactions <i>(%)</i>	Transaction cap approved <i>(RMB million)</i>	Whether exceeding approved cap	Market price of available similar transactions
Procurement of principal raw materials from the connected party	Iron concentrate	Not higher than the average value of medium price of Platts 65% CFR price for the northern part of China (Qingdao Port) announced daily by SBB Steel Markets Daily in the first month preceding the month of the transaction (T-1)", plus the transportation cost from Bayuquan Port to Angang Steel, and adjusted upwards or downwards based on each iron concentration calculated by reference to the average value of Platts 65%, in the first month preceding the month of the transaction (T-1)". A discount equal to 3% of the average value of Platts 65% in the first month preceding the month of the transaction (T-1)" shall apply to the price determined pursuant to the formula set out above.	RMB654/ton	3,565	66.39	-	-	RMB622/ton
	Pellet	Market price	RMB705/ton	2,067	98.04	-	-	RMB723/ton

## IX. MAJOR CONNECTED TRANSACTIONS (Continued)

### 1. Continuing connected transactions related to daily operations (Continued)

#### A. Connected party: Angang Group (Continued)

Type	Details	Pricing principle	Price (RMB)	Amount (RMB million)	As a percentage of the amount of similar transactions (%)	Transaction cap approved (RMB million)	Whether exceeding approved cap	Market price of available similar transactions
	Sinter ore	The price of iron concentrate plus processing cost in the preceding one month (T-1)*, the processing cost of which should not be higher than that of similar products produced by Angang Steel.	RMB720/ton	1,093	100.00	-	-	-
	Karara magnetite	Premium products (iron grade≥67.2%): not higher than the average price of such products in Mainland China sold to independent third parties in the corresponding period (which is the shipment month). The sales of premium products of Karara Mining in Mainland China sold to independent third parties are not less than 30% of the then total sales of Karara Mining's premium products.  Standard products (67.2% > iron grade≥65%): the price is calculated by reference to the average value of medium price of Platts 65% CFR price for the northern part of China (Qingdao Port) announced daily by SBB Steel Markets Daily, plus the difference of the transportation cost of shipping in dry ton from Qingdao Port to Bayuquan, Liaoning Province, as divided by 65 and multiplied by the actual grade after loading in the place of loading in the corresponding month.	RMB664/ton	616	100.00	-	-	RMB622/ton



## Significant Events (Continued)

### IX. MAJOR CONNECTED TRANSACTIONS (Continued)

#### 1. Continuing connected transactions related to daily operations (Continued)

##### A. Connected party: Angang Group (Continued)

Type	Details	Pricing principle	Price (RMB)	Amount (RMB million)	As a percentage of the amount of similar transactions (%)	Transaction cap approved (RMB million)	Whether exceeding approved cap	Market price of available similar transactions
		Low standard products (65% > iron grade ≥59%); the price is calculated by reference to the average value of medium price of Platts 62% iron CFR price for the northern part of China (Qingdao Port) announced daily by SBB Steel Markets Daily, plus the difference of the transportation cost of shipping in dry ton from Qingdao Port to Bayuquan, Liaoning Province, as divided by 62 and multiplied by the actual grade after loading in the place of loading in the corresponding month.						
	Scrap	Market price	-	91	12.04	-	-	-
	Billets		-	121	100.00	-	-	-
	Alloy and non-ferrous metal		-	70	3.65	-	-	-
	Sub-total	-	-	7,623	63.68	19,800	No	-
Procurement of energy and power from the connected party	Electricity	State price	RMB0.43/kWh	785	35.72	-	-	RMB0.43/kWh
	Water	State price	RMB2.10/ton	22	28.31	-	-	RMB2.10/ton
	Sub-total	-		807	35.48	2,805	No	-

**IX. MAJOR CONNECTED TRANSACTIONS (Continued)**

**1. Continuing connected transactions related to daily operations (Continued)**

A. Connected party: Angang Group (Continued)

Type	Details	Pricing principle	Price (RMB)	Amount (RMB million)	As a percentage of the amount of similar transactions (%)	Transaction cap approved (RMB million)	Whether exceeding approved cap	Market price of available similar transactions
Purchase of ancillary products from the connected party	Lime stone	Not higher than the selling prices offered by Angang Group to independent third parties	RMB60/ton	78	77.32	-	-	-
	Lime powder		RMB407/ton	314	98.11	-	-	-
	Refractory materials		-	127	27.16	-	-	-
	Spare parts and tools		-	115	10.50	-	-	-
	Other ancillary materials		-	135	16.56	-	-	-
	Sub-total		-	-	769	27.48	2,915	No
Purchase of support services from the connected party	Railway transportation services	State price	-	230	52.84	-	-	-
	Road transportation services	Market price	-	279	88.71	-	-	-
	Pipeline transportation services		-	27	100.00	-	-	-
	Agency services: - Import of raw materials, equipment, spare parts and ancillary materials - Export of products - Tendering	Commission not higher than 1.5% (not more than the commissions levied by major state-owned import and export companies of China)	-	62	100.00	-	-	-
	Equipment repair, and maintenance and services	Market price	-	144	19.44	-	-	-

## Significant Events (Continued)

### IX. MAJOR CONNECTED TRANSACTIONS (Continued)

#### 1. Continuing connected transactions related to daily operations (Continued)

##### A. Connected party: Angang Group (Continued)

Type	Details	Pricing principle	Price (RMB)	Amount (RMB million)	As a percentage of the amount of similar transactions (%)	Transaction cap approved (RMB million)	Whether exceeding approved cap	Market price of available similar transactions
	Design and engineering services	Market price	-	77	72.33	-	-	-
	Educational facilities, occupational technical education, on-the-job training and translation services	Market price	-	0.2	15.93	-	-	-
	Newspaper and other publications	State price	-	0.03	11.98	-	-	-
	Telecommunication business, telecommunication services and information systems	State price or the sum of depreciation expenses and maintenance fees	-	8	73.25	-	-	-
	Production support and maintenance	Costs of labor and materials and management fees as paid based on market prices	-	314	50.98	-	-	-
	Welfare support and maintenance	Costs of labor and materials and management fees as paid according to their market price	-	92	91.42	-	-	-

**IX. MAJOR CONNECTED TRANSACTIONS (Continued)**

**1. Continuing connected transactions related to daily operations (Continued)**

A. Connected party: Angang Group (Continued)

Type	Details	Pricing principle	Price (RMB)	Amount (RMB million)	As a percentage of the amount of similar transactions (%)	Transaction cap approved (RMB million)	Whether exceeding approved cap	Market price of available similar transactions
	Environmental protection and security monitoring	State price	-	0.3	58.07	-	-	-
	Business reception and meeting expenses	Market price	-	0.8	35.56	-	-	-
	Greening services	Costs of labor and materials and management fees as paid based on market prices	-	13	100.00	-	-	-
	Port agency services	Market price	-	103	100.00	-	-	-
	Sub-total	-	-	1,350	55.53	6,000	No	-
Buyout of steel products from the connected party	Steel products	Determined based on the price offered by Angang Steel to third parties deducting a commission of RMB20-35/ton	-	6	100.00	550	No	-
Sale of goods to the connected party	Steel products	The selling price charged by the Group to the independent third parties; for provision of aforesaid products for the development of new products by the other party, the price is based on the market price if the market price exists; if the market price is absent, the price is based on the principle of the cost plus a reasonable profit, while the reasonable profit rate is not higher than the average gross profit margin of related products provided by the relevant member company	RMB3,466/ton	225	0.63	-	-	-
	Molten iron		RMB2,247/ton	57	100.00	-	-	-
	Coke		RMB1,010/ton	18	90.27	-	-	-
	Chemical by-products		-	36	3.67	-	-	-
	Sub-total	-	-	336	0.90	5,050	No	-

## Significant Events (Continued)

### IX. MAJOR CONNECTED TRANSACTIONS (Continued)

#### 1. Continuing connected transactions related to daily operations (Continued)

##### A. Connected party: Angang Group (Continued)

Type	Details	Pricing principle	Price <i>(RMB)</i>	Amount <i>(RMB million)</i>	As a percentage of the amount of similar transactions <i>(%)</i>	Transaction cap approved <i>(RMB million)</i>	Whether exceeding approved cap	Market price of available similar transactions
Sale of scrap and obsolete material to the connected party	Scrap	Market price	-	114	56.69	-	-	-
	Obsolete materials		-	1	14.29	-	-	-
	Sub-total	-	-	115	54.85	305	No	-
Provision of comprehensive services to the connected party	Fresh water	State price	RMB3.19/ton	17	94.34	-	-	RMB3.19/ton
	Clean recycled water	Market price or production cost plus a gross profit margin of not lower than 5%	RMB0.75/ton	4	38.78	-	-	-
	Gas		RMB44.54/GJ	242	85.30	-	-	-
	Blast furnace gas		RMB20/GJ	154	99.53	-	-	-
	Steam		RMB52/GJ	12	70.92	-	-	RMB52/GJ
	Nitrogen		RMB200/km <sup>3</sup>	1	40.28	-	-	-

## Significant Events (Continued)

### IX. MAJOR CONNECTED TRANSACTIONS (Continued)

#### 1. Continuing connected transactions related to daily operations (Continued)

##### A. Connected party: Angang Group (Continued)

Type	Details	Pricing principle	Price (RMB)	Amount (RMB million)	As a percentage of the amount of similar transactions (%)	Transaction cap approved (RMB million)	Whether exceeding approved cap	Market price of available similar transactions
	Oxygen		RMB504/km <sup>3</sup>	0.5	80.01	-	-	-
	Argon		RMB1,000/km <sup>3</sup>	0.3	96.21	-	-	-
	Compressed air		RMB106/km <sup>3</sup>	0.2	24.70	-	-	-
	Used hot water		RMB27.92/GJ	44	96.37	-	-	RMB27.43/GJ
	Liquid nitrogen		RMB448/ton	4	100.00	-	-	RMB448/ton
	Liquid oxygen		RMB410/ton	9	100.00	-	-	RMB410/ton
	Liquid argon		RMB661/ton	2	100.00	-	-	RMB661/ton
	Product testing services	Market price	-	2	57.03	-	-	-
	Transportation services		-	0.08	100.00	-	-	-
	Sub-total		-	492	38.79	1,450	No	-
Relevant explanation on connected party transactions	As production in the iron and steel industry is on a continuous basis, Angang Holding has been engaged in mining, supplying, processing and manufacturing of raw materials, auxiliary materials and energy and power, which is a part of the supply chain of the Company. In the meantime, its subsidiaries have a high technological level and service capabilities, which can provide necessary support services for production and operation of the Company. The Company would sell certain products, abandoned steel, abandoned materials and integrated services to Angang Holding which is a client of the Company.							
Reason for the Difference between transaction price and market reference price	The prices of iron concentrate and Karara magnetite were higher than the market price as there was a difference between their grades. The grade of iron concentrate and Karara magnetite from Angang Group purchased by the Company was around 67% while that of the imported iron ore for large and medium iron and steel enterprise of the China Iron and Steel Association was 61.69% in average during the first half of 2017, thus resulting in a difference of approximately RMB50/ton.							

## Significant Events (Continued)

### IX. MAJOR CONNECTED TRANSACTIONS (Continued)

#### 1. Continuing connected transactions related to daily operations (Continued)

##### B. Connected party: Angang Financial Company

Connected party relationship: Indirectly controlled by the same controlling shareholder of the Company

Settlement method of the connected party transaction: Cash payment

Type	Details	Pricing principle	Price	Amount (RMB million)	As a percentage of the amount of similar transactions (%)	Transaction cap approved (RMB million)	Whether exceeding the approved cap
Financial services provided to the Company by the connected party	Interest on settlement fund deposits	Based on the benchmark annual interest rates on agreement deposits as stipulated by the People's Bank of China	–	7	26.07	50	No
	Maximum daily balance of deposit (including accrued interests)	–	–	1,995	–	2,000	No
	Interest payable on credit business	Not higher than the interest rate obtained by the Group from commercial banks during the same period	–	2	0.32	150	No
	Interest payable on entrusted loans		–	–	–	100	No
Relevant explanation on the connected transactions	<p>The Company utilized the free settlement platform provided by Angang Financial Company and deposited a part of saving for the use of daily settlement in order to improve the operational efficiency of capital settlement of the Company. Meanwhile, the Company can also acquire a financing channel from Angang Financial Company to provide a safe protection for the capital of the Company.</p> <p>The Company carried out strict budget control for the capital settlement in Angang Financial Company and, through online financial service system (i.e. N9 System) implemented monthly budget control, weekly expenditure plan, and daily implementation break down in accordance with the capital expenditure item. Each capital expenditure shall have a corresponding budget limit and weekly expenditure plan to ensure the security of the use of the Company's capital settlement.</p> <p>According to the Financial Service Agreement entered into between the Company and Angang Financial Company, the Company set up an alert function for the maximum daily deposit in the N9 System. When the deposit balance reaches 80% of the limit, the N9 System will alert the Company. The department in charge will adjust the deposit amount in a timely manner in accordance with the collection and payment plan of the period.</p>						

## IX. MAJOR CONNECTED TRANSACTIONS (Continued)

### 1. Continuing connected transactions related to daily operations (Continued)

C. Connected party: Pangang Vanadium & Titanium Group

Connected relationship: Indirectly controlled by the same controlling shareholder of the Company

Settlement method of the connected transaction: Cash payment

Type	Details	Pricing principle	Price (RMB)	Amount (RMB million)	As a percentage of the amount of similar transactions (%)	Transaction cap approved (RMB million)	Whether exceeding approved cap	Market price of available similar transactions
Purchase of raw materials from the connected party	Alloy	Market price	RMB100.036/ton	15	0.78	-	-	-
	Total		-	15	0.78	1,890	No	-
Relevant explanation on connected transactions	Pangang Vanadium & Titanium supplied alloy for the Company at the market price, which provided guarantee for the Company in obtaining continuous and stable supply of raw materials.							

### 2. Connected transactions in relation to asset or equity acquisition or disposal

There was no connected transaction in relation to asset acquisition and disposal during the Reporting Period.

### 3. Connected transactions in relation to joint external investments

There was no connected transaction in relation to joint external investment during the Reporting Period.



## Significant Events *(Continued)*

### **IX. MAJOR CONNECTED TRANSACTIONS *(Continued)***

#### **4. Connected party credit and debt transaction**

During the Reporting Period, the Company was not involved in any connected party credit and debt transaction for non-operating purpose.

As at 30 June 2017, bank borrowings of RMB40 million were guaranteed by Angang Holding whereas bank borrowings of RMB1,000 million were guaranteed by Angang Group Company.

### **X. NON-OPERATING USE OF THE CAPITAL OF THE LISTED COMPANY BY THE CONTROLLING SHAREHOLDER AND ITS CONNECTED PARTIES**

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

### **XI. MATERIAL CONTRACTS AND THEIR PERFORMANCE**

#### **1. Entrustment, contracting and leasing matters**

##### **(1) Entrustment**

The Supply of Materials and Services Agreement (2016–2018) entered into between the Company and Angang Group Company was approved at the 2015 second extraordinary general meeting of the Company held on 12 October 2015. On 22 October 2015, the Company and Angang Group Company entered into the Asset and Business Entrustment and Management Service Agreement, which is the specific agreement in relation to execution pursuant to the approved Supply of Materials and Services Agreement (2016–2018). Pursuant to the Asset and Business Entrustment and Management Service Agreement, Angang Group Company authorized the Company to conduct daily operation and management over the assets, businesses, future assets and business expansion of its unlisted controlling subsidiaries.

### **XI. MATERIAL CONTRACTS AND THEIR PERFORMANCE** (*Continued*)

#### **1. Entrustment, contracting and leasing matters** (*Continued*)

##### (1) Entrustment (*Continued*)

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

##### (2) Contracting

The Company did not enter into any contracting out agreement during the Reporting Period.

##### (3) Leasing

The Company did not enter into any significant leasing agreement during the Reporting Period.

#### **2. Guarantee**

During the Reporting Period, there was no guarantee provided by the Company, nor was there any guarantee subsisting during the Reporting Period.

#### **3. Other material agreement**

The Company did not enter into any other material agreement during the Reporting Period.

### XII. SOCIAL RESPONSIBILITIES

#### 1. Performance of Social Responsibilities Regarding Targeted Poverty Alleviation

- (1) Summary of Targeted Poverty Alleviation Works in the First Half of the Year

In the first half of the year, the Company did not conduct any targeted poverty alleviation project. The annual poverty alleviation project will commence in the second half of the year.

- (2) Subsequent Targeted Poverty Alleviation Plan

The Company intends to, based on the procurement price for tender of the Company and the principle of comparable price of comparable quality, procure silicomanganese products from two enterprises, which are located in Jianchang County, Huludao, Liaoning Province, on priority basis, thus creating job opportunities in Jianchang County and facilitating poverty alleviation works indirectly.

The Company intends to provide raw materials for photovoltaic metal plates by donating some steel products (mainly included seamless pipes, square steel bars, steel bars and steels) in order to offer assistance in the photovoltaic industry development plan in Jianchang County.

The Company intends to strengthen its cooperation with Xinhua Iron Mine in Xiuyan Manchu Autonomous County, Anshan. Given that product quality has been guaranteed, the Company will procure products from the said company on priority basis based on the market principle, thus promoting the development of pillar enterprises in Shihuiyao Town, Xiuyan Manchu Autonomous County, Anshan, increasing financial income of the town and revitalizing local economic development.

## XII. SOCIAL RESPONSIBILITIES (Continued)

### 2. Significant Environmental Protection Issue

Name of company or subsidiary	Major pollutant and featured pollutant	Emission method	Number of drain	Distribution of drain	Emission concentration (mg/m <sup>3</sup> )	Implemented emission standard for pollutant (mg/m <sup>3</sup> )	Total emission volume (ton)	Approved emission volume	Over emission	
Angang Steel Company Limited	COD	Treated wastewater will be discharged in compliance with emission standard	1	Nandagou main drain	<50	50	149	Not yet approved by governmental authority	None	
	Ammonia nitrogens	Treated wastewater will be discharged in compliance with emission standard	1	Nandagou main drain	<5	5	33.6		None	
	Particulate matter	Treated waste gas will be discharged in compliance with emission standard	Coal smelting	195	Iron smelting	<30	30		5,275.3	None
			Steel smelting		<50	50				
			Steel smelting		<20	20				
			Steel rolling		<30	30				
	Sulphur dioxide	Treated waste gas will be discharged in compliance with emission standard	Coal smelting	67	Sintering	<100	100		6,389.3	None
			Sintering		<200	200				
			Steel rolling		<150	150				
	Nitrogen oxide	Treated waste gas will be discharged in compliance with emission standard	Coal smelting	67	Sintering	<500	500		11,648.1	None
			Sintering		<300	300				
			Steel rolling		<200	200				

#### Suggestion and Operation of Pollution Prevention Facilities:

In the first half of 2017, there was no material pollution issue. Existing environmental protection facilities were operated steadily and pollutants were discharged in compliance with emission standards. Moreover, radioactive sources and radiation devices were operated safely and hazardous wastes were discharged in compliance with regulations. The Company approved and implemented the exhaust management project for recycled drums cooling zone of chemical business unit (化工事業部一三回收鼓冷區尾氣治理項目) and the noise management project for iron smelting main plant and coal smelting main plant, thereby contributing to the improvement of environment condition.

### **XIII. CORPORATE GOVERNANCE OF THE COMPANY**

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

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

### **XIII. CORPORATE GOVERNANCE OF THE COMPANY** (*Continued*)

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

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

The Company did not arrange any insurance cover for its Directors in the first half of 2017.

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

# Movements in Share Capital and Shareholding of Substantial Shareholders

## I. MOVEMENTS IN SHARES

### 1. Movements in Shares

As at 30 June 2017, the structure of share capital of the Company was as follows:

*Unit: Share*

	Before the change		Increase/decrease during the period (+, -)					After the change	
	Number	Percentage (%)	Issue of new shares	Bonus shares	Shares transferred from accumulated fund	Others	Sub-total	Number	Percentage (%)
<b>I. Shares subject to trading moratorium</b>	13,237	0.00	-	-	-	-	-	13,237	0.00
1. State-owned shares	-	-	-	-	-	-	-	-	-
2. State-owned legal person shares	-	-	-	-	-	-	-	-	-
3. Other domestic shares	-	-	-	-	-	-	-	-	-
Including: Shares held by domestic legal persons	-	-	-	-	-	-	-	-	-
Shares held by domestic natural persons	13,237	0.00	-	-	-	-	-	13,237	0.00
4. Foreign investment shares	-	-	-	-	-	-	-	-	-
Including: Shares held by overseas legal persons	-	-	-	-	-	-	-	-	-
Shares held by overseas natural persons	-	-	-	-	-	-	-	-	-
<b>II. Shares not subject to trading moratorium</b>	7,234,794,610	100.00	-	-	-	-	-	7,234,794,610	100.00
1. Renminbi ordinary shares	6,148,994,610	84.99	-	-	-	-	-	6,148,994,610	84.99
2. Domestically listed foreign investment shares	-	-	-	-	-	-	-	-	-
3. Overseas listed foreign investment shares	1,085,800,000	15.01	-	-	-	-	-	1,085,800,000	15.01
4. Others	-	-	-	-	-	-	-	-	-
<b>III. Total shares</b>	<b>7,234,807,847</b>	<b>100.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,234,807,847</b>	<b>100.00</b>

## II. NUMBER OF SHAREHOLDERS AND DETAILS OF SHAREHOLDING OF THE COMPANY

Unit: Share

The total number of shareholders of the Company as at the end of the Reporting Period 110,318, of which 547 were holders of H shares

### Shareholding of shareholders of ordinary shares interested in 5% or more of the shares of the Company or top ten shareholders of ordinary shares

Name of shareholder	Nature of shareholder	Percentage of shareholding (%)	Number of ordinary shares as at the end of the Reporting Period	Increase/decrease during the Reporting Period	Number of ordinary shares held subject to trading moratorium	Number of ordinary shares held not subject to trading moratorium	Pledged or frozen Status of shares	Amount
Anshan Iron & Steel Group Complex* (鞍山鋼鐵集團公司)	State-owned legal person	67.29	4,868,547,330	0	-	4,868,547,330	-	-
HKSCC Nominees Limited	Overseas legal person	14.85	1,074,659,463	+399,807	-	1,074,659,463	-	-
China Securities Finance Corporation Limited	Domestic general legal person	2.99	193,281,710	-23,041,200	-	193,281,710	-	-
Central Huijin Investment Ltd.	Domestic general legal person	1.00	72,575,900	0	-	72,575,900	-	-
Abu Dhabi Investment Authority	Others	0.23	25,290,600	+2,563,600	-	25,290,600	-	-
ICBC Credit Suisse Fund – Agricultural Bank of China – ICBC Credit Suisse China Securities Financial Asset Management Plan	Others	0.23	16,652,700	0	-	16,652,700	-	-
Central European Fund – Agricultural Bank of China – Central European China Securities Financial Asset Management Plan	Others	0.23	16,652,700	0	-	16,652,700	-	-
Bosera Fund – Agricultural Bank of China – Bosera China Securities Financial Asset Management Plan	Others	0.23	16,652,700	0	-	16,652,700	-	-
Harvest Fund – Agricultural Bank of China – Harvest China Securities Financial Asset Management Plan	Others	0.23	16,652,700	0	-	16,652,700	-	-
Yinhua Fund – Agricultural Bank of China – Yinhua China Securities Financial Asset Management Plan	Others	0.23	16,624,298	0	-	16,624,298	-	-



## II. NUMBER OF SHAREHOLDERS AND DETAILS OF SHAREHOLDING OF THE COMPANY (Continued)

Explanations on the connected relationship or concerted action among the shareholders mentioned above:

The Company is not aware of any connected relationship among the above-mentioned shareholders of the Company or any party to any concerted action as provided in the Procedures for the Administration of Information Disclosure for Changes in Shareholdings of the Shareholders of Listed Companies.

### Shareholding of the top ten shareholders of ordinary shares not subject to trading moratorium

Name of shareholder	Number of shares held not subject to trading moratorium as at the end of the Reporting Period	Type of share	
		Type of share	Amount
Anshan Iron & Steel Co. Ltd.	4,868,547,330	Renminbi ordinary shares	4,868,547,330
HKSCC Nominees Limited	1,074,659,463	Overseas listed foreign investment shares	1,074,659,463
China Securities Finance Corporation Limited	193,281,710	Renminbi ordinary shares	193,281,710
Central Huijin Investment Ltd.	72,575,900	Renminbi ordinary shares	72,575,900
Abu Dhabi Investment Authority	25,290,600	Renminbi ordinary shares	25,290,600
ICBC Credit Suisse Fund – Agricultural Bank of China – ICBC Credit Suisse China Securities Financial Asset Management Plan	16,652,700	Renminbi ordinary shares	16,652,700
Central European Fund – Agricultural Bank of China – Central European China Securities Financial Asset Management Plan	16,652,700	Renminbi ordinary shares	16,652,700
Bosera Fund – Agricultural Bank of China – Bosera China Securities Financial Asset Management Plan	16,652,700	Renminbi ordinary shares	16,652,700
Harvest Fund – Agricultural Bank of China – Harvest China Securities Financial Asset Management Plan	16,652,700	Renminbi ordinary shares	16,652,700
Yinhua Fund – Agricultural Bank of China – Yinhua China Securities Financial Asset Management Plan	16,624,298	Renminbi ordinary shares	16,624,298

## II. NUMBER OF SHAREHOLDERS AND DETAILS OF SHAREHOLDING OF THE COMPANY *(Continued)*

### **Shareholding of the top ten shareholders of ordinary shares not subject to trading moratorium *(Continued)***

Explanations on the connected relationship or concerted action among the top 10 shareholders not subject to trading moratorium, and the top 10 shareholders not subject to trading moratorium and the top 10 shareholders

The Company is not aware of any connected relationship among the above-mentioned shareholders of the Company or any party to any concerted action as provided in the Procedures for the Administration of Information Disclosure for Changes in Shareholdings of the Shareholders of Listed Companies.

The top ten holders of ordinary shares and the top ten holders of ordinary shares not subject to trading moratorium of the Company did not make any agreed repurchase transactions during the Reporting Period.

## III. MOVEMENTS OF CONTROLLING SHAREHOLDERS OR DE FACTO CONTROLLER

There was no movement of controlling shareholders or de facto controller of the Company during the Reporting Period.

#### IV. INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY HELD BY SUBSTANTIAL SHAREHOLDERS AND OTHERS

Save as disclosed below, as at 30 June 2017, no other person (other than the Company's Directors, Supervisors and senior management) had any interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

##### Interests in ordinary shares of the Company

Name of shareholder	Number and class of shares held	Percentage in total share capital (%)	Percentage in total issued H shares (%)	Percentage in total issued domestic shares (%)	Capacity
Angang Holding	4,868,547,330 state-owned shares	67.29	–	79.18	Beneficial owner
HKSCC Nominees Limited	1,074,659,463 H shares	14.85	98.97	–	Nominee

# Directors, Supervisors and Senior Management

## I. CHANGES IN THE SHARES HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Unit of number of shares: share

Name	Position	Status of position	No. of shares	No. of shares	No. of shares	Shares held at the end of the Reporting Period	Restricted shares granted at the beginning of the Reporting Period	Restricted shares granted during the Reporting Period	Restricted shares granted at the end of the Reporting Period
			held at the beginning of the Reporting Period	increased during the Reporting Period	reduced during the Reporting Period				
Yao Lin	Chairman	In office	10,000	-	-	10,000	-	-	-
Wang Yidong	Director, General Manager	In office	7,650	-	-	7,650	-	-	-
Li Zhongwu	Director, Deputy General Manager	In office	0	-	-	0	-	-	-
Zhang Jingfan	Director, Chief Accountant, Joint Company Secretary	In office	0	-	-	0	-	-	-
Wu Dajun	Independent non-executive Director	In office	0	-	-	0	-	-	-
Ma Weiguo	Independent non-executive Director	In office	0	-	-	0	-	-	-
Luo Yucheng	Independent non-executive Director	In office	0	-	-	0	-	-	-
Lin Daqing	Chairman of the Supervisory Committee	In office	0	-	-	0	-	-	-
Liu Xiaohui	Supervisor	In office	0	-	-	0	-	-	-
Yuan Peng	Supervisor	In office	0	-	-	0	-	-	-
Xu Shishuai	Deputy General Manager	In office	0	-	-	0	-	-	-
Meng Jinsong	Deputy General Manager	In office	0	-	-	0	-	-	-
Kwok Siu Man	Joint Company Secretary	In office	0	-	-	0	-	-	-

### **II. INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY HELD BY DIRECTORS AND SUPERVISORS**

Save as disclosed above, as at 30 June 2017, none of the Directors, Supervisors and senior management of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept under Section 352 of the SFO, or which were otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Rules of Governing the Listing of Securities on the Hong Kong Stock Exchange ("Listing Rules").

### **III. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD**

During the Reporting Period, there was no change in Directors, supervisors and senior management.

# Consolidated Balance Sheet

As of 30 June 2017 (Prepared by: Angang Steel Company Limited Monetary unit: RMB million)

Items	Notes	30 June 2017	31 December 2016
<b>Current assets:</b>			
Cash at bank and on hand	6(1)	2,098	1,968
Financial assets at fair value through profit or loss	6(2)	6	
Notes receivable	6(3)	8,437	8,352
Accounts receivable	6(4)	2,276	1,942
Prepayments	6(5)	1,403	2,586
Dividends receivable			
Other receivables	6(6)	334	362
Inventories	6(7)	11,179	10,466
Non-current assets due within 1 year			
Other current assets			
<b>Total current assets</b>		<b>25,733</b>	25,676
<b>Non-current assets:</b>			
Available-for-sale financial assets	6(8)	827	839
Long-term equity investments	6(9)	2,927	2,968
Investment properties			
Fixed assets	6(10)	47,702	49,065
Construction in progress	6(11)	2,366	2,232
Construction material	6(12)	180	9
Intangible assets	6(13)	6,274	5,755
Long-term deferred expenses			
Deferred income tax assets	6(14)	1,523	1,525
Other non-current assets			
<b>Total non-current assets</b>		<b>61,799</b>	62,393
<b>Total assets</b>		<b>87,532</b>	88,069

# Consolidated Balance Sheet (Continued)

As of 30 June 2017 (Prepared by: Angang Steel Company Limited Monetary unit: RMB million)

Items	Notes	30 June 2017	31 December 2016
<b>Current liabilities:</b>			
Short-term loans	6(15)	16,617	18,995
Financial liabilities at fair value through profit or loss	6(16)	1	
Notes payable	6(17)	793	1,766
Accounts payable	6(18)	7,384	10,055
Advances from customers	6(19)	4,391	4,065
Employee benefits payable	6(20)	226	124
Tax payable	6(21)	(74)	(131)
Interests payable	6(22)	172	76
Other payables	6(23)	1,733	1,678
Non-current liabilities due within 1 year	6(24)	166	161
Other current liabilities	6(25)	1,500	
<b>Total current liabilities</b>		<b>32,909</b>	<b>36,789</b>
<b>Non-current liabilities:</b>			
Long-term loans	6(26)	3,297	1,296
Bonds payable	6(27)	3,950	3,944
Long-term employee benefits payable			
Deferred income	6(29)	717	739
Deferred income tax liabilities	6(14)	10	13
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b>7,974</b>	<b>5,992</b>
<b>Total liabilities</b>		<b>40,883</b>	<b>42,781</b>

## Consolidated Balance Sheet (Continued)

As of 30 June 2017 (Prepared by: Angang Steel Company Limited Monetary unit: RMB million)

Items	Notes	30 June 2017	31 December 2016
<b>Shareholders' equity:</b>			
Share capital	6(30)	7,235	7,235
Capital reserve	6(31)	31,519	31,519
Other comprehensive income	6(32)	3	12
Special reserve	6(33)	76	52
Surplus reserve	6(34)	3,580	3,580
Undistributed profit	6(35)	3,822	2,484
Differences from translation of foreign currency			
Subtotal of Shareholders' equity attributable to shareholders of parent company		46,235	44,882
Minority interests		414	406
<b>Total shareholders' equity</b>		<b>46,649</b>	45,288
<b>Total liabilities and shareholders' equity</b>		<b>87,532</b>	88,069

The notes to the financial statements of page 89 to 247 are the components of the interim financial report.

Financial statements from 69 to 88 pages are signed by the following:

*Legal representative:*  
**Yao Lin**

*Chief Accountant:*  
**Zhang Jingfan**

*Controller:*  
**Che Chengwei**



# Consolidated Income Statement

For the six months ended 30 June 2017 (Prepared by: Angang Steel Company Limited Monetary unit: RMB million)

Items	Notes	2017	2016
<b>1. Operating income</b>		<b>39,057</b>	25,430
Including: operating income	6(36)	<b>39,057</b>	25,430
<b>2. Operating costs</b>		<b>37,430</b>	25,365
Less: Operating costs	6(36)	<b>34,675</b>	22,217
Tax and surcharges	6(37)	<b>394</b>	139
Marketing expenses	6(38)	<b>1,188</b>	961
Administrative expenses	6(39)	<b>628</b>	729
Financial expenses	6(40)	<b>555</b>	618
Impairment losses on assets	6(42)	<b>(10)</b>	701
Add: gains/losses from fair value variation ("-" for losses)	6(43)	<b>5</b>	(14)
Investment income ("-" for losses)	6(41)	<b>229</b>	224
Including: Income from investment in jointly ventures and associates		<b>208</b>	210
Other Income	6(44)	<b>22</b>	
<b>3. Operating profit ("-" for losses)</b>		<b>1,883</b>	275
Add: Non-operating income	6(45)	<b>6</b>	50
Less: Non-operating expenses	6(46)	<b>20</b>	17
Including: Losses on non-current assets disposal	6(46)	<b>15</b>	13
<b>4. Profit before income tax ("-" for losses)</b>		<b>1,869</b>	308
Less: Income tax expenses	6(47)	<b>38</b>	11
<b>5. Net profit for the period ("-" for losses)</b>		<b>1,831</b>	297
The net profit belongs to the owners of the company		<b>1,823</b>	300
Minority interest income		<b>8</b>	(3)

# Consolidated Income Statement (Continued)

For the six months ended 30 June 2017 (Prepared by: Angang Steel Company Limited Monetary unit: RMB million)

Items	Notes	2017	2016
<b>6. The net amount after tax of other comprehensive income</b>			
	6(32)	<b>(9)</b>	(11)
(1) The other comprehensive income which can not be reclassified into profit or loss			
a. The changes of the net assets or liabilities of the remeasurement of benefits plan			
b. The shares of the other comprehensive income which can not be reclassified in profit or loss of the invested company in equity method			
(2) The other comprehensive income which can be classified into profit or loss	6(32)	<b>(9)</b>	(11)
a. The shares of the other comprehensive income which can be reclassified in profit or loss of the invested company in equity method			
b. The profit or loss from the change at fair value of available-for-sale financial assets	6(32)	<b>(9)</b>	(11)
c. The profit or loss of available-for-sale financial assets from the reclassification of held-for-sale investment			
d. The effective portion of profit or loss from cash flows hedges			
e. The differences converted in foreign currency of financial statements			
f. Others			

## Consolidated Income Statement (Continued)

For the six months ended 30 June 2017 (Prepared by: Angang Steel Company Limited Monetary unit: RMB million)

Items	Notes	2017	2016
<b>7. Earnings per share</b>			
(1) Basic earnings per share (RMB/share)		<b>0.252</b>	0.041
(2) Diluted earnings per share (RMB/share)		<b>0.252</b>	0.041
<b>8. Total comprehensive income</b>		<b>1,822</b>	286
The other comprehensive income belongs to the owners of the company		<b>1,814</b>	289
The other comprehensive income belongs to the minority		<b>8</b>	(3)

The notes to the financial statements of page 89 to 247 are the components of the interim financial report.

Financial statements from 69 to 88 pages are signed by the following:

Legal representative:  
**Yao Lin**

Chief Accountant:  
**Zhang Jingfan**

Controller:  
**Che Chengwei**

# Consolidated Cash Flow Statement

For the six months ended 30 June 2017 (Prepared by: Angang Steel Company Limited Monetary unit: RMB million)

Items	Notes	2017	2016
<b>1. Cash flows from operating activities:</b>			
Cash received from selling of goods or rendering of services		<b>32,996</b>	24,362
Refund of tax and fare		<b>34</b>	14
Other cash received from operating activities	6(49)	<b>13</b>	172
Sub-total of cash inflows		<b>33,043</b>	24,548
Cash paid for goods and services		<b>28,054</b>	18,889
Cash paid to and for the employees		<b>1,899</b>	1,873
Cash paid for all types of taxes		<b>1,150</b>	1,187
Other cash paid for operating activities	6(49)	<b>1,330</b>	1,160
Sub-total of cash outflows		<b>32,433</b>	23,109
Net cash flow from operating activities		<b>610</b>	1,439

## Consolidated Cash Flow Statement (Continued)

For the six months ended 30 June 2017 (Prepared by: Angang Steel Company Limited Monetary unit: RMB million)

Items	Notes	2017	2016
<b>2. Cash flows from investing activities</b>			
Cash received from return of investments			
Cash received from investment income		<b>230</b>	380
Net cash received from disposal of fixed assets, intangible assets and other non-current assets			
Net cash received from disposal of subsidiaries and other operating units			
Other cash received from investment activities	6(49)	<b>137</b>	171
<b>Sub-total of cash inflows</b>		<b>367</b>	551
Cash paid for acquisition of fixed assets, intangible assets and other non-current assets		<b>1,023</b>	413
Cash paid for acquisition of investments			
Net cash paid for acquisition of subsidiaries and other operating units			
Other cash paid for investment activities	6(49)	<b>9</b>	
<b>Sub-total of cash outflows</b>		<b>1,032</b>	413
<b>Net cash flow from investing activities</b>		<b>(665)</b>	138

## Consolidated Cash Flow Statement (Continued)

For the six months ended 30 June 2017 (Prepared by: Angang Steel Company Limited Monetary unit: RMB million)

Items	Notes	2017	2016
<b>3. Cash flows from financing activities</b>			
Cash received from absorbing investments Including: received of subsidiary from minority shareholders		<b>16,248</b>	18,273
Cash received from borrowings			
Other cash received from financing activities			
<b>Sub-total of cash inflows</b>		<b>16,248</b>	18,273
Cash paid for settling of debts		<b>15,124</b>	20,328
Cash paid for distribution of dividends or profit and repayment of interests Including: dividends or profit paid to minority shareholders		<b>937</b>	697
Other cash paid for financing activities	6(49)	<b>2</b>	
<b>Sub-total of cash outflows</b>		<b>16,063</b>	21,025
<b>Net cash inflow from financing activities</b>		<b>185</b>	(2,752)
<b>4. Effect of changes in foreign exchange rate on cash and cash equivalents</b>			(19)
<b>5. Net increase in cash and cash equivalents</b>			
Add: Cash and cash equivalents brought forward	6(50)	<b>130</b>	(1,194)
	6(50)	<b>1,968</b>	3,601
<b>6. Cash and cash equivalents carried forward</b>			
	6(50)	<b>2,098</b>	2,407

The notes to the financial statements of page 89 to 247 are the components of the interim financial report.

Financial statements from 69 to 88 pages are signed by the following:

*Legal representative:*  
**Yao Lin**

*Chief Accountant:*  
**Zhang Jingfan**

*Controller:*  
**Che Chengwei**

# Consolidated Statement of Changes in Shareholders' Equity

As at 30 June 2017 (Prepared by: Angang Steel Company Limited Monetary unit: RMB million)

Items	As at 30 June 2017										Total of shareholders' equity
	Shareholders' equity attributable to shareholders of the parent company										
	Share capital	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Others	Minority interests	
<b>1. Balance as of 31 December 2016</b>	7,235	31,519		12	52	3,580		2,484		406	45,288
Add: Changes of accounting policy											
Correction of prior year errors											
Others											
<b>2. Balance as of 1 January 2017</b>	7,235	31,519		12	52	3,580		2,484		406	45,288
<b>3. Increase/decrease in 2017</b>											
<b>("-" represents loss)</b>				(9)	24			1,338		8	1,361
(1) total amount comprehensive income				(9)				1,823		8	1,822
(2) Capital introduced or withdrawn by owners											
i. Capital introduced by owners											
ii. Amount of shares-based payment recorded in owner's equity											
iii. Others											
(3) Profit distribution								(485)			(485)
i. Transfer to surplus reserve											
ii. Transfer to general risk reserve											
iii. Distribution to shareholders								(485)			(485)
iv. Others											
(4) Transfer within shareholder's equity											
i. Transfer from capital reserve to share capital											
ii. Transfer from surplus reserve to share capital											
iii. Making up losses with surplus reserve											
iv. Others											
(5) Special reserve					24						24
i. Extracts of this period					29						29
ii. Usage of this period					(5)						(5)
(6) Others											
<b>4. Balance as of 31 December 2017</b>	7,235	31,519		3	76	3,580		3,822		414	46,649

The notes to the financial statements of page 89 to 247 are the components of the annual financial report.

Financial statements from 69 to 88 pages are signed by the following:

Legal representative:  
**Yao Lin**

Chief Accountant:  
**Zhang Jingfan**

Controller:  
**Che Chengwei**

# Consolidated Statement of Changes in Shareholders' Equity (Continued)

As at 30 June 2017 (Prepared by: Angang Steel Company Limited Monetary unit: RMB million)

Items	As at 31 December 2016										Total of shareholders' equity
	Share capital	Capital reserve	Shareholders' equity attributable to shareholders of the parent company		Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Others	Minority interests	
			Less: treasury stock	Other comprehensive income							
<b>1. Balance as of 31 December 2015</b>	7,235	31,519		18	54	3,580		868		407	43,681
Add: Changes of accounting policy											
Correction of prior year errors											
Others											
<b>2. Balance as of 1 January 2016</b>	7,235	31,519		18	54	3,580		868		407	43,681
<b>3. Increase/decrease in 2016</b>											
<b>("-" represents loss)</b>				(6)	(2)			1,616		(1)	1,607
(1) total amount comprehensive income				(6)				1,616		(1)	1,609
(2) Capital introduced or withdrawn by owners											
i. Capital introduced by owners											
ii. Amount of shares-based payment recorded in owner's equity											
iii. Others											
(3) Profit distribution											
i. Transfer to surplus reserve											
ii. Transfer to general risk reserve											
iii. Distribution to shareholders											
iv. Others											
(4) Transfer within shareholder's equity											
i. Transfer from capital reserve to share capital											
ii. Transfer from surplus reserve to share capital											
iii. Making up losses with surplus reserve											
iv. Others											
(5) Special reserve						(2)					(2)
i. Extracts of this period						54					54
ii. Usage of this period						(56)					(56)
(6) Others											
<b>4. Balance as of 31 December 2016</b>	7,235	31,519		12	52	3,580		2,484		406	45,288

The notes to the financial statements of page 89 to 247 are the components of the annual financial report.

Financial statements from 69 to 88 pages are signed by the following:

Legal representative:  
**Yao Lin**

Chief Accountant:  
**Zhang Jingfan**

Controller:  
**Che Chengwei**



# Balance Sheet

As at 30 June 2017 (Prepared by: Angang Steel Company Limited Monetary unit: RMB million)

Items	Notes	30 June 2017	31 December 2016
<b>Current assets:</b>			
Cash at banks and on hand		1,357	1,228
Financial assets at fair value through profit or loss		6	
Notes receivable		8,373	8,280
Accounts receivable	16(1)	3,545	3,263
Prepayments		1,332	2,488
Interests receivable			
Dividends receivable	16(2)	332	360
Inventories		9,147	9,075
Non-current assets due within 1 year			
Other current assets			
<b>Total current assets</b>		<b>24,092</b>	24,694
<b>Non-current assets:</b>			
Available-for-sale financial assets		827	839
Long-term equity investments	16(3)	4,492	4,533
Investment property			
Fixed assets		46,873	48,233
Construction in progress		1,387	1,268
Construction materials		180	3
Intangible assets		6,090	5,568
Long-term deferred expenses			
Deferred income tax assets		1,425	1,425
Other non-current assets			
<b>Total non-current assets</b>		<b>61,274</b>	61,869
<b>Total assets</b>		<b>85,366</b>	86,563

## Balance Sheet (Continued)

As at 30 June 2017 (Prepared by: Angang Steel Company Limited Monetary unit: RMB million)

Items	Notes	30 June 2017	31 December 2016
<b>Current liabilities:</b>			
Short-term loans		16,617	18,995
Financial liabilities at fair value through profit or loss		1	
Notes payable		763	1,766
Accounts payable		7,121	9,889
Advances from customers		3,178	3,622
Employee benefits payable		222	124
Tax and surcharges payable		314	157
Interests payables		162	67
Other payables		1,571	1,524
Non-current liabilities due within 1 year		1	1
Other current liabilities			1,500
<b>Total current liabilities</b>		<b>31,450</b>	<b>36,145</b>
<b>Non-current liabilities:</b>			
Long-term loans		2,845	800
Bonds payable		3,950	3,944
Long-term employee benefits payable			
Deferred income		577	597
Deferred income tax liabilities		10	13
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b>7,382</b>	<b>5,354</b>
<b>Total liabilities</b>		<b>38,832</b>	<b>41,499</b>

## Balance Sheet (Continued)

As at 30 June 2017 (Prepared by: Angang Steel Company Limited Monetary unit: RMB million)

Items	Notes	30 June 2017	31 December 2016
<b>Shareholders' equity:</b>			
Share capital		7,235	7,235
Capital reserve		31,565	31,565
Other comprehensive income		3	12
Special reserve		76	52
Surplus reserves		3,570	3,570
Undistributed profits		4,085	2,630
<b>Total shareholders' equity</b>		<b>46,534</b>	45,064
<b>Total liabilities and shareholders' equity</b>		<b>85,366</b>	86,563

The notes to the financial statements of page 89 to 247 are the components of the annual financial report.

Financial statements from 69 to 88 pages are signed by the following:

Legal representative:  
**Yao Lin**

Chief Accountant:  
**Zhang Jingfan**

Controller:  
**Che Chengwei**

# Income Statement

For the six months ended 30 June 2017 (Prepared by: Angang Steel Company Limited Monetary unit: RMB million)

Items	Notes	2017	2016
<b>1. Operating income</b>	16(4)	<b>39,028</b>	25,286
Less: Operating costs	16(4)	<b>34,653</b>	21,919
Tax and surcharges		<b>384</b>	137
Marketing expenses		<b>1,139</b>	908
Administrative expenses		<b>607</b>	696
Financial expenses		<b>555</b>	614
Impairment losses on assets		<b>(11)</b>	702
Add: gains/losses from fair value variation		<b>5</b>	(14)
Investment income	16(5)	<b>229</b>	224
Including: Income from investment in jointly ventures and associates		<b>208</b>	210
Other Income		<b>20</b>	
<b>2. Operating profit</b>		<b>1,955</b>	520
Add: Non-operating income		<b>5</b>	47
Less: Non-operating expenses		<b>20</b>	17
Including: Losses on non-current assets disposal		<b>15</b>	13
<b>3. Profit before income tax</b>		<b>1,940</b>	550
Less: Income tax expenses			81
<b>4. Net profit for the period</b>		<b>1,940</b>	469

# Income Statement (Continued)

For the six months ended 30 June 2017 (Prepared by: Angang Steel Company Limited Monetary unit: RMB million)

Items	Notes	2017	2016
<b>5. The net amount after tax of Other comprehensive income</b>		<b>(9)</b>	<b>(11)</b>
(1) The other comprehensive income which can not be reclassified into profit or loss			
a. The changes of the net assets or liabilities of the remeasurement of benefits plan.			
b. The shares of the other comprehensive income which can not be reclassified in profit or loss of the invested company in equity method			
(2) The other comprehensive income which can be classified into profit or loss		<b>(9)</b>	<b>(11)</b>
a. The shares of the other comprehensive income which can be reclassified in profit or loss of the invested company in equity method			
b. The profit or loss from the change of the fair value of available-for-sale financial assets		<b>(9)</b>	<b>(11)</b>
c. The profit or loss of available-for-sale financial assets from the reclassification of held-for-sale investment			
d. The effective portion of profit or loss from cash flows hedges			
e. The differences converted in foreign currency of financial statements			
<b>6. Total comprehensive income</b>		<b>1,931</b>	<b>458</b>

The notes to the financial statements of page 89 to 247 are the components of the annual financial report.

Financial statements from 69 to 88 pages are signed by the following:

Legal representative:  
**Yao Lin**

Chief Accountant:  
**Zhang Jingfan**

Controller:  
**Che Chengwei**

# Cash Flow Statement

For the six months ended 30 June 2017 (Prepared by: Angang Steel Company Limited Monetary unit: RMB million)

Items	Notes	2017	2016
<b>1. Cash flows from operating activities:</b>			
Cash received from selling of goods or rendering of services		32,224	23,916
Refund of tax and fare		34	14
Other cash received from operating activities		12	174
<b>Sub-total of cash inflows</b>		<b>32,270</b>	<b>24,104</b>
Cash paid for goods and services		27,434	18,495
Cash paid to and for employees		1,842	1,825
Cash paid for all types of taxes		1,091	1,147
Other cash paid for operating activities		1,345	1,133
<b>Sub-total of cash outflows</b>		<b>31,712</b>	<b>22,600</b>
<b>Net cash flow from operating activities</b>		<b>558</b>	<b>1,504</b>
<b>2. Cash flows from investing activities</b>			
Cash received from return of investments			380
Cash received from investment income		230	
Net cash received from disposal of fixed assets, intangible assets and other non-current assets			
Net cash received from disposal of Subsidiaries and other business units			
Other cash received from investment activities		134	162
<b>Sub-total of cash inflows</b>		<b>364</b>	<b>542</b>
Cash paid for acquisition of fixed assets, intangible assets and other non-current assets		1004	317
Cash paid for acquisition of investments			
Other cash paid for investment activities		9	
<b>Sub-total of cash outflows</b>		<b>1,013</b>	<b>317</b>
<b>Net cash flow from investing activities</b>		<b>(649)</b>	<b>225</b>

## Cash Flow Statement (Continued)

For the six months ended 30 June 2017 (Prepared by: Angang Steel Company Limited Monetary unit: RMB million)

Items	Notes	2017	2016
<b>3. Cash flows from financing activities</b>			
Cash received from absorbing investments			
Cash received from borrowings		<b>16,248</b>	18,102
Other cash received from financing activities			15
<b>Sub-total of cash inflows</b>		<b>16,248</b>	18,117
Cash paid for settling of debts		<b>15,085</b>	20,263
Cash paid for distribution of dividends or profit and repayment of interests		<b>923</b>	666
Other cash paid for financing activities		<b>20</b>	101
<b>Sub-total of cash outflows</b>		<b>16,028</b>	21,030
<b>Net cash inflow from financing activities</b>		<b>220</b>	(2,913)
<b>4. Effect of changes in foreign exchange rate on cash and cash equivalents</b>			(19)
<b>5. Net increase in cash and cash equivalents</b>		<b>129</b>	(1,203)
Add: Cash and cash equivalents brought forward		<b>1,228</b>	2,774
<b>6. Cash and cash equivalents carried forward</b>		<b>1,357</b>	1,571

The notes to the financial statements of page 89 to 247 are the components of the annual financial report.

Financial statements from 69 to 88 pages are signed by the following:

Legal representative:  
**Yao Lin**

Chief Accountant:  
**Zhang Jingfan**

Controller:  
**Che Chengwei**

# Statement of Changes in Shareholders' Equity

As of 30 June 2017 (Prepared by: Angang Steel Company Limited Monetary unit: RMB million)

Items	30 June 2017								
	Share capital	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Total of shareholders' equity
<b>1. Balance as of 31 December 2016</b>	7,235	31,565		12	52	3,570		2,630	45,064
Add: Changes of accounting policy Correction of prior year errors Others									
<b>2. Balance as of 1 January 2017</b>	7,235	31,565		12	52	3,570		2,630	45,064
<b>3. Increase/decrease in 2017 ("-" represents loss)</b>									
(1) total amount				(9)	24			1,455	1,470
comprehensive income				(9)				1,940	1,931
(2) Capital introduced or withdrawn by owners									
i. Capital introduced by owners									
ii. Amount of shares-based payment recorded in owner's equity									
iii. Others									
(3) Profit distribution								(485)	(485)
i. Transfer to surplus reserve									
ii. Transfer to general risk reserve									
iii. Distribution to shareholders								(485)	(485)
iv. Others									
(4) Transfer within shareholder's equity									
i. Transfer from capital reserve to share capital									
ii. Transfer from surplus reserve to share capital									
iii. Making up losses with surplus reserve									
iv. Others									
(5) Special reserve						24			24
i. Extracts of this period						29			29
ii. Usage of this period						(5)			(5)
(6) Others									
<b>4. Balance as of 30 June 2017</b>	7,235	31,565		3	76	3,570		4,085	46,534

The notes to the financial statements of page 89 to 247 are the components of the annual financial report.

Financial statements from 69 to 88 pages are signed by the following:

*Legal representative:*  
**Yao Lin**

*Chief Accountant:*  
**Zhang Jingfan**

*Controller:*  
**Che Chengwei**



# Statement of Changes in Shareholders' Equity (Continued)

As of 30 June 2017 (Prepared by: Angang Steel Company Limited Monetary unit: RMB million)

Items	Share capital	Capital reserve	31 December 2016					Undistributed profit	Total of shareholders' equity
			Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve		
<b>1. Balance as of 31 December 2015</b>	7,235	31,565		18	54	3,570		969	43,411
Add: Changes of accounting policy									
Correction of prior year errors									
Others									
<b>2. Balance as of 1 January 2016</b>	7,235	31,565		18	54	3,570		969	43,411
<b>3. Increase/decrease in 2016 ("-" represents loss)</b>									
(1) total amount				(6)	(2)			1,661	1,653
comprehensive income				(6)				1,661	1,655
(2) Capital introduced or withdrawn by owners									
i. Capital introduced by owners									
ii. Amount of shares-based payment recorded in owner's equity									
iii. Others									
(3) Profit distribution									
i. Transfer to surplus reserve									
ii. Transfer to general risk reserve									
iii. Distribution to shareholders									
iv. Others									
(4) Transfer within shareholder's equity									
i. Transfer from capital reserve to share capital									
ii. Transfer from surplus reserve to share capital									
iii. Making up losses with surplus reserve									
iv. Others									
(5) Special reserve					(2)				(2)
i. Extracts of this period					54				54
ii. Usage of this period					(56)				(56)
(6) Others									
<b>4. Balance as of 31 December 2016</b>	7,235	31,565		12	52	3,570		2,630	45,064

The notes to the financial statements of page 89 to 247 are the components of the annual financial report.

Financial statements from 69 to 88 pages are signed by the following:

*Legal representative:*  
**Yao Lin**

*Chief Accountant:*  
**Zhang Jingfan**

*Controller:*  
**Che Chengwei**

# Notes to the Financial Statements

*For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)*

## 1. PROFILE OF THE COMPANY

Angang Steel Company Limited (abbreviated as the Company) was formally established on 8 May 1997 as a joint-stock limited company, currently the headquarter locates in Angang factory, Tie Xi District, Anshan City, Liaoning Province, PRC.

The financial statements have been approved by the Board of Directors on 28 August 2017.

There are 19 subsidiaries within the scope of the consolidation, please refer to Note 8 interests in other entities.

The Company and its subsidiaries (abbreviated as the Group) are principally engaged in ferrous metal smelting and steel pressing and processing.

## 2. BASIC PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Group are prepared on the assumption of going concern principle based on the actual transactions and events, and prepared in accordance with the Basic Standard and 42 specific standards of the Accounting Standards for Business Enterprises (abbreviated as ASBE) (Ministry of Finance issued No. 33, the Ministry of Finance to amend No. 76) issued by the Ministry of Finance on 15 February 2006, and the Application Guidance for Accounting Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter (hereafter collectively referred to as the Accounting Standards for Business Enterprises or CAS) and the disclosure requirements regulation in the Preparation Convention of Information Disclosure of information of public listed companies, No. 15 – General Requirements on Financial Reports revised by the China Securities Regulatory Commission 2014.

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

## Notes to the Financial Statements *(Continued)*

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

### **3. STATEMENT ON COMPLIANCE WITH THE ENTERPRISE ACCOUNTING STANDARDS**

The Group declares that the Financial Report prepared by the Group is in compliance with requirements of Accounting Standards for Business Enterprise. These financial statements present truly, accurately and completely the financial position of the Group as of 30 June 2017, the financial performance and cash flow of the 6 months ended 30 June 2017. In addition, these financial statements also comply with, in all material respects, the disclosure requirements of “Regulation on disclosure of information of public listed companies, No. 15: General Requirements for Financial Reports, revised by the China Securities Regulatory Commission (CSRC) in 2014.

### **4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**

As for the statements of significant accounting judgments and estimates made by the management, please refer to Note 4(26), Significant accounting judgments and estimates.

#### **(1) Accounting period**

The Group's accounting year is the calendar year that starts from 1 January and ends on 31 December.

#### **(2) Operating cycle**

The normal operating cycle refers to the period from purchasing the assets for processing to realize the cash and cash equivalents. The operating cycle consists of 12 months which is the standard of the classification for the liquidity of the assets and liabilities.

#### **(3) Recording currency**

The recording currency is the prevailing currency of the primary economic environment in which business of the Group operated. RMB is chosen as its recording currency by the group and the financial statements of the Group are presented in RMB.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (4) Accounting treatment of business combinations

Business combination refers to a transaction or event bringing together two or more separate entities into one. Business combinations are classified into the business combinations under common control and not under common control.

#### (a) The business combinations under common control

A business combination under common control is a business combination in which all of the combined entities are ultimately controlled by the same party or the same parties both before and after the business combination and on (in) which the control is not temporary. In a business combination under common control, the party which obtains control power over the other combined entity on the combining date is the acquirer and the other combined entity is the acquiree. The acquisition date refers to the date on which the combining party actually obtains control power over the combined party.

The assets and liabilities that the combining party obtained in a business combination are measured on the basis of their carrying value in the combined party on the combining date. The difference between the carrying value of the net assets obtained from the combination and the carrying amount of the consideration paid (or the total par value of the shares issued) for the combination is treated as an adjustment to capital reserve (share premium). If the capital reserve (share premium) is not sufficient to cover the difference, the rest shall be deducted from retained earnings.

The direct cost occurred in the business combination is recorded into the profit or loss in the current period when they actually occurred.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (4) Accounting treatment of business combinations *(Continued)*

#### (b) The business combinations not under common control

A business combination not under common control is a business combination in which the combined entities are ultimately controlled by the same party or the same parties neither before nor after the business combination. In a business combination not under common control, the party which obtains the control power over the other combined entities at the purchase date is the acquirer, and other combined entity is the acquiree. The “acquisition date” refers to the date on which the acquirer actually obtains the control power over the acquiree.

For business combinations not under common control, the combination cost is the assets paid, liabilities incurred or assumed and the equity securities issued by the acquirer, at fair value at the acquisition date, in exchange for the control power over the acquiree. The direct cost, of the business combination including the expenses for audit, legal service, valuation and other administrative expenses, is recorded into the profit or loss in the current period. Transaction expenses of the issued equity securities or liability securities for the consideration are recorded into the amount of initial measurement of the equity securities or liability securities. The relevant contingent consideration is recorded into the combination costs at its fair value at the acquisition date, and the goodwill is adjusted if the new or additional evidences of adjustment to contingent considerations emerged within 12 months from the acquisition date.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (4) Accounting treatment of business combinations *(Continued)*

- (b) The business combinations not under common control *(Continued)*

The cost of combination and identifiable net assets obtained by the acquirer in a business combination is measured at fair value at the acquisition date. If the cost of combination exceeds the fair value of the acquirer's share in the identifiable net assets, the difference is recognized as goodwill; if the cost of combination is lower than the fair value of the acquirer's share in the identifiable net assets, the acquirer shall firstly review the measurement of the fair value of the identifiable assets obtained, liabilities incurred and contingent liabilities incurred, as well as the combination costs. After that, if the combination costs are still lower than the fair value of the identifiable net assets obtained, the acquirer shall recognize the difference as the profit or loss in the current period.

### (5) Methods for preparation of consolidated financial statements

- (a) Recognition principle of consolidated scope

The scope of consolidation of consolidated financial statements is ascertained on the basis of effective control. Control refers to the right to obtain the variable returns by the involvement with the investees, and has the ability to affect those returns through its power to direct the activities of the investees. The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries. Subsidiaries refer to the entities over which the Company has control power.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (5) Methods for preparation of consolidated financial statements *(Continued)*

#### (a) Recognition principle of consolidated scope *(Continued)*

The Company shall reevaluate if there are changes of relevant elements of defined control due to the changes in the relevant facts and circumstances.

#### (b) Preparation of consolidated financial statements

The financial statements of subsidiaries are included in consolidated financial statements from the date that control commences until the date that control ceases, which the control is over the net assets and the operating decision-makings. For the disposed subsidiary, financial performance and cash flows before the disposal date have been properly included in the consolidated income statement and consolidated cash flow statement; the opening balances of the consolidated balance sheet shall not be adjusted due to the disposal. For the subsidiary acquired from business combination not under common control, its financial performance and cash flows after the acquisition date have been properly included in the consolidated income statement and consolidated cash flow statement, and the opening balances of the consolidated financial statements and comparable data of prior year shall not be adjusted due to this combination. For the subsidiary acquired from business combinations under common control, its financial performance and cash flow from the beginning of the reporting period to combination date have been properly included in the consolidated income statement and consolidated cash flow statement, and the comparable data of the consolidated financial statement shall be adjusted simultaneously.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (5) Methods for preparation of consolidated financial statements *(Continued)*

#### (b) Preparation of consolidated financial statements *(Continued)*

In preparing the consolidated financial statements, where the accounting policy or accounting period of the Company and subsidiaries is inconsistent, the financial statements of subsidiaries shall be adjusted in accordance with the accounting policies and accounting period of the Company. For the subsidiaries acquired from the business combination not under common control, financial statements of the subsidiaries shall be adjusted based on the fair value of identifiable net assets on acquisition date.

All significant intra-group balances, transactions and unrealized profits shall be eliminated in the consolidated financial statements.

The portion of a subsidiary's equity and the net profit or loss that is not attributable to the Company, shall be recognized as "Minority Interest" and "profit and loss of Minority", and presented on the consolidated financial statements under the owners' equity and the net profit or loss respectively. The portion of subsidiary's net profit or loss for the period attributable to minority interest is presented in the consolidated income statement below the "net profits" as "Minority Interests". Where the amount of the losses for the current period attributed to minority's shareholders of the subsidiary exceeds the minority shareholders' portion of the opening owners' equity of the subsidiary, the amount in excess shall be presented as minority interests.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (6) **The classification of the joint venture arrangement and accounting treatment of joint operation.**

The joint venture arrangement refers to the arrangement jointly controlled by two or more parties. According to the differences in the rights and responsibilities, the joint venture arrangement is classified as a joint operation and joint venture. A joint operation refers to a joint arrangement whereby the parties have the rights to the assets, and obligations for the liabilities, and Joint venture refers to the entity which is only entitled to the joint venture arrangement of the net assets.

The equity method is adopted for the investment of the joint venture, please refers to Note 12(b)(ii) Long-term equity investments accounted by equity method.

The Company as a joint operator recognizes in relation to its interest in a joint operation:

- (1) its assets, including its share of any assets held jointly
- (2) its liabilities, including its share of any liabilities incurred jointly;
- (3) its revenue from the sale of its share of the output arising from the joint operation;
- (4) its expenses, including its share of any expenses incurred jointly.

When the Company transacts with a joint operation in which the Company is a joint operator, such as a sale or contribution assets, (The assets do not constitute as business, similarly hereinafter).The profit or loss resulting from the transactions is recognized only to the extent of the other parties' interests in the joint operation;

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (6) **The classification of the joint venture arrangement and accounting treatment of joint operation.** *(Continued)*

When the Company transacts with a joint operation in which the Company is a joint operator, such as a purchase of assets, the Company does not recognize its share of the profit or loss until it resells those assets to a third party.

A loss shall be recognized in the full amount of the sale or contribution of assets, and of the purchase of the assets from the joint operation in accordance with “ASBE-No.8-assets impairment” and other provisions.

### (7) **Recognition standard for cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and highly liquid short-term (within 3 months from the purchase date) investments that are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value.

### (8) **Foreign currency transactions and the translation of foreign currency financial statement**

#### (a) Foreign currency transactions

At the time of initial recognition of a foreign currency transaction, the foreign currency is translated to RMB at the spot exchange rate at the transaction date. (Generally, a spot exchange rate is the middle rate quoted by the People’s Bank of China on the day of transaction). Transaction in foreign currency exchange or transaction involving foreign currency exchange shall be translated into RMB at the actual exchange rate.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (8) Foreign currency transactions and the translation of foreign currency financial statement *(Continued)*

- (b) Translation of foreign monetary items and foreign non-monetary items

On the balance sheet date, monetary items denominated in foreign currency are translated into RMB at the spot exchange rate on the balance sheet date and the arising difference shall be recorded into the profit and loss for the current period, except:

- (1) Difference arising from foreign currency borrowings for the purchase and construction or production of qualified assets shall be capitalized according to the Accounting Standards for Business Enterprises No. 17 – Borrowing Costs;
- (2) Exchange difference arising from the change in the carrying amount other than amortized cost of an available-for-sale foreign monetary item shall be recognized directly in other comprehensive income; otherwise it shall be recorded into the profit and loss.

Foreign currency non-monetary items measured at the historical cost shall still be translated at the spot exchange rate at the transaction date, of which the amount of functional currency shall not be changed. The foreign currency non-monetary items measured at the fair value shall be translated at the spot exchange rate at the date of fair value evaluation, and the translation difference, treated as the variation of fair value (including the variation of exchange rate), shall be recorded into the profit or loss at the current period and recognized as other comprehensive income.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (9) Financial instruments

Financial assets and liabilities are recognized when the Group becomes one party in the financial instrument contract. Financial assets shall be initially measured at fair value. For financial assets at fair value through profit or loss, the transaction expenses thereof shall be directly recorded in the profit or loss for the current period; for other financial assets, the transaction expenses thereof shall be included into the initially recognized amount.

- (a) Fair value measurement of the financial assets and financial liabilities

The fair value refers to the amount, at which assets could be sold or liabilities could be transferred between parties in a well-organized trade on the measured date. If there is a dynamic market for a financial asset or financial liability, the quoted price in the dynamic market shall be taken as the fair value of the financial asset or financial liability. The quoted prices in the dynamic market refer to the prices, which are easily obtained from the stock exchanges, brokers, industry associations, pricing service institutions and etc., and the prices represent the actual dealing prices under fair conditions.

If no dynamic market exists for a financial instrument, a valuation technique is adopted to establish the fair value. The Group chooses valuation technique to determine the fair value of its financial assets and financial liabilities, which include adopting the latest arm's length market transaction price between knowledgeable and willing parties, and the current fair value of other instruments that are substantially equivalent, and discounted cash flows method and option pricing model and etc.

# Notes to the Financial Statements *(Continued)*

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (9) Financial instruments *(Continued)*

- (b) Classification, recognition and measurement of financial assets,

Conventionally traded financial assets shall be recognized and de-recognized on the trade date. Financial assets shall be classified into four categories at initial recognition: financial assets at fair value through profit or loss, held to maturity investment, loans, receivables, and available-for-sale financial assets.

- (i) Financial assets at fair value through profit or loss

Including financial assets held for trading and those designated financial assets at fair value through profit or loss.

Financial assets meeting any of the following requirements shall be classified as financial assets held for trading:

- (1) The purpose of acquiring the financial assets is principally for selling them in the near future;
- (2) Forming a part of the identifiable combination of financial instruments which are managed in a centralized way and for which there are objective evidences demonstrate that the enterprise may manage the combination to make a profit in the short term.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (9) Financial instruments *(Continued)*

- (b) Classification, recognition and measurement of financial assets, *(Continued)*
  - (i) Financial assets at fair value through profit or loss *(Continued)*

- (3) Derivatives, except for the derivative designated as effective hedging instrument, or financial guarantee contracts or derivatives connected to equity instrument and must be settled by issuing equity instrument for which there is no quoted price in the dynamic market, and its fair value cannot be reliably measured.

The financial assets meeting any of the following requirements shall be designedly measured at fair value through profit or loss.

- (1) The designation shall eliminate or significantly reduce the mismatch in the recognition or measurement of relevant profit or loss arising from the different basis of measurement of the financial assets or financial liabilities;
- (2) The official written documents on risk management or investment strategy of the Group show that the combination of said financial assets or said financial assets and financial liabilities will be managed and evaluated on the basis of fair value and be reported to the key management staff.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (9) Financial instruments *(Continued)*

(b) Classification, recognition and measurement of financial assets, *(Continued)*

(i) Financial assets at fair value through profit or loss *(Continued)*

Financial assets at fair values through profit or loss shall be subsequently measured at their fair values, with the profit or loss from the movements of fair value and related dividends and interest income recorded into the current profit or loss.

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable recoverable amount, and the Group's intention of which is hold those investments to maturity.

Held-to-maturity investments shall be subsequently measured at amortized costs by adopting the effective interest rate method, the profit or loss arising from de-recognition, and impairment or amortization shall be incorporated into the current profit or loss.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (*Continued*)

### (9) Financial instruments (*Continued*)

(b) Classification, recognition and measurement of financial assets, (*Continued*)

(ii) Held-to-maturity investments (*Continued*)

The effective interest rate method refers to the method to calculate the amortized costs and the interest incomes or interest expenses at the end of each period with an effective interest rate of financial assets or financial liabilities (including a set of financial assets or financial liabilities).

The effective interest rate refers to the interest rate adopted in discounting the future cash flow generated by a financial asset or financial liability within the predicted term of existence or a shorter designed term into the current carrying value of the financial asset or financial liability.

To determine the effective interest rate, the future cash flows shall be predicted in consideration of all the contractual provisions regarding the financial asset or financial liability (other than future credit losses), and the various fee charged, trading expenses paid or received by the parties of a financial asset or financial liability contract, and premiums or discounts, which form a part of the effective interest rate.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (9) Financial instruments *(Continued)*

(b) Classification, recognition and measurement of financial assets, *(Continued)*

(iii) Loans and receivables

Loans and receivables refer to the non-derivative financial assets with fixed or determinable payment that is not quoted in the dynamic market. The Group's financial assets are classified into loans and receivables including notes receivable, account receivables, interest receivable, dividends receivable and other receivables.

Loans and receivables shall be subsequently measured at amortized costs by effective interest rate method. The profit or loss arising from de-recognition, impairment or amortization shall be incorporated in the current profit or loss.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets which are designated at initial recognition, and those financial assets other than financial asset held for trading, loans, receivables and held to maturity investment.

The closing cost of the available-for-sale financial instrument is measured by amortized cost method, which is the amount deducted to the principle payment, added to or deducted to the accumulated amortization between the initially recognized date and the maturity date by effective interest method, and deducted to the impairment loss. Closing cost of the available-for-sale equity instrumental investment is the initial cost.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (9) Financial instruments *(Continued)*

(b) Classification, recognition and measurement of financial assets, *(Continued)*

(iv) Available-for-sale financial assets *(Continued)*

Available-for-sale financial assets shall be subsequently measured at fair value. The profit or loss arising from the changes in the fair value is recognized in other comprehensive income, and transferred in profit or loss when those financial assets are derecognized. Except that the impairment losses and the foreign exchange gain or loss arising from amortized cost of foreign monetary financial assets, which shall be recognized in profit or loss. However, the cost shall be subsequently measured if there is no quoted price of the equity instrument investment in dynamic market, and its fair value cannot be reliably measured, or the derivative financial assets which have to be settled by delivery related to the equity instrument.

The interests and cash dividends declared by investees shall be recognized into the profit or loss as investment income.

(c) Impairment of financial assets

The Group shall assess the carrying value of financial assets on the balance sheet date other than those measured at fair value through profit or loss. Impairment should be made while there is any objective evidence demonstrates that a financial asset is impaired.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (9) Financial instruments *(Continued)*

#### (c) Impairment of financial assets *(Continued)*

Impairment test shall be made to the financial assets with significant single amounts. For financial assets with insignificant single amounts, Impairment test could be made independently or collectively in a combination with those possessing analogous credit features. Financial assets (including significant single amount and insignificant single amount) with no impairment loss upon independent impairment test shall be combined with those possessing analogous credit features, and collectively made impairment test again. Financial assets with impairment loss made by independent impairment test shall not be incorporated in any combination of financial assets possessing analogous risk features for an impairment test.

#### (i) Impairment of held-to-maturity investments, loans and receivables

The impairment loss, of financial asset measured purchasing cost or amortized cost, is the excess of its carrying value over the present value of the estimated future cash flows, and shall be recorded into the profit or loss for the current period.

For impaired financial assets, if there is any objective evidence demonstrates that the value of the said financial asset has been restored, and it is objectively related to subsequent events, the impairment losses originally recognized shall be reversed and recorded into the profit and loss for the current period. However, reversed carrying value shall not exceed the amortized cost of the said financial asset on the assumption that the impairment was not made.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (9) Financial instruments *(Continued)*

#### (c) Impairment of financial assets *(Continued)*

##### (ii) Impairment of available-for-sale financial assets

There is an indication that impairment loss of available-for-sale financial asset occurs while fair value of the available-for-sale equity instrument fall significantly and non-temporarily. Significant fall means the aggregated shrinkage of fair value is over 20%–50% of its purchasing cost, and non-temporary fall means continuous fall over 12 months.

Where such financial asset impaired, the accumulated losses, arisen from the decrease of the fair value and previously recorded into the capital surplus, shall be transferred to the profit and loss for the current period. The amount transferred out are the balance of initial acquisition costs of the said financial asset after deducting the principals withdrawn and amortization, and the current fair value and the impairment loss previously recorded into the profit and loss.

Impairment loss previously recognized shall be reversed, if there is any objective evidence demonstrates that the shrinkage of fair value has been restored, and was objectively related to subsequent events. Reversed impairment loss of available-for-sale equity instrument shall be recognized as comprehensive income while debt instrument as profit or loss for the current year.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (9) Financial instruments *(Continued)*

#### (c) Impairment of financial assets *(Continued)*

##### (ii) Impairment of available-for-sale financial assets *(Continued)*

The impairment loss, of equity instrument without the quoted price in the dynamic market and cannot be reliably measured, or derivatives derived from the said equity instrument and settled by issuing the said equity instrument, shall not be reversed.

#### (d) Recognition and measurement for transfer of financial assets

A financial asset is derecognized when any of the below criteria is satisfied:

- (1) The contractual rights to receive the cash flows from the financial asset are terminated;
- (2) The financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee;
- (3) The financial asset has been transferred and the Group has given up upon the control of the financial asset, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of a financial asset.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (9) Financial instruments *(Continued)*

- (d) Recognition and measurement for transfer of financial assets *(Continued)*

Where the Group does not transfer or retain nearly all of the risks and rewards related to the ownership of a financial asset, nor give up its control over it, it shall, to the extent of its continuous involvement in the transferred financial asset, recognize the related financial asset and the relevant liability accordingly. The extent of continuous involvement in the transferred financial asset refers to the risk level that the Group faces resulting from the changes in the value of the financial asset.

If the transfer of an entire financial asset meets the conditions for de-recognition, the difference between the carrying value of the transferred financial asset and the sum of consideration received and the accumulated variation in fair value previously recorded into the other comprehensive income, shall be recorded into current profit or loss.

If the partial transfer of a financial asset satisfies the conditions for de-recognition, the entire carrying value of the transferred financial asset shall be apportioned to the derecognized part and the retained part by fair value, and the difference between the carrying value of the transferred financial asset and the sum of consideration received and the accumulated variation in fair value previously recorded into other comprehensive income, shall be recorded into current profit and loss.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (9) Financial instruments *(Continued)*

- (d) Recognition and measurement for transfer of financial assets *(Continued)*

The Group shall be ensured that almost all the risk and rewards related to ownership has been transferred when adopting recourse sales of the financial assets or to endorse the financial assets. The financial assets shall be derecognized when almost all the risk and rewards has been transferred to the transferee. It shall not be derecognized the financial assets if it retains almost all the risk and rewards. It should continue to determine whether the company retains the control of the assets and using the accounting method described in the preceding paragraph if it neither transfer nor retain almost all the risk and rewards.

- (e) Classification and Measurement of financial liabilities

Financial liability is classified into the financial liability measured at fair value through profit or loss and other financial liability for initial recognition:

The financial liability is initially measured at fair value. For financial liability measured at fair values through profit or loss, transaction expenses thereof are directly recorded into profit and loss for the current period. For other financial liabilities, the transaction expense thereof is integrated with the initially recognized amount.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (9) Financial instruments *(Continued)*

(e) Classification and Measurement of financial liabilities *(Continued)*

(i) Financial liability measured at their fair value through profit or loss

Classification condition of financial liability held for trading and designated a financial liability at their fair values through profit or loss is the same as that of financial asset held for trading and designated financial asset at fair values through profit or loss.

Financial liability at fair value through profit or loss is subsequently measured at fair value. The variation in the fair value and the interest or cash dividend received in the period is recorded into the profit and loss for the current period.

(ii) Other financial liability

Financial liability, derived from equity instrument without the quoted price in a dynamic market, and its fair value could not be reliably measured, and settled by issuing equity instrument, is subsequently measured at cost. Other financial liabilities are subsequently measured at amortized cost with effective rate. The profit or losses resulting from de-recognition or amortization shall be recorded into the profit and loss for the current period.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (9) Financial instruments *(Continued)*

#### (f) De-recognition of financial liabilities

While prevailing obligations of financial liability is relieved entirely or partially, the financial liability shall be derecognized accordingly. If a substantially different agreement was signed to replace the existing one from which the existing financial liability originated, the existing financial liability shall be derecognized and the financial liability arising from the newly signed agreement shall be recognized.

While a financial liability is entirely or partially derecognized, the difference between the carrying value derecognized and the considerations paid (including the non-monetary assets transferred out and the new financial liabilities engaged in) shall be recorded in the profit or loss for the current period.

#### (g) Derivative financial instruments

Derivative financial instruments are recognized initially at fair value on contract signature date. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognized immediately in profit or loss, except where the derivatives designated as a hedging instrument which is highly efficient, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (10) Receivables

Receivables include accounts receivable and other receivables, etc.

(a) Recognition standards for bad debts

On the balance sheet date, the carrying value of receivables shall be reviewed and impairment provision shall be made where there is any objective evidence demonstrates that impairment actually occurs:

- (i) Serious financial difficulty occurs to the debtor;
- (ii) The debtor breaches any of the contractual terms (for example, failing to pay or delaying the payment of interests or the principal, etc.);
- (iii) The debtor will probably go bankruptcy or carry out other financial reorganizations;
- (iv) Other objective evidence indicating that such receivable has been impaired.

(b) Measurement bad debt provisions

Where there is any objective evidence indicates that it is difficult for the Group to recover account receivables under the contract terms, the account receivable is subject to impairment test independently and the difference between the carrying value and the present value of the expected future cash flow originated from the account receivable shall be recognized as bad debt allowance, and the impairment loss shall be recorded into profit or loss for the current year.

## Notes to the Financial Statements *(Continued)*

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

### 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

#### (10) Receivables *(Continued)*

- (c) The Company defines an account receivable equivalent to or above RMB30 million as individually significant account receivable, and other receivable RMB10 million.
- (d) Reversal of bad debt provisions

If objective evidence demonstrates that the value of receivables is recovered owing to subsequent events, impairment loss previously recognized shall be reversed and recorded into current profit and loss. The carrying value after reversal shall not exceed the amortized cost on the assumption that no impairment loss was made previously.

#### (11) Inventories

- (a) Category

The inventories of the Group comprise raw material, work in progress, finished goods, turnover materials, spare parts, materials in transit, and outsourced materials etc.

- (b) Pricing of inventories

Inventories are initially measured by actual cost, which consists of purchase price, processing cost and other costs. Inventories are measured by either the weighted average method, specific-unit-cost method or other method while requisitioned or delivered.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (11) Inventories *(Continued)*

- (c) Measurement of net realizable value of inventory and measurement of provision for impairment of inventories

The net realizable value refers to the selling price deducted by the estimated cost before completion, estimated selling expense and relevant taxes in the daily operations. Net realizable value of inventories is on the basis of reliable evidence obtained and in consideration of the purpose for holding inventories and the effects of subsequent events.

On the balance sheet date, the inventory is measured at the lower of cost and net realizable value and a provision for impairment shall be made while the cost of inventories is higher than the net realizable value. Provision for impairment of inventory shall be incurred independently except that impairment of spare parts according to the actual situation and the estimation of the management.

If factors once result in impairment disappeared and the net realizable value exceeds the carrying value, the write-down shall be reversed from the provision to the extent of provision previously made and recorded into profit and loss for the current year.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (11) Inventories *(Continued)*

(d) Physical inventory at fixed periods is taken under perpetual inventory system.

(e) Amortization of reusable materials

Reusable materials such as low-value consumables, packaging materials and other consumables shall be amortized by lump-sum, workload or installment according to their nature. Amount of amortization shall be recorded into the cost of the relevant assets or profit or loss for the current period.

### (12) Long-term equity investment

Long-term equity investment refers to that the Company has control, joint control or significant influence on the long-term equity investment over the invested company. Otherwise it shall be measured as available-for-sale financial assets, please refer to Note 4.9 "Financial instruments".

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Significant influence refers to the right that the company can participate in the decision-making of the financial and operating policies over the invested company, but is not able to control or jointly control the policy formulation.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (12) Long-term equity investment *(Continued)*

#### (a) Determination of investment cost

For long-term equity investment formed by business combination under common control, the initial cost shall, on the date of acquisition of the final controller, be measured by the share of carrying value of the owner's equity of the acquired entity. The difference between the investment cost, and cash payment and transferred non-cash assets or liabilities on fair value shall be adjusted against the capital reserve; If the capital reserve is not sufficient to cover the difference, the rest shall be deducted from retained earnings. For the insurance of the equity securities which is seen as consideration cost, the share of the carrying value is recognized as initial investment cost in the consolidated financial statement of the ultimate controlling party's owner's equity. The capital stock is the aggregate nominal amount of the outstanding ordinary shares. The difference between the initial investment cost and the aggregate nominal amount of the long-term equity investment, shall be adjusted against the capital reserve; If the capital reserve is not sufficient to cover the difference, the rest shall be deducted from retained earnings.

For the long-term equity investment obtained by business combination not under common control, on the date of combination, the initial cost shall be the sum of the fair value of assets transferred, the liabilities incurred or assumed and the equity securities issued by the acquirer in exchange for the control over the acquiree. The direct cost for the business combination incurred by the acquirer, including the expenses for audit, valuation, legal services and other administrative expenses, shall be recorded into the profit or loss for the current period.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (12) Long-term equity investment *(Continued)*

#### (a) Determination of investment cost *(Continued)*

For long-term equity investment other than those formed by business combination, the initial cost of other long-term equity investment shall be measured at the amount of actual cash paid, the fair value of the equity securities issued, the conventional value stipulated in the investment contract or agreement, the fair value or carrying value of the assets surrendered in the non-monetary assets exchange transaction, the fair value of the long-term equity investment itself, and etc. The initial cost consists of the expenses directly related to the acquisition of the long-term equity investment, taxes and other necessary expenses.

#### (b) Subsequent measurement and recognition method of gains and losses

The Long-term equity investments with joint control or significant influence over invested entities shall be accounted by equity method (except the co-operator). Besides, a long-term equity investment is measured in cost method if the Group is able to control the invested entity.

#### (i) Long-term equity investments accounted by cost method

Long-term equity investment stated by applying the cost method shall be measured at initial investment cost. Except those included in the consideration, dividends or profits declared enjoyed by the investor shall be recognized as the current investment income.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (12) Long-term equity investment *(Continued)*

(b) Subsequent measurement and recognition method of gains and losses *(Continued)*

(ii) Long-term equity investments accounted by equity method

In the equity method, if the initial cost of a long-term equity investment exceeds the proportion of the fair value of the invested entity's identifiable net assets attributable to the investor, initial cost of the long-term equity investment shall not be adjusted, and if the initial cost of a long-term equity investment lower than the proportion of the fair value of the invested entity's identifiable net assets attributable to the investor, the difference shall be recorded into profit or loss for the current year, and the cost of the long-term equity investment shall be adjusted simultaneously.

In the equity method, the investment income and other comprehensive income are recognized in accordance with the proportion of the net profit or loss and other comprehensive income of the invested entity attributable to the investor, and adjusting the carrying value of long-term equity investment; It shall be decreased of the carrying value of long-term equity investment according to the portion of the declaration of dividend or cash dividends; It shall adjust the carrying value of long-term equity investment and recognize in capital reserve if there is any other changes besides net Profit or loss, other comprehensive income and profit distribution of the owner's equity. The invested entity's profit or loss shall be adjusted on the basis of the fair value of all identifiable assets of the invested entity at



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (12) Long-term equity investment *(Continued)*

- (b) Subsequent measurement and recognition method of gains and losses *(Continued)*
  - (ii) Long-term equity investments accounted by equity method *(Continued)*

the acquisition date and adjusted to comply with the accounting policies and accounting periods adopted by the investor. All inter-Group unrealized profits from the jointly ventures and associates attributable to the Group shall be eliminated to recognize the investment income. If there are differences in the accounting policies and accounting period between the Company and the invested company, the financial statements shall be adjusted according to the Company, and the investment income and other comprehensive income shall be recognized. However, if the unrealized inter-Group loss constitutes impairment of the transferred assets, the losses shall not be adjusted. The investor shall recognize the net losses of the invested entity to the extent that the carrying value of the long-term equity investment and other long-term rights and interests which substantially exist in the net investment to the invested entity is reduced to zero. Furthermore, if the investor has the obligation to reimburse extra losses, the extra obligation shall be recognized as provision and be recognized in investment loss. If the invested entity realizes any net profits in the subsequent periods, The investor shall not recognize its attributable share of profits unless the unrecognized attributable share of loss has been restored.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (*Continued*)

### (12) Long-term equity investment (*Continued*)

(b) Subsequent measurement and recognition method of gains and losses (*Continued*)

(iii) Acquisition of minority interests

While preparing consolidated financial statements, the difference, between the increase in the cost of long-term equity investments as a result of acquisition of minority interests and the share of net assets of the subsidiary calculated continuously from the date of the acquisition or merger based on the new shareholding proportion, shall be offset by capital surplus. If the capital surplus is not sufficient to compensate for the difference, the rest shall be offset by retained earnings.

(iv) Disposal of long-term equity investments

In consolidated financial statements, when the parent company disposes part of the investment in subsidiary without losing control power, the difference between the consideration received and the carrying value of net asset disposed shall be recognized in equity, while losing control power of subsidiary due to disposal, the relevant terms in Note 4(5)(b) shall be applicable.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (12) Long-term equity investment *(Continued)*

(b) Subsequent measurement and recognition method of gains and losses *(Continued)*

(iv) Disposal of long-term equity investments *(Continued)*

Under other means of disposal of long-term equity investment, the difference between the carrying value of disposed investment and the consideration received shall be recognized in the current profit or loss.

If the equity method is still adopted after the disposal of the rest equity, it shall adopt the same accounting policies to other comprehensive income of the equity by proportion, as the invested company disposing the related assets and liabilities.

For the other changes of the owner's equity except for the net income or losses, other comprehensive income and profit distribution, originally recognized in the equity shall be transferred into profit or loss by the percentage disposed.

If the cost method still be adopted of remain equity when using cost method of long-term equity investment, the other comprehensive income measured in equity method, or financial instrument recognition and measurement, and when invested company disposing directly the related assets or liabilities; The changes other than net profit or losses, other comprehensive income and profit distribution in net assets, shall be transferred in current profits and losses by percentage.

#### 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (*Continued*)

##### (13) Fixed assets

###### (a) Recognition

Fixed assets plant and equipment refer to the tangible assets held by the Group for producing goods, rendering service, renting or operation and administration purpose with useful lives over 1 year. The fixed assets are recognized only when the economic interests is likely to flow into the company and its cost can be measured reliably. The fixed assets are initially measured only when considering the influence of the cost and the expected impact of the disposal expenses.

###### (b) Depreciation method of fixed assets

Fixed assets are initially recorded at cost and the estimated asset retirement obligation shall be taken into consideration. From the next month since fixed assets are in state of expected conditions for use, fixed assets are depreciated using the straight-line method over their estimated useful life. The useful life, scrap value rates for each category of fixed assets are as follows:

Category of fixed assets	Useful lives	Annual depreciation	
		Estimate residual rate (%)	rate (%)
Plants and buildings	40 years	3-5	2.375-2.425
Machinery and equipment	17-24 years	3-5	3.958-5.706
Other fixed assets	5-12 years	3-5	7.917-19.40

Estimate residual value refers to the expected disposal proceeds after compensated estimated disposal expenses while the asset is worn out or retired.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (13) Fixed assets *(Continued)*

- (c) Method for impairment test and recognition of impairment provision

Method of impairment test and measurement of impairment provision of fixed assets, please refer to Note 4(17) "Impairment of non-current assets".

- (d) The recognition criteria and measurement of fixed asset by financial lease

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset which the ownership may or may not be eventually transferred, are classified as financial leases. Leased asset shall be recognized and depreciated in the same way according to comparative asset owned by the lessee. Leased asset shall be fully depreciated over its useful life if it is reasonably certain that the lessee will obtain ownership of the leased asset while the lease term expires, if not, depreciated over the shorter of the lease term and its useful life.

- (e) Other explanations

Subsequent expenditure relating to a fixed asset shall be capitalized if the economic benefits related to the fixed asset are likely to flow into the Group and the cost could be measured reliably and the carrying value of replaced parts shall be derecognized. Subsequent expenditures excluding fore-mentioned shall be recorded into current profit and loss.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (13) Fixed assets *(Continued)*

#### (e) Other explanations *(Continued)*

The proceeds, from fixed asset disposed, transferred, discarded or destroyed, shall be recorded into current profit and loss after deducting carrying value and relevant taxes.

Significant changes of useful life or residual value or depreciation method of fixed asset shall be considered as changes in accounting estimation.

### (14) Construction in progress

The cost of construction in progress shall be measured according to the actual expenditure for the construction in progress, including the expenditure for the construction project incurred during the construction period, and capitalized borrowing costs before the project is ready for its intended use and other related costs. Construction in progress is transferred to fixed asset while it is ready for its intended use.

Method of impairment test and measurement of the provision of construction in progress, refer to Note 4(17).

### (15) Borrowing costs

Borrowing costs include interest on borrowings, amortization of discounts or premiums on borrowings, ancillary expenses, and exchange gain or loss on foreign currency borrowings. The borrowing costs, directly attributable to the acquisition, construction or production of assets eligible for capitalization, shall be capitalized while the capital expenditure and borrowing cost has already occurred and the acquisition, construction or production activities necessary to satisfy intended use or get ready for sale have already started.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (15) Borrowing costs *(Continued)*

Capitalization of borrowing costs shall be ceased while the qualified for capitalization asset under acquisition and construction or production is ready for its intended use or sale, and other borrowing costs shall be recognized into the current profit and loss while occurred.

The interests of special borrowings shall be capitalized after deducted the interests or investment income derived from the unused borrowings by depositing in the bank or making short term investment. The amount of interests on general borrowings to be capitalized shall be calculated by multiplying the weighted average of the accumulative capital expenditure exceeding the special borrowings by the capitalization rate of the general borrowings. The capitalization rate is the weighted average rate of interest of general borrowings.

During the period of capitalization, the exchange gain or loss on foreign currency special borrowings shall be capitalized, while general borrowings into the current profit and loss.

Assets eligible for capitalization refers to the fixed assets, investment properties, inventories and other assets, of which the acquisition, construction or production may take quite a long time to get ready for intended use or be sale.

If the acquisition, construction or production of a qualified asset is interrupted abnormally for more than 3 months, the capitalization of borrowing costs shall be suspended, till acquisition, construction or production of the asset restarts.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (16) Intangible assets

#### (a) Intangible assets

Intangible asset refers to the identifiable non-monetary asset with no physical form, possessed or controlled by the Group.

Intangible asset shall be initially measured at its cost. Subsequent expenditure relevant to an intangible asset shall be recorded into the cost of an intangible asset, if the economic benefits associated with the intangible assets are likely to flow into the Group and the cost can be reliably measured. Other expenditures except mentioned before for an intangible item shall be recorded into the profit or loss for the current period.

Land use right is usually recognized as an intangible asset. For self-constructed plants and buildings, the expenditure on land use right and the cost of constructions shall be recognized as intangible assets and fixed assets respectively. For purchased plants and buildings, the relevant cost shall be allocated between the land use right and plants, and if it is impossible to be allocated, all the relevant cost shall be recognized as fixed assets.

The original value of an intangible asset with a definite useful life shall be amortized by the straight-line method over its useful life after deducting estimate residual value and impairment provision, while intangible assets with indefinite useful life shall not be amortized.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (16) Intangible assets *(Continued)*

#### (a) Intangible assets *(Continued)*

Significant change of useful life and amortization method shall be taken as a change in accounting estimation after reviewing the useful life and the amortization method of intangible assets with definite useful life. After reviewing useful life and economic benefits inflow term of an intangible asset with an indefinite useful life, if the latter is predictable, intangible asset with an indefinite useful life shall be amortized according to policies applying to an intangible asset with a definite useful life.

#### (b) Research and development expenditure

Expenditure on an internal research and development project is classified into expenditure on research phase and expenditure on development phase. Research expenditure shall be recorded into current profits and losses while development expenditure is capitalized as intangible assets if the following conditions were met.

- (i) It is technically feasible to get the intangible asset ready for intended use or for sale;
- (ii) It is intended to get the intangible asset ready for use or sale;
- (iii) The intangible asset could be sold out in prevailing market with profit or be applied to production for well selling products, and could be proven useful for internal use;
- (iv) It is technically and financially capable of completing the development of the intangible asset, and capable of using or selling such intangible asset.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (*Continued*)

### (16) Intangible assets (*Continued*)

- (b) Research and development expenditure (*Continued*)
  - (v) Development expenditure attributed to the intangible asset could be reliably measured.

While it is difficult to distinguish research phase from the development phase, all expenditure shall be recorded into current profit or loss.

- (c) Method of impairment test and measurement of impairment provision

Impairment test and measurement of intangible assets refer to Note 4(17) "Impairment of non-current assets".

### (17) Impairment of non-current assets

Non-financial and non-current assets, such as fixed assets, construction in progress, intangible assets with definite useful life, and long-term equity investments in subsidiaries and joint ventures and associations, judgment shall be made on the balance sheet date, to ensure whether there is any evidence of possible impairment of the assets. If there is, the recoverable amount of the assets shall be estimated and an impairment test shall be conducted. The intangible assets with indefinite useful life and those are not ready for intended use, shall be subject to impairment test every year.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (17) Impairment of non-current assets *(Continued)*

If the recoverable amount of an asset is lower than its carrying value, the difference shall be recognized as impairment loss and a provision shall be made accordingly. The recoverable amount is the higher of fair value of an asset deducted disposal expense and the present value of expected future cash flow from the asset. The fair value of an asset is determined according to the price stipulated in a selling agreement, and If there is no selling agreement but a dynamic market exists, the fair value shall be determined according to a bid from a buyer. If there is neither a selling contract nor a dynamic market, the fair value of an asset shall be estimated based on maximum information available.

The disposal expenses shall include the relevant legal expenses, relevant taxes, transport expenses as well as the direct expenses to get the asset ready for sale. The present value of expected future cash flow of an asset shall be established by discounting cash flow generated by continuous use and final disposal of the asset with an appropriate discount rate. Provision for impairment shall be determined on the basis of a single asset. If it is difficult to estimate the recoverable amount of a single asset, the asset shall be integrated into an asset group and impairment shall be carried out by the asset group. Asset group refers to minimum group of asset which can generate cash flow independently.

Once impairment loss is recognized, it could not be reversed in subsequent accounting periods.

## **4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES** *(Continued)*

### **(18) Projected liabilities**

Obligations arising from contingent events shall be recognized as projected liability provided that:

- (i) The Group has a practical obligation as a result of the past event;
- (ii) probable economic benefit will flow out to settle the obligation and;
- (iii) the obligation could be measured reliably.

On the balance sheet date, projected liability shall be initially measured at reasonably estimated necessary expenditure for settling the obligation, taking into account the risk and uncertainty and time value of money and other factors related to the contingent event.

If the expenditure necessary for the settlement of an obligation is expected to be reimbursed entirely or partially by a third party, the reimbursement shall be separately recognized as an asset only under the circumstance that it is virtually certain that reimbursement will be received, and shall not exceed the amount of the provision incurred previously.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (19) Revenue

#### (a) Revenue from sale of goods

The revenue from selling goods is recognized when the following conditions are satisfied simultaneously:

(i) The major risks and rewards of ownership of the goods have been transferred to the buyer; (ii) The Group retains neither continuing managerial involvement usually associated with the ownership nor effective control over the goods sold; (iii) Revenue could be measured reliably; (iv) It is probable that economic benefit will flow into the Group; (v) Cost occurred or will occur relevant to the transaction could be measured reliably.

Revenue from sale of goods shall be measured based on money received or receivable by contract or agreement.

#### (b) Revenue from services rendering

If the economic benefit inflow of service rendering could be estimated reliably, revenue from service rendering shall be recorded into the income statement by proportion of service rendering.

While the following criteria are satisfied simultaneously, the economic benefit inflow of service rendering could be estimated reliably. (i) revenue could be measured reliably; (ii) relevant economic benefit is likely to flow into the entity; (iii) progress rate could be measured reliably; (iv) cost occurred or will occur related to the transaction could be measured reliably.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (19) Revenue *(Continued)*

#### (b) Revenue from services rendering *(Continued)*

If the economic benefit inflow of services rendering could not be estimated reliably, revenue shall be measured at recoverable cost and cost occurred shall be recorded into the current loss. If cost occurred could not be recovered, no revenue from service rendering shall be recognized.

While a contract or agreement involving goods selling and service rendering, if goods selling and service rendering could be separated, revenue shall be calculated respectively, and if not or could not be measured separately, all contract revenue shall be taken as goods selling revenue.

#### (c) Royalty revenue

Royalties shall be measured by accrual basis in accordance with the substance of the relevant contract or agreement.

#### (d) Interest revenue

Interest revenue shall be determined in light of the loan term by the effective interest rate.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (20) Government grants

Government grant is the gratuitous monetary asset or non-monetary asset received from the government, excluding the capital injected by the government as an investor. Government grant is classified into government grant pertinent to assets and government grants pertinent to income.

Government grant, designed to purchase or construct or form long-term assets, shall be recognized as a government grant pertinent to assets while others classified into government grants pertinent to income. Government grant received without clear objective shall be categorized according to following rules: (i) government grant subject to a certain project shall be separated according to the proportion of expenditure budget and capitalization budget, and the proportion shall be reviewed and modified if necessary on the balance sheet date; (ii) government grant shall be categorized as pertinent to income if its usage is just subject to general statement but specific project in relevant document.

A government grant of monetary asset shall be measured at the amount received or receivable while government grant of non-monetary asset at fair value. If fair value cannot be obtained in a reliable way, government grant of a non-monetary asset shall be measured at its nominal amount and recorded into profit and loss for the current year accordingly.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (20) Government grants *(Continued)*

Government grant shall be recognized while received and be measured at the amount received. If there concrete evidence demonstrates that relevant monetary or non-monetary assets are likely to be received in terms of fiscal supporting policy, government grant shall be measured at the receivable amount. Generally, government grant shall be measured at receivable amount while all the following conditions are satisfied simultaneously:

- (i) Receivable amount shall be confirmed by the documents issued by relevant government departments, or be reasonably calculated according to relevant document without significant uncertainty;
- (ii) The fiscal Funds Management Regulations, which will be of benefit to any enterprise but designed enterprise, are formally published according to the Regulations on Government Information Disclosure, and fiscal support projects are initiatively disclosed;
- (iii) It is reasonable assure that government grant, scheduled in the relevant government documents and guaranteed by the fiscal budget, could be received on schedule.

Government grant pertinent to assets shall be initially recognized as deferred income and amortized into profit and loss on a straight-line basis over the useful life of the relevant asset. Government grant pertinent to income, designed to compensate future expenses or loss in subsequent periods, shall be initially recognized as deferred income and recorded to profit and loss in subsequent periods while relevant expenses occur or loss incurs.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (20) Government grants *(Continued)*

The government grants related to the daily activities are included in other income according to the essence of the economic business. Government grants not related to the daily activities are included in the non-operating income and expenditure.

If recognized government grant need be returned, the balance of relevant government grant shall be returned first and the shortage shall be recorded into current profit and loss.

### (21) Deferred income tax asset and liability

#### (a) Current income tax

On the balance sheet date, the current income tax liability (or asset) incurred in the current period or prior periods shall be measured at expected payable (refundable) amount of income tax in terms of the tax law. Current income tax shall be calculated based on the taxable income resulted from accounting profit before tax adjusted in terms of the relevant tax law and regulations.

#### (b) Deferred income tax asset and liability

Deferred income tax asset and liability are calculated on the base of temporary difference between the carrying amount of the relevant asset and liability, and the amount by the relevant tax law and regulations by liability method.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (21) Deferred income tax asset and liability *(Continued)*

#### (b) Deferred income tax asset and liability *(Continued)*

If deductible temporary difference relate to initial recognition of good will, and not result from business combination and relate to initial recognition of asset and liability arising from transaction, by which accounting profit and taxable income (or deductible loss) will not be affected, relevant deferred income tax asset shall not be recognized. Moreover, for taxable temporary difference related to investment to subsidiaries, associates and joint ventures, if the group is able to schedule the reversal of temporary difference which is unlikely to be reversed in the excepted future. Except above-mentioned, deferred income tax liability resulted from any other taxable temporary difference shall be recognized.

If deductible temporary difference relate to initial recognition of asset and liability arising from transaction, by which accounting profit and taxable income (or deductible loss) will not be affected, or not result from business combination, relevant deferred income tax asset shall not be recognized. Moreover, for deductible temporary difference related to investment to subsidiaries, associates and joint ventures, if the temporary difference is unlikely to be reversed in the foreseeable future or to be compensated by future taxable income, deferred income tax asset shall not be recognized. Except the above-mentioned, deferred income tax asset resulted from any other deductible temporary difference shall be recognized and calculated to the extent of future taxable income, which is likely to be gained and be used to compensate a deductible temporary difference.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (21) Deferred income tax asset and liability *(Continued)*

#### (b) Deferred income tax asset and liability *(Continued)*

As for deductible loss or tax deduction that can be carried forward to next year, the corresponding deferred tax assets shall be recognized and calculated to the extent of future taxable income, which is likely to be gained and be used to compensate deductible loss and tax payable.

On the balance sheet date, the deferred tax asset and liability shall be calculated by the tax rate applicable to the period during which the asset is expected to be recovered or the obligation is expected to be settled. After reviewed the carrying value of deferred tax asset, the carrying value of the deferred tax assets shall be written-down if future taxable income is not sufficient to compensate benefit from deferred income tax asset, and if sufficient, the written-down shall be reversed.

#### (c) Income tax expenses

Income tax expenses comprise current income tax expense and deferred income tax expense.

The current income tax and deferred income tax, associated with the transaction recorded into other comprehensive income or shareholder's equity, shall be recorded into other comprehensive income or shareholder's equity, while resulted from a business combination shall be taken as an adjustment to goodwill. Income taxes and deferred taxes except mentioned before shall be recorded into current profit or loss.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (22) Leases

Financial lease refers to a lease where in substance all the risks and rewards related to the ownership of an asset have been transferred, the ownership of which may or may not eventually be transferred. Operational lease refers to a lease other than a financial lease.

(a) Operational lease to a lessee

Rental for operational lease shall be recorded into the relevant asset cost or the profit or loss for the current period by a straight-line approach over the lease term. Initial direct cost occurred shall be recorded into the profit and loss for the current period while contingent rental shall be recorded into profit or loss when actually occur.

(b) Operational lease to a lessor

Rental received from operational lease shall be recorded in the profit and loss for the current period by a straight-line approach over the lease term. Initial direct significant cost occurred shall be capitalized when actually occur, and subsequently recorded into the profit and loss according to the way, by which the rental recorded into profit or loss. Contingent rental shall be recorded into profit and loss in when actually occur.

## Notes to the Financial Statements *(Continued)*

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

### 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

#### (22) Leases *(Continued)*

##### (c) Finance lease to a lessee

At the commencement of lease term, leased asset shall be measured at the lower of the fair value and the present value of the minimum lease payment, and the minimum lease payment shall be recognized as a long-term liability, and the difference shall be recognized as unrecognized finance charge. Moreover, initial direct cost attribute to lease the project and relate to negotiation and agreement signing shall be recorded into the leased asset cost. Minimum lease payment deducted by unrecognized finance charge shall be separately listed as long-term liability or long-term obligation due within one year according to its scheduled term.

Unrecognized finance charge shall be amortized with the effective interest rate, and contingent rental shall be recorded into profit and loss while occur.

##### (d) Finance lease as a lessor

At the commencement of lease term, finance lease receivable shall be measured at the sum of minimum lease receipts and initial direct cost, risk exposure shall be recorded simultaneously, and unrealized finance income shall be measured at the difference between the sum of minimum finance lease receipt and initial direct expenditure and risk exposure, and its present value. Finance lease receivable deducted by unrealized finance income shall be separately listed as long-term receivable and long-term receivable due within one year according to its due term.

Unrecognized finance income shall be amortized with the effective interest rate, and contingent rental shall be recorded into profit and loss while occur.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (23) Employee benefits

The employee benefits, including short-term employee benefits, post-employment benefits, terminal benefits and other long-term employee benefits.

Short-term employee benefits, including wages, bonuses, allowances and subsidies, welfare, health insurance, maternity insurance, work injury insurance, housing fund, labor union funds, employee education fund and non-monetary benefits. The short-term employee benefits are recognized as liabilities when actually incurred of rendering services from the employees during the accounting period, and eventually recognized in current profit or loss or related assets cost. The non-monetary benefits are measured at fair value.

Post-employment benefits include making contribution plans, which include basic old-age insurance, unemployment insurance and annuities and etc. The amount shall be accrued to the relevant assets cost or profit or loss.

The Group shall recognize the termination benefits as a provision and report in profit or loss accordingly, when the Company is not able to withdraw the termination benefits unilaterally due to the relief of labor relationship or lay-off proposal, the terminal benefits are recognized as employee liabilities and recognized in profit or loss at the date which is earlier between recognizing and paying off the terminal benefits related to the recombination. However, terminal benefits shall be recognized as long-term employee benefits if the benefits cannot be settled within 12 months after the reporting date.

The group applied a internal retirement plan which shall be accounted in terms of above-mentioned principal to the termination benefits. Salary and social insurance expected to be paid shall be recorded into current profit or loss from the date stopping rendering service to the normal retirement date, if the relevant expenditure satisfies the recognition criteria of contingent liability.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (24) Changes of significant accounting policies and estimates

- (a) Changes in accounting policies resulting from the implementation of the new Accounting Standards

On 10 May 2017, the Ministry of Finance issued the Accounting Standard for Business Enterprises No.16 – Government Subsidies (Revised in 2017) by Finance Department [2017] No.15, which came into effect on 12 June 2017. The company commenced the implementation of the accounting standards in accordance with the requirements of the Ministry of Finance.

Before the implementation of the Accounting Standards for Business Enterprises No.16 – Government Subsidies (Revised in 2017), the government grants received by the Company are included in the non-operating income. The government grants related to the assets are recognized as deferred income and amortization is recognized in profit or loss and within the useful life of the assets. After the implementation of the Accounting Standards for Business Enterprises No.16 – Government Subsidies (Revised by 2017), government grants related to daily activities occurring after 1 January 2017 are included in other income; government grants unrelated to daily activities are included in non-operating income and expenditure.

The company's current use of the accounting standards does not have a significant impact on its financial position and results of operations.

- (b) There is no changes in estimates for the current year.

### (25) Corrections of prior year errors

There is no correction of prior year errors for the current year.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (26) Critical accounting judgments and estimates

Judgments, estimates and assumptions shall be made to financial statements items, which could not be measured accurately, due to the inherent uncertainties of operating activities, while applying accounting policy. Management bases its judgments, estimates and assumptions on historical experience and other various factors, these judgments will influence the amount of revenues, expenses, assets and liabilities presented in financial reports and the disclosure of contingent liabilities on the balance sheet date. However, these uncertainties have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities.

The judgments, estimates and assumptions mentioned above shall be reviewed on a going concern basis. If the revisions to accounting estimates only influence the current period, relevant adjustment due to the effect shall be recognized in the current period; otherwise, in the current and future period.

On the balance sheet date, the significant fields involving judgments, estimates and assumptions about financial report items are listed as follows:

(a) Provision for bad debts

The allowance method is adopted for bad debts according to accounting policies of trade receivables. Impairment losses for receivables are assessed on the basis of recoverability, as a result of judgments and estimates of the management. The difference between actual outcome and the previously estimated outcome will influence the carrying value of receivables and accrual or reversal of provision for bad debts during the period accounting estimates are changed.



## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (26) Critical accounting judgments and estimates *(Continued)*

#### (b) Write-down of inventories

Inventories are measured by lower of historical cost or net realizable value method according to the accounting policies of inventories; for obsolete and unsalable inventories or whose historical costs are higher than the net realizable, provision for write-down of inventories shall be incurred.

The carrying value of inventory shall be written down to the net realizable value on the basis of the salability of inventories and the net realizable value. Inventory write-down shall be incurred in consideration of solid evidence and the purpose of holding inventories and the effect of subsequent events and etc.

The difference between the actual outcome and the previously estimated outcome will influence the carrying value of inventories and accrual or reversal of provision for write-down of inventories during the period accounting estimates are changed.

#### (c) Impairment of available-for-sale financial assets

To available-for-sale financial asset, whether impairment loss shall be recognized in income statement significantly depends on the judgments and assumptions of the management.

While making judgments and assumptions, it shall be take into consideration that how much the fair value of the investment is lower than the cost, the financial position and short-term business projection, including industry conditions, technological innovation, the credit ratings, probability of violation, and counterparts' risks.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (26) Critical accounting judgments and estimates *(Continued)*

#### (d) Impairment of non-current assets

On the balance sheet date, the Group shall judge whether there is any possible indication of impairment against non-financial non-current assets. The intangible assets with indefinite useful life must be tested for impairment on an annual basis as well as when there is any indication of impairment. Other non-financial non-current assets shall be tested for impairment when there is an indication showing that the carrying value is not recoverable.

Impairment occurs while the carrying value of an asset or asset group is higher than the recoverable value, which is the higher of its fair value deducted disposal expenses and the present value of expected future cash flow.

The fair value deducted by disposal expenditure is determined in consideration that sale agreement regarding analogous asset, and approachable market price and relevant dispose expenditures.

Significant judgments regarding the production amount, sales price, relevant operating costs of the assets (or assets group) and the discount rate used to calculate the present value shall be made, while determining the present value of future cash flows. Recoverable amount shall be estimated by using all accessible relevant information, including production amount, sales price, and relevant operating costs predictions made based on reasonable and supportive assumptions.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (26) Critical accounting judgments and estimates *(Continued)*

(e) Depreciation and amortization

Fixed and intangible assets are depreciated and amortized by a straight-line approach over their estimated useful life by taking the residual value into consideration. Useful life shall be periodically reviewed to determine the depreciation and amortization expenses for each reporting period and be determined on the basis of historical experience regarding analogous assets and the expected technological innovation. Significant changes to previous accounting estimates will result in adjustments against depreciation and amortization expenses in the future periods.

(f) Deferred tax assets

Deferred tax asset is recognized for all the uncompensated tax losses to the extent of the amount of deductible taxable income. In order to determine the amount of deferred tax assets, the management needs to predict the timing and the amount of taxable profits in the future by taking into account the influence of tax planning.

(g) Income tax

There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the carrying amount, such differences will impact the current and deferred tax.

## 4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

### (26) Critical accounting judgments and estimates *(Continued)*

(h) Early retirement pension and supplementary social pension

Expense and liability resulted from early retirement pension and supplementary social pension are determined based on a variety of assumptions, including the discount rate, the growth rate of average medical cost, the growth rate of retired employees' subsidies and other factors. Differences between actual and estimated results will be recognized accordingly as current expenses. Although the management believes that the assumptions are reasonable, the changes in actual empirical value and assumptions will affect the amount of expenses and the balance of liabilities resulted from early retirement pension and supplementary social pension.

(i) Projected liabilities

Provision for product quality guarantee, estimated onerous contracts, and delay delivery penalties shall be recognized in terms of contract, current knowledge and historical experience. If the contingent event has formed a practical obligation which probably results in outflow of economic benefits from the Group, a projected liability shall be recognized on the basis of the best estimate of the expenditures to settle relevant practical obligation. Recognition and measurement of the projected liability significantly rely on the management's judgments in consideration of the assessment of relevant risks, uncertainties, time value of money and other factors related to the contingent events.

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 5. TAXATION

### Main taxes and tax rates

<b>Type of tax</b>	<b>Tax rates and base</b>
Value added tax ("VAT")	Output VAT is calculated based on taxable income, according to the applicable tax rate, and deducting the VAT from the difference after deduction of input tax in current period
City construction and maintenance tax Educational surcharge and local educational surcharge	Paid circulating tax: 7%, 3%, 2%
Enterprise income tax	Taxable income: 25%
Custom duty	FOB: 5%–15%

## Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

### 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Unless otherwise specified, the opening balance refers to the balance as of 1 January 2017, and the closing balance refers to the balance as of 30 June 2017, this period refers to the first six months of the year 2017, last period refers to the first six months of the year 2016.

#### (1) Cash at bank or on hand

<b>Items</b>	<b>Closing balance</b>	Opening balance
Cash	1	1
Bank deposits	1,913	1,801
Other cash balance	184	166
<b>Total</b>	<b>2,098</b>	1,968

#### (2) Financial assets at fair value through profit or loss

<b>Items</b>	<b>Closing balance</b>	Opening balance
Derivative financial assets	6	
<b>Total</b>	<b>6</b>	

## Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

### 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### (3) Notes receivable

(a) Classification of notes receivable

<b>Items</b>	<b>Closing balance</b>	Opening balance
Bank Acceptance Notes	<b>7,979</b>	7,231
Commercial Acceptance Notes	<b>458</b>	1,121
<b>Total</b>	<b>8,437</b>	8,352

(b) Notes receivable of the Company pledged at the end of the period

<b>Items</b>	<b>Closing balance</b>
Bank Acceptance Notes	<b>1,471</b>
<b>Total</b>	<b>1,471</b>

*Note:* The group has applied for the 92 million-yuan notes payable this year by pledging 92 million-yuan notes receivable to the bank whose pledge deadline is January 2017 to January 2018. The group has pledged notes receivable whose values 1,379 million-yuan to the bank to gain the short-term loan of 1,201 million-yuan.

# Notes to the Financial Statements *(Continued)*

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

### (3) Notes receivable *(Continued)*

- (c) Outstanding Notes receivable endorsed or discounted by the Company as at the end of the period

<b>Items</b>	<b>Amount of termination confirmation</b>	<b>Amount of non-termination confirmation</b>
Bank Acceptance Notes	<b>18,009</b>	
Commercial Acceptance Notes	<b>12</b>	
<b>Total</b>	<b>18,021</b>	

- (d) No notes receivable were transferred to accounts receivable due to insolvency of the issuer as of 30 June 2017.



# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (4) Accounts receivable

#### (a) Classification of Accounts Receivable

Items	Closing balance			
	Book value		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Accounts receivable with amounts that are individually significant and subject to separate assessment for bad debts provision	1,841	81		
Accounts receivable with amounts that are individually insignificant and subject to separate assessment for bad debts provision	436	19	1	100
<b>Total</b>	<b>2,277</b>	<b>100</b>	<b>1</b>	<b>100</b>

Items	Opening balance			
	Book value		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Accounts receivable with amounts that are individually significant and subject to separate assessment for bad debts provision	1,489	77		
Accounts receivable with amounts that are individually insignificant and subject to separate assessment for bad debts provision	454	23	1	100
<b>Total</b>	<b>1,943</b>	<b>100</b>	<b>1</b>	<b>100</b>

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (4) Accounts receivable (Continued)

(b) Accounts Receivable classified by aging

Aging	Closing balance			
	Book Value		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	2,219	97		
1 to 2 years	23	1		
2 to 3 years	15	1		
Over 3 years	20	1	1	100
<b>Total</b>	<b>2,277</b>	<b>100</b>	<b>1</b>	<b>100</b>

Aging	Opening balance			
	Book Value		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	1,851	95		
1 to 2 years	19	1		
2 to 3 years	72	4		
Over 3 years	1		1	100
<b>Total</b>	<b>1,943</b>	<b>100</b>	<b>1</b>	<b>100</b>

(c) Bad debt provision at the end of the period

By judgment of the management, solvency of the debtors is reliable, so, majority of accounts receivable will be recovered and bad debt provision rate is relatively low.

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (4) Accounts receivable (Continued)

- (d) The condition of accounts receivable of the top five debtors by the balances at the end of the period

The total amount of top five accounts receivable according to closing balance of debtors of the Group for the year was RMB1,259 million, which accounted for 55% of the closing balance of the total accounts receivable. The closing balance of corresponding bad debt provision amounted to 0.

### (5) Prepayments

- (a) Prepayment classified by aging

Aging	Closing balance		Opening balance	
	Balance	Percentage (%)	Balance	Percentage (%)
Within 1 year	1,202	86	2,275	88
1 to 2 years	93	7	140	5
2 to 3 years	35	2	125	5
Over 3 years	73	5	46	2
Total	1,403	100	2,586	100

Note: The aging of the prepayments over one year was mainly prepayment for importing engineering equipment.

- (b) The condition of prepayment of the top five debtors by the balances at the end of the period

The prepayment balance of the top five debtors is RMB1,143 million in total, accounting for 81% of the prepayment balance at the end of the period.

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (6) Other receivables

(a) Classification of other receivables

Type	Closing balance			
	Book value		Bad debt provision	
	Balance	Percentage (%)	Balance	Percentage (%)
Other receivables with amounts that are individually significant and subject to separate assessment for bad debts provision	325	97		
Other receivables with amounts that are individually insignificant and subject to separate assessment for bad debts provision	9	3		
<b>Total</b>	<b>334</b>	<b>100</b>		

Type	Opening balance			
	Book value		Bad debt provision	
	Balance	Percentage (%)	Balance	Percentage (%)
Other receivables with amounts that are individually significant and subject to separate assessment for bad debts provision	334	92		
Other receivables with amounts that are individually insignificant and subject to separate assessment for bad debts provision	28	8		
<b>Total</b>	<b>362</b>	<b>100</b>		

## Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

### 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### (6) Other receivables (Continued)

(b) Classification of other receivable according to the nature

<b>Other accounts receivable</b>	<b>Closing book value</b>	Opening book value
Petty cash	25	21
Guangzhou automobile Steel loans	300	300
Export tax rebate		34
Other	9	7
<b>Total</b>	<b>334</b>	<b>362</b>

(c) Bad debt provision at the end of the period

By judgment of the management, solvency of the debtors is reliable, so majority of accounts receivable will be recovered and bad debt provision rate is relatively low.

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (7) Inventory

#### (a) Classification of Inventory

Items	Closing balance		
	Book value	Inventory falling price reserves	Carrying value
Raw materials	2,963	243	2,720
Work in progress	2,755	261	2,494
Finished goods	3,728	102	3,626
Revolving materials	788		788
Spare parts	1,271	12	1,259
Materials in transit	281		281
Work in progress – outsourced	11		11
<b>Total</b>	<b>11,797</b>	<b>618</b>	<b>11,179</b>

Types	Opening balance		
	Book value	Inventory falling price reserves	Carrying value
Raw materials	2,609	176	2,433
Work in progress	3,264	244	3,020
Finished goods	2,787	196	2,591
Revolving materials	828		828
Spare parts	1,357	12	1,345
Materials in transit	243		243
Work in progress – outsourced	6		6
<b>Total</b>	<b>11,094</b>	<b>628</b>	<b>10,466</b>

## Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

### 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### (7) Inventory (Continued)

##### (b) Changes in Inventory falling price reserves

Items	Opening balance	Increment of the period	Decrement of the period		Closing balance
		Provision of the period	Written back	Written off	
Raw materials	176	67			243
Work in progress	244	17			261
Finished goods	196		94		102
Spare parts	12				12
Total	628	84	94		618

##### (c) Analysis of Inventory falling price reserves

Provision for inventory whose net realizable value is lower than the book value was accrued at the end of the period. Meanwhile, due to market price recovery or product cost decline, part of inventory's net realized value is higher than its book value, therefore, the provision is reversed within the amount of its original provision.

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (8) Available-for-sale financial assets

(a) The classification of available-for-sale financial assets

Items	Closing value	Opening value
Listed investment	40	52
Including: Hong Kong		
Mainland	40	52
Non-listed investment	787	787
Total	827	839

(b) The condition of available-for-sale financial assets

Item	Closing value			Opening value		
	Book balance	impairment	Book value	Book balance	Impairment	Book value
Available-for-sale financial assets:	827		827	839		839
Measured at fair value	40		40	52		52
Measured at cost	787		787	787		787
Total	827		827	839		839



# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

- (c) Available-for-sale financial assets measured at fair value

<b>The classification of available-for-sale financial assets</b>	<b>Sellable equity instrument</b>
The cost of equity instruments/The amortized cost of debt instruments	38
Fair value	40
Changes in fair value amounts accumulated through other comprehensive income	2
Provision for impairment	

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

(d) Available-for-sale financial assets measured at cost

The invested entity	Book balance			Closing value
	Opening value	increase	decrease	
WISDRI	114			114
Tianjin Tiantie	185			185
Heilongjiang Longmay Mining Group Co., Ltd. (Longmay Group)	220			220
Anshan Falan Packing Material Co. Ltd. ("Falan Packing")	21			21
Dalian Shipbuilding Industry Co., Ltd Shipyard Company" (Dalian Shipyard")	151			151
China Shipbuilding Industry Equipment and Materials Bayuquan Co., Ltd ("China Shipbuilding")	10			10
Dalian Shipbuilding Industry Group Steel Co., Ltd ("Dalian Steel")	69			69
Guoqi Automobile Lightweight (Beijing) Technology Research Institute Co., Ltd. ("Guoqi Lightweight")	3			3
Changsha Baosteel Steel Processing & Distribution Co., Ltd. (hereinafter referred to as "Changsha steel")	14			14
<b>Total</b>	<b>787</b>			<b>787</b>

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

(d) Available-for-sale financial assets measured at cost

The invested entity	Impairment Provision			Closing value	Proportion of shareholding (%)	Cash bonuses in this year
	Opening value	Increase	Decrease			
WISDRI					6	
Tianjin Tiantie					5	
Longmay Group					1	
Falan Packing					15	
Dalian Shipyard					15	
China Shipbuilding					10	
Dalian Steel					15	
Guoqi Lightweight					7	
Changsha Steel					14	
<b>Total</b>						

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (9) Long-term equity investment

Details of long-term equity investments

The invested entity	Opening value	Increase/Decrease		Investment income under the equity method	Other comprehensive Income adjustment
		Increase	Decrease		
<b>a. Jointly venture</b>					
Angang Steel Company Limited, Thyssen Krupp (hereinafter referred to as the "saddle pedicle Dalian")	735			145	
The iron and Steel shares – Dalian Ship Heavy Industry Steel Processing Distribution Co. Ltd. (ANSC – Dachuan)	228			(2)	
Changchun FAM Steel Processing and Distribution Group Limited ("Changchun FAM")	91			5	
Guangzhou Automobile Steel	341			(10)	
Minor total	1,395			138	

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (9) Long-term equity investment (Continued)

Details of long-term equity investments (Continued)

The invested entity	Opening value	Increase/Decrease		Investment income under the equity method	Other comprehensive Income adjustment
		Increase	Decrease		
<b>b. Associated venture</b>					
Angang Group Finance Co., Ltd ("Angang Finance")	1,357			66	
Guangzhou Nansha Steel Logistical Co.,Ltd. ("Nansha Logistical")	58			(1)	
Anshan Iron and Steel Solid Gold (Hangzhou) Metal Materials Co., Ltd. ("AISSG")	96			(3)	
Shanghai Chemical Po Agel Ecommerce Ltd ("Shanghai Chemical")	1				
Guangzhou Bao Steel Processing Co. ("Guangzhou Steel")	61			8	
Minor total	1,573			70	
<b>Total</b>	<b>2,968</b>			<b>208</b>	

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (9) Long-term equity investment (Continued)

Details of long-term equity investments (Continued)

The invested entity	Increase/Decrease			Closing value of the provision for impairment
	Other equity changes	Declaration of cash dividends or profits	Provision for impairment loss	
			Other	Closing Value
<b>1. Cooperative enterprise</b>				
ANSC-TKS		(226)	(11)	643
ANSC – Dachuan				226
Changchun FAM				96
Guangzhou Steel			(8)	323
Minor total		(226)	(19)	1,288
<b>2. associated enterprise</b>				
Angang Finance				1,423
Nansha Logistical				57
AISSG				93
Shanghai Chemical				1
Guangzhou Steel		(4)		65
Minor total		(4)		1,639
Total		(230)	(19)	2,927

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (10) Fixed assets

#### (a) Analysis of fixed assets

Item	Houses and buildings	Machineries and equipment	Others	Total
<b>① Cost</b>				
The balance at the beginning of the year	28,363	70,996	5,193	104,552
Increase:				
Purchase	73	210	41	324
Transform from projects under construction		(3)		
	73	213	41	327
Decrease:				
Dispose or scrap	21	37	7	65
	21	37	7	65
The balance at the end of the year	28,415	71,169	5,227	104,811
<b>② Accumulated depreciation</b>				
The balance at the beginning of the year	9,529	41,635	4,291	55,455
Increase:				
Count for depreciation	332	1,232	101	1,665
Decrease:				
Dispose or scrap	11	25	6	42
	11	25	6	42
The balance at the end of the year	9,850	42,842	4,386	57,078

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (10) Fixed assets (Continued)

#### (a) Analysis of fixed assets (Continued)

Item	Houses and buildings	Machineries and equipment	Others	Total
<b>③ Provision for impairment</b>				
The balance at the beginning of the year	5	26	1	32
Increase				
Decrease			1	1
Dispose or scrap			1	1
The balance at the end of the year	5	26		31
<b>④ Book value</b>				
The closing book value	18,560	28,301	841	47,702
The opening book value	18,829	29,335	901	49,065



## Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

### 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### (10) Fixed assets (Continued)

(b) Temporarily idle fixed assets

Items	Cost	Accumulated depreciation	Provision for impairment	Carrying value	Notes
Houses and buildings	1			1	
Machineries and equipment	93	53	5	35	
Others	3	2		1	
Total	97	55	5	37	

(c) The Group had no financial leased-in fixed asset as of 30 June 2017.

(d) Fixed assets held under financial leases

Items	Closing carrying value	Opening carrying value
Buildings and plants	23	23
Machineries and equipment	7	8
Total	30	31

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (11) Constructions in progress

(a) Details of constructions in progress

Items	Closing balance			Opening balance		
	Book value	Provision for impairment	Carrying value	Book value	Provision for impairment	Carrying value
Bayuquan Project	253		253	248		248
Guangzhou project	8		8	8		8
Dalian Project	5		5	21		21
Zhengzhou project	70		70	66		66
Cool rolling project	896		896	869		869
The three area of the converter workshop environmental renovation project	109		109	108		108
4300 thick plate line new pre straightening machine and cold straightening machine project	228		228	187		187
60 thousand m <sup>3</sup> /h oxygen generating unit project	1		1	140		140
Cold rolled high strength steel and auxiliary reconstruction project	282		282	272		272
Heavy Plate Plant Thick Plate High – strength Steel Plate Heat Treatment Line Reconstruction Project	1		1	46		46
Others	513		513	267		267
<b>Total</b>	<b>2,366</b>		<b>2,366</b>	<b>2,232</b>		<b>2,232</b>

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (11) Constructions in progress (Continued)

(b) Changes in major constructions in progress

Items	Budget	Opening balance	Increase of the period	Transferred into fixed assets	Other decrease	Closing balance
Bayuquan project	2,211	248	30	25		253
Guangzhou project	129	8				8
Dalian project	246	21		16		5
Zhengzhou project	153	66	4			70
Cool rolling project	1,470	869	27			896
The three area of the converter workshop environmental renovation project	1,000	108	1			109
4300 thick plate line new pre straightening machine and cold straightening machine project	325	187	41			228
60 thousand m <sup>3</sup> /h oxygen generating unit project	387	140	25	164		1
Cold rolled high strength steel and auxiliary reconstruction project	296	272	10			282
Heavy Plate Plant Thick Plate High – Strength Steel Plate Heat Treatment Line Reconstruction Project	53	46	2	47		1
Others	7,684	267	322	75	1	513
<b>Total</b>		<b>2,232</b>	<b>462</b>	<b>327</b>	<b>1</b>	<b>2,366</b>

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (11) Constructions in progress (Continued)

#### (b) Changes in major constructions in progress (Continued)

Items	Accumulated capitalized borrowing cost	Of which: capitalized this period	Capitalization rate (%)	Expenditure over budget (%)	Project progress (%)	Resource of fund
Bayuquan project	685			90	90	Self-financing,
Guangzhou project	3			83	83	Self-financing
Dalian project				59	75	Self-financing,
Zhengzhou project	1			85	98	Self-financing, Borrowings
Cool rolling project	83	13	4.29	55	70	Self-financing, Borrowings
The three area of the converter workshop environmental renovation project	36			99	99	Self-financing
4300 thick plate line new pre straightening machine and cold straightening machine project				70	98	Self-financing, financial allocation
60 thousand m <sup>3</sup> /h oxygen generating unit project	21	4	4.23	37	94	Self-financing
Cold rolled high strength steel and auxiliary reconstruction project	22	6	4.23	87	87	Self-financing
Heavy Plate Plant Thick Plate High – Strength Steel Plate Heat Treatment Line Reconstruction Project				89	89	Self-financing
Others	239			67	67	Self-financing,
<b>Total</b>	<b>1,090</b>	<b>23</b>				

*Note:* Self-financing includes non-special borrowings and reserves from operations.

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (11) Constructions in progress (Continued)

- (c) As of 30 June 2017 there was no construction in progress whose carrying value was higher than its realizable value.

### (12) Construction materials

Items	Closing value	Opening value
Special material		6
Special equipment	180	3
<b>Total</b>	<b>180</b>	<b>9</b>

### (13) Intangible assets

Items	Land use right	Non-patented technology	Software	Trademark right	Total
<b>1. Cost</b>					
(1) The balance at the beginning of the period	7,375	43	53	4	7,475
(2) Increase:	597		1		598
(a) Purchase	597				597
(b) Internal R&D			1		1
(c) Enterprise merger					
(3) Decrease:					
(a) Disposition					
(b) Enterprise merger					
(4) The balance at the end of the period	7,972	43	54	4	8,073

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (13) Intangible assets (Continued)

Items	Land use right	Non-patented technology	Software	Trademark right	Total
<b>2. Accumulative amortization</b>					
(1) The balance at the beginning of the period	1,624	43	49	4	1,720
(2) Increase:	78		1		79
(a) Counting and Drawing	78		1		79
(b) Enterprise merger					
(3) Decrease:					
(a) disposition					
(b) Enterprise merger					
(4) The balance at the end of the period	1,702	43	50	4	1,799
<b>3 Provision for impairment</b>					
(1) The balance at the beginning of the period					
(2) Increase:					
(a) Counting and Drawing					
(3) Decrease					
(a) disposition					
(4) The balance at the end of the period					
<b>4 Book value</b>					
(1) The closing book value	6,270		4		6,274
(2) The opening book value	5,751		4		5,755

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (14) Deferred income tax assets/deferred income tax liabilities

#### (a) Recognized deferred income tax assets

Items	Closing balance		Opening balance	
	Deferred income tax assets	Temporary difference or deductible loss	Deferred income tax assets	Temporary difference or deductible loss
Provision for impairment of fixed assets	165	660	165	661
Deductible loss	1,023	4,092	1,025	4,098
Salaries payable	50	199	50	199
Accumulated depreciation of fixed assets	33	133	33	133
Unrealized inter-group profit	90	358	90	358
Deferred income	149	597	149	597
Employee training expenses	9	38	9	38
Others	4	17	4	17
<b>Total</b>	<b>1,523</b>	<b>6,094</b>	<b>1,525</b>	<b>6,101</b>

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (14) Deferred income tax assets/deferred income tax liabilities (Continued)

(b) Recognized deferred income tax liabilities

Items	Closing balance		Opening balance	
	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference Fair value variation on
Available-for-sale financial assets			3	14
Capitalized borrowing costs	10	38	10	38
<b>Total</b>	<b>10</b>	<b>38</b>	13	52

### (15) Short-term loans

Items	Closing balance	Opening balance
Pledge loans	1,201	1,429
Guaranteed loan	1,000	1,000
Credit loans	14,416	16,566
<b>Total</b>	<b>16,617</b>	18,995

*Note:* The guarantee loans of the short-term loans are mainly used to replenish working capital, which is guaranteed by Angang group: The pledge of the pledged loans is the notes receivable, note 6(3(2)).



## Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

### 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### (16) Financial liabilities at fair value through profit or loss

<b>Items</b>	<b>Closing balance</b>	Opening balance
Derivative financial liabilities	<b>1</b>	
<b>Total</b>	<b>1</b>	

#### (17) Notes payable

<b>Types of notes</b>	<b>Closing balance</b>	Opening balance
Bank acceptances	<b>793</b>	1,433
trade acceptances		333
<b>Total</b>	<b>793</b>	1,766

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (18) Account payables

(a) Classification of account payables by nature

Items	Closing balance	Opening balance
Account payables for purchasing	6,570	9,318
Construction payables	253	363
Operation expenses on supporting production	62	80
Freight	390	208
Others	109	86
Total	7,384	10,055

(b) Significant account payables aging over 1 year

Creditor	Balance owed	Aging
Tangyuan Tianyu Coal & Coke Energy Co., Ltd.	61	2-3 years, 4-5 years
Total	61	

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (18) Account payables (Continued)

(c) Aging of account payables

Aging	Closing balance		Opening balance	
	Balance	Percentage (%)	Balance	Percentage (%)
Within 1 year	7,295	99	9,971	99
1 to 2 years	8		24	
2 to 3 years	22		2	
Over 3 years	59	1	58	1
Total	7,384	100	10,055	100

### (19) Advances from customers

(a) Classification of advances from customers by nature

Items	Closing balance	Opening balance
Selling of products	4,389	4,063
Others	2	2
Total	4,391	4,065

(b) There were no significant advances from customers aging over 1 year at the end of the period.

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (20) Employee benefits payable

(a) The situation about employee benefits payable

items	Opening value	increase	decrease	Closing value
A Short-term remuneration	124	1,615	1,513	<b>226</b>
B After-service benefits – Defined Contribution Plans		274	274	
C Termination benefits		165	165	
D Other benefits due within one year				
E Others				
Total	124	2,054	1,952	<b>226</b>

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (20) Employee benefits payable (Continued)

(b) the situation about short-term remuneration

Items	Opening balance	Accrued during this period	Paid during this period	Closing balance
1. Salaries, bonus and allowance	81	1,172	1,122	131
2. Staff welfare		154	99	55
3. Social insurance		118	118	
Including: Medical insurance		93	93	
Staff and workers' injury insurance		25	25	
Maternity insurance				
Others				
4. Housing fund		120	120	
5. Labor union fee and staff training fee	43	24	27	40
6. Short paid absences				
7. The short-term profit sharing plan				
8. Others		27	27	
<b>Total</b>	<b>124</b>	<b>1,615</b>	<b>1,513</b>	<b>226</b>

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (20) Employee benefits payable (Continued)

#### (C) Defined Contribution Plans

Items	Opening balance	Accrued during this period	Paid during this period	Closing balance
1. Basic pension insurance		245	245	
2. Unemployment insurance		10	10	
3. Occupational pension contribution		19	19	
<b>Total</b>		<b>274</b>	<b>274</b>	

### (21) Taxes payable

Items	Opening balance	Closing balance
VAT	<b>(84)</b>	(200)
Resource tax		1
Corporate income tax	<b>10</b>	11
City maintenance and construction tax	<b>16</b>	3
Property tax	<b>11</b>	12
Land use tax	<b>30</b>	26
Individual income tax	<b>5</b>	14
Educational surcharges	<b>11</b>	2
Others	<b>(73)</b>	
<b>Total</b>	<b>(74)</b>	<b>(131)</b>

## Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

### 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### (22) Interests payable

Items	Closing balance	Opening balance
Staging interest maturity of long-term borrowings	9	9
Interest for corporate bonds	163	67
Total	text-align: right;">172	text-align: right;">76

#### (23) Other payables

(a) Classification of other payables by nature

Items	Closing balance	Opening balance
Construction payables	268	339
Quality assurance – project/ spare parts	429	463
Freight charges	53	7
Deposit for steel shelves	50	61
Performance assurance	121	115
The national special funds paid by Anshan Iron and Steel Group Company	328	328
Others	484	365
Total	text-align: right;">1,733	text-align: right;">1,678

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (23) Other payables (Continued)

(b) Significant balances of other payables aging over 1 year

Creditor	Closing balance	Reason	Whether paid after balance sheet date
Angang Group Engineering Technology Co., LTD	25	Project funds/Project quality assurance	No
Anshan Iron and Steel Group Information Industry Co., Ltd	14	Project quality assurance	No
Angang Construction Co., LTD	14	Project funds/Project quality assurance	No
Songjiang Harbin Electric Furnace Factory Co., Ltd.	15	Project funds/Project quality assurance	No
Air liquid (Hangzhou) Co., LTD	16	Project quality assurance	No
Acre Coking & Refractory (Dalian) Engineering Technology Corporation	31	Project funds/Project quality assurance	No
Acre Coking & Refractory Engineering Technology Corporation	34	Project funds/Project quality assurance	No
MCC Heavy Industry Equipment Co., Ltd.	17	Project funds/Project quality assurance	No
Others	600	Project quality assurance/ Performance bond	No
Total	766		



## Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

### 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### (24) Non-current liabilities due within 1 year

<b>Items</b>	<b>Closing balance</b>	Opening balance
Long-term loans due within 1 year (Note: 6(26))	<b>166</b>	161
<b>Total</b>	<b>166</b>	161

#### (25) Other current liabilities

<b>Items</b>	<b>Closing balance</b>	Opening balance
Short-term financing bonds	<b>1,500</b>	
<b>Total</b>	<b>1,500</b>	

## Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

### 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### (26) Long-term loans

##### (a) Classification of Long-term loans

Items	Closing balance	Opening balance
Guaranteed loans	555	555
Credit loans	2,908	902
Minor total	3,463	1,457
Less: long-term loans due within 1 year (Note: 6(24))	166	161
Total	3,297	1,296

*Note:* Guarantee loans of long-term loans, guaranteed by Angang group and Japan Kobe Steel Company, were mainly used to replenish working capital and for project construction. The interest rate of Long-term loan range of 2.65%–4.9%

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (26) Long-term loans (Continued)

(b) Classification of Long-term loans by the maturity date

<b>Items</b>	<b>Closing balance</b>	Opening balance
Within 1 year	<b>166</b>	161
1 year to 2 years (include 2 years)	<b>2,885</b>	457
2 years to 3 years (include 3 years)		633
3 years to 5 years (include 5 years)	<b>412</b>	206
<b>Total</b>	<b>3,463</b>	1,457

### (27) Bonds payable

(a) Bonds payable

<b>Items</b>	<b>Closing balance</b>	Opening balance
Medium term note	<b>3,950</b>	3,944
<b>Total</b>	<b>3,950</b>	3,944

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (27) Bonds payable (Continued)

(b) Increase or decrease in bonds payable

Type of bonds	Par value	Issuance date	Bond duration	Issuance amount	Opening balance
16MTN001	1,000	27 July 2016	5 years	1,000	986
16MTN002	2,000	3 August 2016	5 years	2,000	1,972
16MTN003	1,000	31 August 2016	5 years	1,000	986
<b>Total</b>	<b>4,000</b>			<b>4,000</b>	<b>3,944</b>

Type of bonds	Current issue	Accrued interest at face value	Amortization with the Premium or Discount of Bonds	Repayment this current	Ending balance
16MTN001			1		987
16MTN002			3		1,972
16MTN003			2		986
<b>Total</b>			<b>6</b>		<b>3,950</b>

## Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

### 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### (28) Government grants

Government grants included in the profit or loss

Grants items	And assets/ Income- related	Included in other income	Included in the non- operating income	Writing down the costs or expenses
Shenyang Steel plus the overall relocation project	Asset	2		
265m <sup>2</sup> sintering machine flue gas desulfurization	Asset	5		
Environmental funds	Asset	7		
Two sintering flue gas desulfurization	Asset	3		
Three sintering flue gas desulfurization	Asset	2		
Controlled rolling and controlled cooling	Asset	1		
Others	Assets/ Income- related	2		
Total		22		

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (29) Deferred income

Item	Opening balance	Increase	Decrease	Closing balance	Cause of formation
Government grants	739		22	717	
<b>Total</b>	<b>739</b>		<b>22</b>	<b>717</b>	<b>-</b>

Among them, the items involved the government grants are as follows:

Grants items	Opening balance	Increase	Belong to non-operating-income	Included in other income	Closing balance	And assets/Income-related
Bayuquan 1450 cold-rolled project	200				200	asset
Shenyang Steel plus the overall relocation project	133			2	131	asset
Environmental funds	84			7	77	asset
265m <sup>2</sup> sintering machine flue gas desulfurization	74			5	69	
5500MM defense heavy plate steel project	40				40	asset
Two sintering flue gas desulfurization	36			3	33	asset
Industrial comprehensive demonstration project of low carbon production technology in metallurgical plant	24				24	asset
Others	148			5	143	Assets/Income
<b>Total</b>	<b>739</b>			<b>22</b>	<b>717</b>	

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (30) Share capital

This period	Opening balance		Changes of the period (+,-)					Closing balance	
	Balance	Proportion (%)	New shares issued	Bonus issue	Shares transferred from		Subtotal	Balance	Proportion (%)
					reserves	Others			
Shares unrestricted on sale									
a. Ordinary A shares	6,149	85						6,149	85
b. Foreign shares listed overseas ("H shares")	1,086	15						1,086	15
<b>Total</b>	<b>7,235</b>	<b>100</b>						<b>7,235</b>	<b>100</b>

2016	Opening balance		Changes of the period (+,-)					Closing balance	
	Balance	Proportion (%)	New shares issued	Bonus issue	Shares transferred from		Subtotal	Balance	Proportion (%)
					reserves	Others			
Shares unrestricted on sale									
a. Ordinary A shares	6,149	85						6,149	85
b. Foreign shares listed overseas ("H shares")	1,086	15						1,086	15
<b>Total</b>	<b>7,235</b>	<b>100</b>						<b>7,235</b>	<b>100</b>

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (31) Capital reserve

<b>This period</b>	<b>Opening balance</b>	<b>Increase of the period</b>	<b>Decease of the period</b>	<b>Closing balance</b>
Share premium	31,144			31,144
Other capital reserve	375			375
<b>Total</b>	<b>31,519</b>			<b>31,519</b>

<b>2016</b>	<b>Opening balance</b>	<b>Increase of the period</b>	<b>Decease of the period</b>	<b>Closing balance</b>
Share premium	31,144			31,144
Other capital reserve	375			375
<b>Total</b>	<b>31,519</b>			<b>31,519</b>



# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (32) The comprehensive income

Other comprehensive income will be reclassified into the gains and losses.

Item	Profit or loss arising from fair value changes of available-for-sale financial assets		The share which enjoyed by the invested unit reclassified into profit or loss in other comprehensive income under the equity method		Total	
	The date of this period	The date of last period	The date of this period	The date of last period	The date of this period	The date of last period
	The balance at the beginning of the period	11	18	1		12
Amount for the period before tax	(12)	(15)			(12)	(15)
Minus: transform into profit or loss from other comprehensive income						
Minus: income tax expenses	(3)	(4)			(3)	(4)
The after-tax amount attributed to the parent company	(9)	(11)			(9)	(11)
The after-tax amount attributed to minority shareholders						
The balance at the end of the period	2	7	1		3	7

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (33) Special reserve

<b>This period</b>	<b>Opening balance</b>	<b>Increase of the period</b>	<b>Decease of the period</b>	<b>Closing balance</b>
Safety production expenses	52	29	5	76
<b>Total</b>	<b>52</b>	<b>29</b>	<b>5</b>	<b>76</b>
<b>2016</b>	<b>Opening balance</b>	<b>Increase of the period</b>	<b>Decease of the period</b>	<b>Closing balance</b>
Safety production expenses	54	54	56	52
<b>Total</b>	<b>54</b>	<b>54</b>	<b>56</b>	<b>52</b>

### (34) Surplus reserve

<b>This period</b>	<b>Opening balance</b>	<b>Increase of the period</b>	<b>Decease of the period</b>	<b>Closing balance</b>
Statutory surplus reserve	3,580			3,580
<b>Total</b>	<b>3,580</b>			<b>3,580</b>
<b>2016</b>	<b>Opening balance</b>	<b>Increase of the year</b>	<b>Decease of the year</b>	<b>Closing balance</b>
Statutory surplus reserve	3,580			3,580
<b>Total</b>	<b>3,580</b>			<b>3,580</b>

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (35) Undistributed profits

Items	This period
Opening balance	<b>2,484</b>
Increase of the period	<b>1,823</b>
Including: Net profit transferred this period	<b>1,823</b>
Other adjustment factors	
Decrease of the period	<b>485</b>
Including: Extraction of surplus reserve this period	
Extraction of general risk provisions this period	
Distribution of cash dividend this period	<b>485</b>
Converted capital	
Other decreases	
Closing balance	<b>3,822</b>

*Note:* On 8 June 2017, the Board meeting approved the proposed for the company to distribute cash dividend of RMB0.067 per share to the shareholders of ordinary shares, which amounts to the sum of RMB485 million.

### (36) Operating revenue and operating cost

Items	This period	Last period
Prime operating revenue	<b>39,023</b>	25,374
Other operating revenue	<b>34</b>	56
Total	<b>39,057</b>	25,430
Operating cost for main business	<b>34,643</b>	22,164
Other operating cost	<b>32</b>	53
Total	<b>34,675</b>	22,217

*Note:* The Group has one segment according to business category which production and sale of iron and steel products.

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (37) Taxes and surcharges

<b>Items</b>	<b>This period</b>	Last period
City maintenance and construction tax	<b>75</b>	80
Educational surcharge and local educational surcharge	<b>53</b>	58
Resources tax	<b>1</b>	1
Property tax	<b>66</b>	
Land use tax	<b>168</b>	
Stamp duty	<b>31</b>	
<b>Total</b>	<b>394</b>	139

*Note:* For information about standard of business taxes and surcharges, please refer to Note 5.

### (38) Marketing expenses

<b>Items</b>	<b>This period</b>	Last period
Parking expense	<b>28</b>	28
Delivery expense	<b>941</b>	728
Sales and service expense	<b>46</b>	52
Agency fee for commissioned sales	<b>16</b>	18
Employee benefits	<b>72</b>	55
Insurance expense	<b>5</b>	2
Warehouse storage expense	<b>22</b>	21
Others	<b>58</b>	57
<b>Total</b>	<b>1,188</b>	961

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (39) General and administrative expenses

Items	This period	Last period
Employee benefits	442	306
Taxes		237
Amortization of intangible assets	78	78
Depreciation	26	28
Research and development costs	68	19
Repair and maintenance	3	6
Computer maintenance expense	2	3
Assistance for production expense	2	2
Afforestation fees	4	2
others	3	48
Total	628	729

### (40) Financial expenses

Items	This period	Last period
Interest expense	602	640
Including: It has to pay off all the interests from the bank loans and other loans within 5 years	549	605
The financial charges during the financial lease period		
Other interest expenditures	53	35
Less: Interest income	29	22
Less: Capitalized interest expense	23	w36
Exchange gain or loss		33
Less: Capitalized exchange gain or loss		
Others	5	3
Total	555	618

## Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

### 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### (41) Investment income

Items	This period	Last period
Long-term equity investment income under the equity method	208	210
Investment income from disposal of long-term equity investments	21	14
Total	229	224

#### (42) Impairment losses

Items	This period	Last period
Provision for written-down of inventories	(10)	701
Total	(10)	701

#### (43) Changes in fair value gains and losses

Sources	This period	Last period
Financial assets at fair value through profit or loss	6	
Financial liabilities at fair value through profit or loss	(1)	(14)
Total	5	(14)

## Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

### 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### (44) Other income

Items	This period	Last period
Shenyang Steel plus the overall relocation project	2	
265m <sup>2</sup> sintering machine flue gas desulfurization	5	
Environmental funds	7	
Two sintering flue gas desulfurization	3	
Three Sintering flue gas desulfurization	2	
Controlled rolling and controlled cooling	1	
Others	2	
<b>Total</b>	<b>22</b>	

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (45) Non-operating revenue

Items	This period	Last period	Recorded into extraordinary gains and losses
Total gains from disposal of non-current assets	2	3	2
Including: Gains on fixed assets scrapped	2	3	2
Other gains on disposal of fixed assets			
Government grant (Disclosed in the below: Details of government grants)		39	
Others	4	8	4
Total	6	50	6

Details of government grants:

Items	This period	Last period
R & D grants		3
Environmental rewards		22
Military project grants		12
Others		2
Total		39



# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (46) Non-operating expenses

Items	This period	Last period	Recorded into extraordinary gains and losses
Total loss on disposal of non-current assets	15	13	15
Including: Loss on fixed assets scrapped	15	13	15
Other loss on disposal of fixed assets			
Others	5	4	5
Total	20	17	20

### (47) Income tax expenses

(a) The tabulation for income tax expenses

Items	This period	Last period
Income tax calculated according to the Tax Law and the relevant regulations	36	11
Changes on deferred income tax expenses	2	
Total	38	11

### (48) Other comprehensive income

Note: 6(32).

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (49) Items on statements of cash flow

(a) Cash received from other operating activities

Items	This period	Last period
Government grants		106
Rental income	1	
Deposit income	6	
Others	6	66
Total	13	172

(b) Cash paid for other operating activities

Items	This period	Last period
Freight fee payments for others	790	676
Retired wages payment	64	54
Purchases and sales business fee	96	45
Energy-saving test fee	56	44
Pipage fee	32	23
Sewage fee	29	33
Insurance fee	20	18
Storage charge	19	17
Commission processing fee	120	16
Computer maintenance fees	3	10
Security and firefighting expense	5	8
Green fees	13	7
Other operating expenses	83	209
Total	1,330	1,160

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (49) Items on statements of cash flow (Continued)

(c) Cash received from other investing activities

<b>Items</b>	<b>This period</b>	Last period
Income from test run	<b>69</b>	139
Hedging gain	<b>30</b>	
Interest income	<b>38</b>	32
<b>Total</b>	<b>137</b>	171

(d) Cash paid for other investment activities.

<b>Items</b>	<b>This period</b>	Last period
Hedging losses	<b>9</b>	
<b>Total</b>	<b>9</b>	

(e) Cash paid for other financing activities.

<b>Items</b>	<b>This period</b>	Last period
Intermediary fees for loans	<b>2</b>	
<b>Total</b>	<b>2</b>	

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### (50) Supplement to cash flow statement

- (a) Reconciliation of net profit to cash flows from operating activities

Items	This period	Last period
<b>1. Reconciliation of net profit to cash flows from operating activities:</b>		
<b>Net profit</b>	<b>1,831</b>	297
Add: Provision for impairment	<b>(10)</b>	(128)
Depreciation of fixed assets	<b>1,665</b>	1,684
Amortization of intangible assets	<b>79</b>	79
Amortization of long-term deferred expense		
Loss on disposal of fixed assets, Intangible assets and other non-current assets ("-" for gains)		
Loss on scrap of fixed assets	<b>13</b>	10
Loss on the change of fair value	<b>(5)</b>	14
Financial expenses	<b>550</b>	615
Investment loss	<b>(229)</b>	(224)
Decrease in deferred tax assets ("-"for increase)	<b>2</b>	15
Increase in deferred tax liabilities ("-"for decrease)		(15)
Decrease in inventories ("-"for increase)	<b>(818)</b>	(568)
Decrease in operating receivables ("-"for increase)	<b>523</b>	(638)
Increase in operating payables ("-"for decrease)	<b>(3,034)</b>	283
Others	<b>43</b>	15
Net cash flow from operating activities	<b>610</b>	1,439
<b>2. Change in cash and cash equivalents</b>		
Cash at the end of the period	<b>2,098</b>	2,407
Less: Cash at the beginning of the period	<b>1,968</b>	3,601
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	<b>130</b>	(1,194)

## Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

### 6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### (50) Supplement to cash flow statement (Continued)

(b) Composition of cash and cash equivalents

Items	Closing balance	Opening balance
<b>1. Cash at bank and on hand</b>	<b>2,098</b>	1,968
Of which: Cash	1	1
Bank deposits available	1,913	1,801
Other deposits available	184	166
<b>2. Cash equivalents</b>		
Of which: Bond due within 3 months		
<b>3. Closing balance of cash and cash equivalents</b>	<b>2,098</b>	1,968

#### (51) Restricted assets of ownership or use rights

Items	Closing date	Reason
Notes receivable	1,471	Note: 6(3(2))
Total	1,471	

### 7. CHANGES IN CONSOLIDATION SCOPE

There is no change in consolidation scope.

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 8. INTERESTS IN OTHER ENTITIES

### 1. Interest in the subsidiary

The constitution of the enterprise group

Full Name of Subsidiaries	Principal place of business	Registry	Nature of the business	Direct stake (%)	Acquisition
Angang Steel Distribution (Wuhan) Co., Ltd. ("Angang Wuhan")	Wuhan	Wuhan	Steel Processing and Distribution	100	Establish
Angang Steel Distribution (Hefei) Co., Ltd. ("Angang Hefei")	Hefei	Hefei	Steel Processing and Distribution	100	Establish
Shenyang Anshan Iron and Steel International Trade Co., Ltd. ("Shenyang Trade")	Shenyang	Shenyang	Sales of metal materials and products, building materials, etc.	100	Combination under common control
Shanghai Anshan Iron and Steel International Trade Co., Ltd. ("Shanghai Trade")	Shanghai	Shanghai	Wholesale and retail purchasing services	100	Combination under common control
Tianjin Anshan Iron and Steel International Trade Co., Ltd. ("Tianjin Trade")	Tianjin	Tianjin	Purchase and sale of metal and other materials	100	Combination under common control
Guangzhou Anshan Iron and Steel International Trade Co., Ltd. ("Guangzhou Trade")	Guangzhou	Guangzhou	Technology import and export of goods, Wholesale and retail trade	100	Combination under common control
Shenyang Anshan Iron and Steel Processing and Distribution Co., Ltd. ("Shenyang Steel")	Shenyang	Shenyang	Steel Processing and Distribution	100	Combination under common control

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 8. INTERESTS IN OTHER ENTITIES (Continued)

### 1. Interest in the subsidiary (Continued)

The constitution of the enterprise group (Continued)

Full Name of Subsidiaries	Principal place of business	Registry	Nature of the business	Direct stake (%)	Acquisition
Anshan Iron and Steel Processing and Distribution (Dalian) Co., Ltd. ("Angang Dalian")	Dalian	Dalian	Steel Processing and Distribution	100	Establish
Ningbo Anshan Iron and Steel International Trade Co., Ltd. ("Ningbo Trade")	Ningbo	Ningbo	Steel trade	100	Establish
Yantai Anshan Iron and Steel International Trade Co., Ltd. ("Yantai Trade")	Yantai	Yantai	Steel trade	100	Establish
Zhengzhou Steel	Zhengzhou	Zhengzhou	Steel Processing and Distribution	100	Establish
Anshan Iron and Steel Processing and Distribution (Guangzhou) Co., Ltd. ("Angang Guangzhou")	Guangzhou	Guangzhou	Steel Processing and Distribution	75	Establish
Anshan Iron and Steel Processing and Distribution (Weifang) Co., Ltd. ("Angang Weifang")	Weifang	Weifang	Steel Processing and Distribution	51	Combination under common control
Anshan Iron and Steel Processing and Distribution (Shanghai) Co., Ltd. ("Angang Shanghai")	Shanghai	Shanghai	Steel Processing and Distribution	51	Combination under common control

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 8. INTERESTS IN OTHER ENTITIES (Continued)

### 1. Interest in the subsidiary (Continued)

The constitution of the enterprise group (Continued)

Full Name of Subsidiaries	Principal place of business	Registry	Nature of the business	Direct stake (%)	Acquisition
Anshan Iron and Steel Processing and Distribution (Tianjin) Co., Ltd. ("Angang Tianjin I")	Tianjin	Tianjin	Steel Processing and Distribution	51	Combination under common control
Anshan Iron and Steel Kobelco ANSC-TKS	Anshan	Anshan	Processing and sale of steel rolling	51	Establish
TKAS-SSC	Changchun	Changchun	Development, production, laser tailor-welded plate And service	100	Combination under different control
	Changchun	Changchun	Production, processing and steel products Sell products sales and distribution	100	Combination under different control
Anshan Iron and Steel Technology	Anshan	Anshan	Technology research and development Metallurgy and related materials, equipment Development and development	100	Establish



# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 8. INTERESTS IN OTHER ENTITIES (Continued)

### 2. Interests in joint ventures or associates

(a) The important joint ventures or associates

Name	Principal place of business	Registry	Nature of the business	Direct stake (%)	Accounting treatment
ANSC-TKS	Dalian	Dalian	Galvanized and alloyed steel Board production and sales	50	Equity method
ANSC – Dachuan	Dalian	Dalian	Steel processing and sales	50	Equity method
Changchun FAM	Changchun	Changchun	Steel production and processing services	50	Equity method
Guangzhou Automobile Steel	Guangzhou	Guangzhou	Metal products industry	50	Equity method
Angang Finance	Anshan	Anshan	Deposits and loans and financing	20	Equity method
Iron Oxide Powder	Anshan	Anshan	Iron powder processing	30	Equity method
Nansha Logistical	Guangzhou	Guangzhou	Freight Forwarding, steel packaging	45	Equity method
AISSG	Hangzhou	Hangzhou	Trade, warehousing services	49	Equity method
Shanghai Chemical	Shanghai	Shanghai	Build steel processing projects	23	Equity method
Guangzhou Steel	Guangzhou	Guangzhou	Steel Processing and Distribution	30	Equity method

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 8. INTERESTS IN OTHER ENTITIES (Continued)

### 2. Interests in joint ventures or associates (Continued)

(b) The accounting treatment of the important joint ventures

Items	ANSC-TKS	
	Closing date/ the date occurred in this period	Opening date/ the date occurred in last period
Current assets	1,452	1,453
Cash and cash equivalents	200	254
Non-Current assets	742	793
Total Assets	2,194	2,246
Current liabilities	806	696
Non-Current liabilities	6	7
Total Liabilities	812	703
Minority interests		
Subtotal of Shareholders' equity attributable to shareholders of parent company	1,382	1,543
The share of the net assets calculated by the share of stake	691	772
Adjusting events		
– goodwill		
– unrealized profit resulting from intra-group trade	(48)	(37)
– others		
The book value of equity investments in joint ventures	643	735
The fair value of the equity investments in joint ventures which exist the public offer		
Operating revenue	2,706	2,146
Finance costs	3	
Income tax expenses	51	56
Net profit	291	290
Net profit from discontinued operations		
Other comprehensive income		
The total of comprehensive income	291	290
Dividends received from joint ventures this year	226	379

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 8. INTERESTS IN OTHER ENTITIES (Continued)

### 2. Interests in joint ventures or associates (Continued)

(c) The financial information of the important associations

Item	Angang Finance	
	Closing date/ the date occurred in this period	Opening date/ the date occurred in last period
Current assets	4,529	4,818
Cash and cash equivalents	4,464	4,447
Non-Current assets	16,269	15,926
Total Assets	20,798	20,744
Current liabilities	13,662	13,940
Non-Current liabilities	5	
Total Liabilities	13,667	13,940
Minority interests	16	19
Subtotal of Shareholders' equity attributable to shareholders of parent company	7,115	6,785
The share of the net assets calculated by the share of stake	1,423	1,357
Adjusting events		
– goodwill		
– unrealized profit resulting from intra-group trade		
– others		
The book value of equity investments in associations	1,423	1,357
The fair value of the equity investments in associations which exist the public offer		
Operating revenue	514	546
Finance costs		
Income tax expenses	113	100
Net profit	335	302
Net profit from discontinued operations		
Other comprehensive income	(1)	
The total of comprehensive income	334	302
Dividends received from associations this year		

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 8. INTERESTS IN OTHER ENTITIES (Continued)

### 2. Interests in joint ventures or associates (Continued)

- (d) The accounting treatment of the unimportant joint ventures and associations

Items	Closing date/ the date occurred in this period	Opening date/ the date occurred in last period
Associations:		
The book value of equity investments	645	660
The followings are calculated by shares		
– Net profit	(7)	5
– Other comprehensive income		
– The total of comprehensive income	(7)	5
Joint ventures:		
The book value of equity investments	216	215
The followings are calculated by shares		
– Net profit	4	
– Other comprehensive income		
– The total of comprehensive income	4	

### **9. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS**

The Group's principal financial instruments comprise equity investment, debt investments, loans, accounts receivable, accounts payable, bonds payable and cash and cash equivalents and etc. the details of the financial instruments described in Note 6. Risks associated with these financial instruments, as well as the Group's risk management policies to mitigate these risks are described as below. The group's management controlled these exposures within certain limits by management and monitoring.

Sensitivity analysis techniques are adopted by the Group to analyze the rationality of risk variables, and the effects of the changes on profit or loss or shareholders' equity. The risk variables seldom changes individually, and the changes of one risk variables may have a significant effect on the amount of the other with a correlation, therefore, the following content is based on the assumption that changes of each variable are independent.

#### **(a) The objectives and policies of risk management**

The Group's objective in risk management is to achieve balance between the risks and benefits, to reduce the risk's negative impact to the lowest level and maximize the interests of shareholders and other equity investors. Based on the risk management objectives, the basic strategy of the Group's risk management is to identify and analyze the risks faced by the Group, to establish an appropriate baseline for risk tolerance and risk management, to monitor a variety of risk timely and reliably, and to control the risk within a limited range.

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 9. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued)

### (a) The objectives and policies of risk management (Continued)

#### (1) Market risk

##### (i) Exchange risk

Foreign currency risk refers to the risk of loss due to the fluctuation of exchange rate. The foreign currency risk of the Group exposed is mainly related to the US dollar and the EUR. Besides the following assets or liabilities in US dollars and euros at 30 June 2017, other assets and liabilities of the Group are denominated in RMB balances.

Items	30 June 2017	30 June 2016
Bank deposits ( <i>dollar</i> )	<b>32,938.34</b>	222.23
Short-term loans ( <i>dollar</i> )	<b>150,000,000.00</b>	270,000,000.00
Account payables ( <i>euro</i> )	<b>134,835.71</b>	209,926.43
Non-current liabilities due within one year ( <i>euro</i> )	<b>61,973.43</b>	123,946.76
Long-term borrowings ( <i>euro</i> )		61,973.43

The Group settled its account receivables and payables, arising from product exported and raw materials and engineering equipment imported, with the import and export agents by a fixed contract exchange rate, therefore, there is no significant foreign currency risk in transactions of the Group.

# Notes to the Financial Statements *(Continued)*

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 9. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS *(Continued)*

### (a) The objectives and policies of risk management *(Continued)*

#### (1) Market risk *(Continued)*

##### (i) Exchange risk *(Continued)*

Foreign currency short-term loan balance of the group was US 150 million on 30 June 2017, and the Group had no significant foreign currency risk in foreign currency short-term borrowing due to the use of long-term foreign exchange.

A. On 30 June 2017, the exchange risk's exposure of assets and liabilities listed in the original currency is in Note 6 (1, 15, 24 and 26)

B. the Group's main foreign exchange rates apply as follows:

Item	Average exchange rate		Middle exchange rate on the reporting date	
	This period	Last period	This period	Last period
Dollar	6.8607	6.5379	6.7744	6.6312
Euro	7.4920	7.2842	7.7496	7.375

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 9. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued)

### (a) The objectives and policies of risk management (Continued)

#### (1) Market risk (Continued)

##### (i) Exchange risk (Continued)

##### C. Sensitivity analysis

On 30 June 2017, 1% increase in the foreign exchange rate would result in an increase (decrease) in net equity and profit or loss of the group's shareholders listed as follows:

<u>Date</u>	<u>Item</u>	<u>Impact on profits</u>	<u>Impact on shareholders' equity</u>
30 June 2017	Dollar		
	Euro		
30 June 2016	Dollar	(13)	(13)
	Euro		

As of 30 June 2017, under the assumption that all other variables remain the same premise, if the RMB against the USD and euro exchange rate reduced by 1% would result in the same amount of change in shareholders' equity and net profit on the table above, whereas in the opposite direction.



## 9. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS *(Continued)*

### (a) The objectives and policies of risk management *(Continued)*

#### (1) Market risk *(Continued)*

##### (i) Exchange risk *(Continued)*

##### C. Sensitivity analysis *(Continued)*

The sensitivity analysis above is based on the assumption that changes in the exchange rate on the balance sheet date, and this change applies to the Group's entire derivative and non-derivative financial instruments. 1% change is based on the reasonable projection for exchange rate from the Group's balance sheet date to the next balance sheet date. Last period analysis based on the same assumptions.

##### (ii) Interest rate risk

The Group's interest-bearing financial instruments on 30 June 2017 please refer to notes 6 (1, 15, 24, 25, 26 and 27).

Sensitivity analysis:

The principles of the Group's interest rate risk management aim to reduce the impact of short-term fluctuations on the Group's profits. However, in the long term, permanent changes in interest rates will affect profits.

## 9. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS *(Continued)*

### (a) The objectives and policies of risk management *(Continued)*

#### (1) Market risk *(Continued)*

##### (ii) Interest rate risk *(Continued)*

As of 30 June 2017, with all other variables held constant, assuming that the interest rate of bank deposits, available for sale financial assets, short-term borrowings, non-current liabilities due within one year, short-term bonds, long-term loans and bonds payable increase 1 percentage point, would result in RMB155 million decrease (last period: RMB171 million) of the Group's net income and shareholders' equity.

The sensitivity analysis above is based on the assumption that changes in the exchange rate on the balance sheet date, and this change applies to all of the Group's derivative and non-derivative financial instruments. 1 percentage point change is based on the reasonable expectations for the exchange rate among the Group's balance sheet date to the next balance sheet date. Analysis of last period is based on the same assumptions.

## 9. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS *(Continued)*

### (a) The objectives and policies of risk management *(Continued)*

#### (2) Credit risk

Credit risk refers to the risk that counter party will default on its contractual obligation resulting in financial loss to the other party. The Group's credit risk is primarily attributable to receivables. Management will continue to review the credit risk exposure.

For receivables, the Group has established a credit policy under the actual situation, the amount of credit is determined by the customer's credit assessments. The Group requires most customers to pay the full amount in cash or notes of the products before delivery.

The accounts receivable associated with the clients is mature within 1-4 months since the bills issued. The debtor overdue more than one month will be required to settle all the outstanding balances before any further credit. Under normal circumstances, the Group does not prescribe collateral from customers.

The majority of the Group's customers have business traactions with the Group for many years; therefore, losses are infrequently occurred. The Group analyzed the aging, maturity and other customer information in order to monitor the Group's credit risk.

There is no significant impairment and overdue receivables as of 30 June 2017.

## 9. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS *(Continued)*

### (a) The objectives and policies of risk management *(Continued)*

#### (2) Credit risk *(Continued)*

Due to the accounts receivables of the top five customers, which are accounted for 60% of the receivables and other receivables on the balance sheet date (last period: 34%), the Group may face a certain degree of credit risk concentration.

The maximum credit risk exposure faced by the Group, which is not guaranteed, is the book value of the financial assets in the balance sheet.

#### (3) Liquidity risk

The Group is responsible for its own cash management to cover projected cash arrangements including the short-term investments by using the cash surpluses and loans. The Group monitor short-term and long-term liquidity requirements regularly aimed to find out whether is in compliance with the loan agreements, to ensure that the group maintains sufficient cash reserves and readily realizable securities, and to maintain sufficient funds of major committed financial institutions to meet short-term and longer-term liquidity needs.

## Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

### 10. DISCLOSURE OF THE FAIR VALUE

The book value of financial assets and financial liabilities of the Group presented in the consolidated financial statements is similar to its fair value, except for the Notes 6 (2, 8 and 16).

The fair value measurement is classified into three hierarchies, listed as follows:

- Level 1: The quoted price (unadjusted) in dynamic market for identical asset or liability.
- Level 2: Inputs other than quoted price included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: The unobservable inputs for asset or liability (unobservable inputs).

Item	The fair value at the end of the period			Total
	The fair value measured at first level	The fair value measured at second level	The fair value measured at third level	
Available-for-sale financial assets	40			40

Item	The fair value at the beginning of the period			Total
	The fair value measured at first level	The fair value measured at second level	The fair value measured at third level	
Available-for-sale financial assets	52			52

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

### (1) Information on the parent of the company

Group name	Registration place	The nature of business	Registered Capital	The Group's shareholding	Proportion of voting-right
Ansteel Group	Tie Xi District, Anshan, Liaoning Province	Production and sale of steel and metal products, steel filament Tubes, and metal structures	26,000	67.29	67.29

*Note:* Angang Group Corporation is the ultimate controlling party.

### (2) Information on the subsidiaries of the company

Disclosed in Note 8.(1) Subsidiaries.

### (3) Information on the joint ventures and associates of the group

Disclosed in Note 8.(2) Investment in joint ventures and associates.

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (4) Related parties without control relationship

Name of enterprise	Relation with the Company
ANSC-TKS	Joint venture
Changchun FAW	Joint venture
Guangzhou Automotive Steel	Joint venture
Anshan Iron and Steel Shares Ship Heavy Industry Dalian Steel Processing and Distribution Co., Ltd	Joint venture
Anshan Jingu	Associate
Nansha Logistical	Associate
Angang Finance	Associate
Falan Packing	Fellow subsidiary
Angang group Engineering Technology Development Co., Ltd	Fellow subsidiary
Angang Cold Rolled Steel Plate Co., Ltd. Putian	Fellow subsidiary
Angang Electric Co., Ltd	Fellow subsidiary
Angang Real Estate Development Group Co., Ltd	Fellow subsidiary
Angang Steel Rope Co., Ltd.	Fellow subsidiary
Anshan Iron and Steel Group Co., Ltd. Chaoyang	Fellow subsidiary
Angang Engineering Technology Co., Ltd	Fellow subsidiary
Angang Trade	Fellow subsidiary
Angang Mining Co.	Fellow subsidiary
Angang Railway Transport Facilities Construction Co.	Fellow subsidiary
Angang Automatism Co.	Fellow subsidiary
Angang Construction Group	Fellow subsidiary
Angang Mining Construction Co.	Fellow subsidiary

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (4) Related parties without control relationship (Continued)

<b>Name of enterprise</b>	<b>Relation with the Company</b>
Angang Auto Transport Co., Ltd	Fellow subsidiary
Angang Entity Group	Fellow subsidiary
Anshan Yingkou Harbor co., LTD	Fellow subsidiary
Angang Heavy Machine Co., Ltd	Fellow subsidiary
Angang Cast Steel Co., Ltd	Fellow subsidiary
Angang Group Energy-saving Technology Service Co., Ltd	Fellow subsidiary
Angang Group Information Industry Co., Ltd	Fellow subsidiary
Angang Refractory Co., Ltd	Fellow subsidiary
Anshan Angang Vesuvius Refractory Co., Ltd	Joint venture of the parent company
Anshan Jidong Cement Co., Ltd	Joint venture of the parent company
Pangang Group Iron and Vanadium Titanium Resources Co., Ltd	Fellow subsidiary
Pangang Trade	Fellow subsidiary
Pangang Group Chengdu Steel Vanadium Co., LTD	Fellow subsidiary
Pangang Group Design Institute	Fellow subsidiary
Angang Lianzhong (GuangZhou) Stainless Steel Co., Ltd	Fellow subsidiary



# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (5) Related-party transactions

(a) Related-party transactions within Ansteel Group

(i) Related-party transactions on Procurement of Goods and Services

<b>Contents</b>	<b>Pricing Policy</b>	<b>This period</b>	Last period
Raw materials	Note. i	<b>7,623</b>	3,901
Steel products	Note. ii	<b>6</b>	
Supplementary materials	Note. ii	<b>769</b>	667
Energy and power supplies	Note. iii	<b>807</b>	875
Support services	Note. iv	<b>1,350</b>	1,416
<b>Total</b>		<b>10,555</b>	6,859

(ii) Related-party transactions on Sales of Goods and Services

<b>Contents</b>	<b>Pricing Policy</b>	<b>This period</b>	Last period
Products	Note. v	<b>336</b>	392
Scrap steel and materials	Note. v	<b>115</b>	93
General services	Note. vi	<b>492</b>	486
<b>Total</b>		<b>943</b>	971

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (5) Related-party transactions (Continued)

- (b) Related-party transactions with Pangang Steel Vanadium and Titanium Co., Ltd

Related-party transactions on Procurement of Goods and Services

<b>Contents</b>	<b>Pricing Policy</b>	<b>This period</b>	Last period
Raw materials	Note. I	15	498
<b>Total</b>		<b>15</b>	<b>498</b>

Notes:

- i. The iron ore concentrate purchase price is not higher than Not higher than the monthly average value of the medium price of Platts Fe 65% (CFR) for Northern China (Qingdao port) as published daily by the SBB Steel Markets Daily Briefing for the preceding month (T-1) plus the freight cost from Bayuquan port to the Company. Price adjustments for mineral grades shall be made to the price in accordance with iron content calculated based on the average value of Platts Fe 65% index for the preceding month (T-1). Using this as the basis, a further discount equal to 3% of the average value of Platts Fe 65% index for the preceding month (T-1) shall be applied. The pellets ore is measured at market price. The price of iron concentrate plus the processing costs for the preceding month (T-1) (in particular such processing costs shall not be higher than the processing costs of the products of the same category produced by the Company). The price of Premium products of Mineral ore from Karara Mining Limited((iron grade $\geq$  67.2%) is not higher than the average monthly price

## 11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

### (5) Related-party transactions *(Continued)*

- (b) Related-party transactions with Pangang Steel Vanadium and Titanium Co., Ltd *(Continued)*

*Notes: (Continued)*

of such product sold to independent third parties in Mainland China for the corresponding period (i.e. the month in which freight was loaded at the port of origin). The sales volume of premium products of Mineral ore made by Karara Mining Limited to independent third parties in Mainland China shall not be less than 30% of the total sales volume of premium products of Karara Mining Limited for a given period. The price of Standard grade products (67.2% iron grade  $\geq$  65%) made by Karara Mining Limited is calculated based on the monthly average value of the medium price of Platts Fe 65% (CFR) for Northern China (Qingdao port) as published daily by the SBB Steel Markets Daily Briefing for the month in which the freight was loaded at the port of origin plus the freight cost differential for each dry metric ton from Qingdao port to Bayuquan port, Liaoning, divided by 65 and multiplied by the actual product grade. The price of Low grade products (65% iron grade  $\geq$  59%) made by Karara Mining Limited is calculated based on the monthly average value of the medium price of Platts Fe 62% (CFR) for Northern China (Qingdao port) as published daily by the SBB Steel Markets Daily Briefing for the month in which the freight was loaded at the port of origin plus the freight cost differential for each dry metric ton from Qingdao port to Bayuquan port, Liaoning, divided by 62 and multiplied by the actual product grade. Scrap, billets, alloys and non-ferrous metal are purchased at market prices;

- ii. The price of steel products is determined based on the selling price of the Company to third parties. The purchasing prices of ancillary materials are not higher than the average prices charged to independent customers.

## 11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (5) Related-party transactions (Continued)

- (b) Related-party transactions with Pangang Steel Vanadium and Titanium Co., Ltd (Continued)

Notes: (Continued)

- iii. Mainly at state prices, or operating costs plus 5% of gross profit margin;
- iv. At state-fixed prices, or market prices, or not higher than 1.5% of the commissions, or depreciation fees and maintenance costs, or labor, materials and management fees, or processing costs plus no more than 5% of the gross margin;
- v. Steel products and scrap materials are mainly measured at selling prices based on the average prices charged to independent customers for the preceding month or market prices. The basis of the price of steel products offered to Angang Holding for development of new products is measured, if there is a market price, at the market price, and if not, at the cost plus a reasonable profit. The sieve powder is measured at sintered iron ore price deducted the cost of sintering procedures performed by Angang Holding. Retired and idle assets are mainly measured at market prices or assessing prices.
- vi. At the state prices, or operating costs plus 5% of gross profit margin, or market prices.

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (5) Related-party transactions (Continued)

#### (c) Guarantee of loans

Warrantor	Warranty	Amount		Whether fulfilled	
		guaranteed	Starting date		Expiring date
Ansteel Group	The Company	40	10 February 2015	9 February 2018	No
Ansteel Group Corporation	The Company	500	24 May 2017	23 May 2018	No
Ansteel Group Corporation	The Company	500	26 May 2017	25 May 2018	No

#### (d) Other related-party transactions

##### (i) Service from sales agent

In this issue, Angang International Trade provides export agent sales of steel products, the number of 830,000 tons (the previous period: 930,000 tons).

##### (ii) Related-party transactions with the joint ventures and the associates:

Name of enterprise	Sales in this period	Sales in last period
ANSC-TKS	1,792	1,100
Nansha Logistical		32
Changchun FAW	35	22
Anshan Jingu	207	15

# Notes to the Financial Statements (*Continued*)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (*Continued*)

### (5) Related-party transactions (*Continued*)

(d) Other related-party transactions (*Continued*)

(iii) Loan, deposit and interest payment to Angang Finance

Items	Annual interest rate	Opening balance	Increment	Decrement	Closing balance	Terms of credit
Loans	4.35	105		35	70	Credit, Guarantee Loans
Deposit		306	232		538	

This period, the Group's interest income of deposit in Angang Finance was RMB7 million (last period: 7 million) and the interest expenditure for loans from Angang finance was RMB2 million (last period: 7 million). The Group's current daily deposit in Angang Finance Company amounted to RMB1,995 million (last period: 1,988 million).

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (5) Related-party transactions (Continued)

- (e) Remuneration of the directors, supervisors and senior management

<b>Items</b>	<b>This period</b>	<b>Last period</b>
Directors' fees		0.36
Other remuneration:		
Salaries, allowances and non-cash amount of interest	<b>2.45</b>	0.37
Performance-related bonus		
Equity-settled share option expenses	<b>0.29</b>	0.1
Pension plan contributions	<b>0.49</b>	0.07
Other remuneration		
<b>Total</b>	<b>3.23</b>	<b>0.9</b>

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (5) Related-party transactions (Continued)

- (e) Remuneration of the directors, supervisors and senior management (Continued)

Fees paid to executive directors, non-executive directors, supervisors and senior management personnel:

Name	This year					Total
	Directors' fees	Salaries, allowances and non-cash amount of interest	Performance-related bonus	Equity-settled share option expenses	Pension plan contributions	
<b>Executive directors:</b>						
Yao Lin						
Wang Yidong		0.68		0.08	0.14	0.90
Li Zhongwu		0.49		0.05	0.10	0.64
Zhang Jingfan		0.37		0.05	0.07	0.49
Subtotal for executive directors		1.54		0.18	0.31	2.03
<b>Supervisors:</b>						
Lin Daqing						
Liu Xiaohui						
Yuan Peng						
Subtotal for Supervisors						
<b>Senior management:</b>						
Xu Shi Shuai		0.45		0.05	0.09	0.59
Wu Jinsong		0.46		0.06	0.09	0.61
Subtotal for Senior management		0.91		0.11	0.18	1.20
<b>Total</b>		<b>2.45</b>		<b>0.29</b>	<b>0.49</b>	<b>3.23</b>



# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (5) Related-party transactions (Continued)

#### (e) Remuneration of the directors, supervisors and senior management (Continued)

Name	Last Year					Total
	Directors' fees	Salaries, allowances and non-cash amount of interest	Performance-related bonus	Equity-settled share option expenses	Pension plan contributions	
<b>Executive directors:</b>						
Yao Lin						
Wang Yidong		0.08		0.02	0.02	0.12
Zhang Lifan (Leaving at 2016.3.30)		0.02		0.01		0.03
Zhang Jingfan		0.09		0.02	0.02	0.13
Subtotal for executive directors		0.19		0.05	0.04	0.28
<b>Non-executive directors:</b>						
Chen Fangzheng (Leaving at 2016.6.8)	0.09					0.09
Qu Xuanhui (Leaving at 2016.6.8)	0.09					0.09
Liu Zhengdong (Leaving at 2016.6.8)	0.09					0.09
Zhou Zhiwei (Leaving at 2016.6.8)	0.09					0.09
Subtotal for non-executive directors	0.36					0.36
<b>Supervisors:</b>						
Lin Daqing						
Song Jun						
Bai Hai (Leaving at 2016.6.8)		0.05		0.01	0.01	0.07
Subtotal for supervisors		0.05		0.01	0.01	0.07
<b>Senior management:</b>						
Liu Jun (Leaving at 2016.3.30)		0.02		0.01		0.03
Xu Shishuai (Leaving at 2016.3.30)		0.06		0.02	0.01	0.09
Meng Jinsong (Leaving at 2016.3.30)		0.05		0.01	0.01	0.07
Subtotal for Senior management		0.13		0.04	0.02	0.19
Total	0.36	0.37		0.1	0.07	0.9

*Note:* None of the directors, supervisors or senior managers agreed to waive the payment agreement in this year.

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(Continued)

### (5) Related-party transactions (Continued)

- (e) Remuneration of the directors, supervisors and senior management (Continued)

Top five employees by remuneration involved three directors and two senior managers (Previous: 2 directors and 3 independent directors), and whose payment are set out in detail above.

### (6) Balances of related-party transactions

- (a) Accounts receivable and prepayments

Items	Closing balance	Opening balance
<b>Accounts receivable</b>		
Angang Trade	617	780
Angang Cast Steel Co., Ltd	45	45
Angang Steel Rope Co., Ltd.	43	42
Angang Real Estate Development Group Co., Ltd	12	6
Angang Mining Co.	15	3
Angang Group Corporation	3	4
Angang Electric Co., Ltd	4	1
ANSC-TKS	37	8
Angang Lianzhong (Guangzhou) Stainless Steel Co., Ltd	8	
Angang Heavy Machine Co., Ltd	89	29
Guangzhou Automotive Steel	185	1
Angang Entity Group	6	
Angang group Engineering Technology Development Co., Ltd	1	
Other related parties	3	1
Total	1,068	920

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

### (6) Balances of related-party transactions (Continued)

#### (a) Accounts receivable and prepayments (Continued)

Items	Closing balance	Opening balance
<b>Prepayments</b>		
Angang Trade	640	1,514
Angang Engineering Technology Co., Ltd	12	1
Angang Heavy Machine Co., Ltd		4
Angang Auto Transport Co., Ltd	9	2
Anshan Angang Vesuvius Refractory Co., Ltd	71	
ANSC-TKS	2	
Angang Lianzhong (Guangzhou) Stainless Steel Co., Ltd	8	
<b>Total</b>	<b>742</b>	<b>1,521</b>
<b>Other receivables</b>		
Guangzhou Automotive Steel	300	300
Other related parties	2	
<b>Total</b>	<b>302</b>	<b>300</b>

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(Continued)

### (6) Balances of related-party transactions (Continued)

(b) Accounts payable and receivables in advance

Items	Closing balance	Opening balance
<b>Accounts payable</b>		
Anshan Iron and Steel Group Co., Ltd. Chaoyang		7
Angang Group Engineering Technology Development Co., Ltd	1	2
Angang Group Energy-saving Technology Service Co., Ltd		13
Angang Trade	2,736	4,471
Angang Mining Co.	26	23
Angang Automatism Co.	5	6
Angang Construction Group	19	29
Angang Mining Construction Co.	7	6
Angang Auto Transport Co., Ltd	36	28
Angang Entity Group	29	31
Anshan Yingkou Harbor co., Ltd	21	11
Angang Heavy Machine Co., Ltd	12	2
Angang Group Corporation	31	24
Angang Electric Co., Ltd	7	7
Falan Packing	7	9
ANSC-TKS	141	100
Anshan Angang Vesuvius Refractory Co., Ltd	1	42
Angang Railway Transport Facilities Construction Co.	3	7
Angang Steel Rope Co., Ltd.	1	2
Angang Refractory Co., Ltd		61
Angang Cold Rolled Steel Plate Co., Ltd. Putian		1
Anshan Iron and Steel Shares Ship Heavy Industry Dalian	11	
Pangang Group Iron and Vanadium Titanium Resources Co., Ltd	13	
Pangang Trade	9	
Other related parties	4	3
Total	3,120	4,558

# Notes to the Financial Statements *(Continued)*

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

### (6) Balances of related-party transactions *(Continued)*

#### (b) Accounts payable and receivables in advance *(Continued)*

Items	Closing balance	Opening balance
<b>Receivables in advance</b>		
Angang Mining Co.	2	8
Angang Construction Group	22	14
Angang Auto Transport Co., Ltd	9	30
Angang Entity Group	27	30
Angang Heavy Machine Co., Ltd		1
Falan Packing	5	4
Angang Group Corporation		1
ANSC-TKS	27	125
Pangang Trade	2	
Anshan Jingu	12	
Angang Lianzhong (Guangzhou) Stainless Steel Co., Ltd	3	
Angang group Engineering Technology Development Co., Ltd	1	
Other related parties	1	1
Total	111	214

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(Continued)

### (6) Balances of related-party transactions (Continued)

(b) Accounts payable and receivables in advance (Continued)

Items	Closing balance	Opening balance
<b>Other payables</b>		
Angang Real Estate Development Group Co., Ltd	4	1
Angang Engineering Technology Co., Ltd	35	32
Angang Trade	10	7
Angang Group Information Industry Co., Ltd	14	14
Angang Automatism Co.	21	24
Angang Construction Group	19	13
Angang Mining Construction Co.	9	2
Angang Auto Transport Co., Ltd	1	0
Angang Entity Group	15	13
Angang Heavy Machine Co., Ltd	7	5
Angang Group Corporation	1	0
Angang Electric Co., Ltd	5	5
Angang Railway Transport Facilities Construction Co.	1	1
Pangang Group Design Institute	3	3
Anshan Angang Vesuvius Refractory Co., Ltd	2	3
Other related parties		1
Total	147	124

## 12. SHARE-BASED PAYMENT

As of 30 June 2017, there is no share based payment transaction need to be disclosed.

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 13. COMMITMENTS

### (1) Significant commitment

Items	As of 30 June 2017	As of 31 December 2016
Investment contracts entered but not yet performed or performed partially	18	18
Construction and renovation contracts entered but not yet performed or performed partially	1,537	1,058
Total	1,555	1,076

### (2) Contingencies

As of 30 June 2017, there were no contingencies need to be disclosed.

## 14. SUBSEQUENT EVENTS

The Group does not need to disclose the events after the balance sheet date.

## 15. OTHER SIGNIFICANT INSTRUCTIONS

On 28 March 2017, the 10th meeting of the 7th Board of Directors of the Company examined and approved the Proposal on the Company's 2017 Annual Hedging Business Amount. Considering both the actual requirement of the company's business development and the regulations of standard operational guidelines for main board listed company from Shenzhen Stock Exchange, the company decided to continue conducting commodity futures hedging business in 2017 to control business risk effectively, improve the ability to against market fluctuations, hedge the spot stock price risk between the procurement of original fuel and sales of steel products. Hedging scale should be controlled within 50% of the purchasing and sales target. The hedging plan quantity for each type in 2017 was as follows: about 0.5 million tons of steel, about 3.7 million tons of the original fuel, about 19,100 tons of non-ferrous metal, and ferrous alloy is about 12,500 tons. The highest cash deposit will depend on the supreme holding position. The highest deposit was RMB350 million in 2017.

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 16. NOTES TO PARENT'S FINANCIAL STATEMENTS

### (1) Accounts receivable

#### (a) Accounts receivable by category

Items	Closing balance			
	Book value		Bad debt provision	
	Balance	Percentage (%)	Balance	Percentage (%)
Accounts receivable with amounts that are individually significant and subject to separate assessment for bad debts provision	3,256	92		
Accounts receivable with amounts that are individually insignificant and subject to separate assessment for bad debts provision	290	8	1	100
<b>Total</b>	<b>3,546</b>	<b>100</b>	<b>1</b>	<b>100</b>

Items	Opening balance			
	Book value		Bad debt provision	
	Balance	Percentage (%)	Balance	Percentage (%)
Accounts receivable with amounts that are individually significant and subject to separate assessment for bad debts provision	2,921	89		
Accounts receivable with amounts that are individually insignificant and subject to separate assessment for bad debts provision	343	11	1	100
<b>Total</b>	<b>3,264</b>	<b>100</b>	<b>1</b>	<b>100</b>



# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 16. NOTES TO PARENT'S FINANCIAL STATEMENTS (Continued)

### (1) Accounts receivable (Continued)

#### (b) Aging analysis of accounts receivable

Aging	Closing balance			
	Book value		Bad debt provision	
	Balance	Percentage (%)	Balance	Percentage (%)
Within 1 year	3,463	98		
1 to 2 years	47	1		
2 to 3 years	15			
Over 3 years	21	1	1	100
<b>Total</b>	<b>3,546</b>	<b>100</b>	<b>1</b>	<b>100</b>

Aging	Opening balance			
	Book value		Bad debt provision	
	Balance	Percentage (%)	Balance	Percentage (%)
Within 1 year	3,161	97		
1 to 2 years	19	1		
2 to 3 years	83	2		
Over 3 years	1		1	100
<b>Total</b>	<b>3,264</b>	<b>100</b>	<b>1</b>	<b>100</b>

#### (c) Bad debt provision accrued at the end of the year

By judgment of the management, majority of accounts receivables could be recovered and debtor's solvency is reliable, so bad debt provision is relatively low.

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 16. NOTES TO PARENT'S FINANCIAL STATEMENTS (Continued)

### (1) Accounts receivable (Continued)

- (d) The condition of accounts receivable of the top five debtors by the balances at the end of the year

The accounts receivable balance of top five debtors was RMB1,850 million, accounting for 52% of the balance at the end of the period, and bad debt provision of which was 0 in total.

### (2) Other receivables

- (a) Nature of other receivables

Type	Closing balance			
	Book value		Bad debt provision	
	Balance	Percentage (%)	Balance	Percentage (%)
The receivables with amounts that are individually significant and subject to separate assessment for bad debts provision	324	97		
Other receivables with amounts that are individually insignificant and subject to separate assessment for bad debts provision	8	3		
<b>Total</b>	<b>332</b>	<b>100</b>		

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 16. NOTES TO PARENT'S FINANCIAL STATEMENTS (Continued)

### (2) Other receivables (Continued)

#### (a) Nature of other receivables (Continued)

Type	Opening balance			
	Book value		Bad debt provision	
	Balance	Percentage (%)	Balance	Percentage (%)
The receivables with amounts that are individually significant and subject to separate assessment for bad debts provision	334	93		
Other receivables with amounts that are individually insignificant and subject to separate assessment for bad debts provision	26	7		
<b>Total</b>	<b>360</b>	<b>100</b>		

#### (b) Classification of other receivable according to the nature

<b>Other accounts receivable</b>	<b>Closing book value</b>	Opening book value
Petty cash	<b>24</b>	20
Loan for Guangzhou Automotive Steel	<b>300</b>	300
Export rebates		34
Other	<b>8</b>	6
<b>Total</b>	<b>332</b>	360

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 16. NOTES TO PARENT'S FINANCIAL STATEMENTS (Continued)

### (2) Other receivables (Continued)

- (c) Bad debt provision at the end of the period

By judgment of the management, majority of accounts receivables could be recovered and debtor's solvency is reliable, so bad debt provision is relatively low.

### (3) Long-term equity investment

- (a) Types of long-term equity investments

Items	Closing date			Opening date		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investments in subsidiaries	1,565		1,565	1,565		1,565
Investments in joint ventures and associates	2,927		2,927	2,968		2,968
<b>Total</b>	<b>4,492</b>		<b>4,492</b>	<b>4,533</b>		<b>4,533</b>

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 16. NOTES TO PARENT'S FINANCIAL STATEMENTS (Continued)

### (3) Long-term equity investment (Continued)

#### (b) Investments in subsidiaries

The invested company	Opening date	Increase	Decrease	Closing date	Provision for impairment	The closing date of provision for impairment
Angang Wuhan	177			177		
Angang Hefei	102			102		
Angang Guangzhou	90			90		
Shenyang Trading	27			27		
Shanghai Trading	9			9		
Tianjin Trading	9			9		
Guangzhou Trading	21			21		
Angang Shenyang	98			98		
Angang Weifang						
Angang Shanghai	19			19		
Angang Tianjin	27			27		
Angang Dalian	200			200		
Ningbo Trading	6			6		
Yantai Trading	6			6		
Anshan Iron and Steel						
Kobelco	357			357		
ANSC-TKS	175			175		
TKAS-SSC	69			69		
Angang Technology	50			50		
Zhengzhou Steel	123			123		
<b>Total</b>	<b>1,565</b>			<b>1,565</b>		

# Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

## 16. NOTES TO PARENT'S FINANCIAL STATEMENTS (Continued)

### (3) Long-term equity investment (Continued)

(c) Investments for the joint ventures and associates

Note: the same to 6(9).

### (4) Operating revenue and operating cost

Items	This period	Last period
Prime operating income	<b>38,997</b>	25,250
Other operating income	<b>31</b>	36
<b>Total</b>	<b>39,028</b>	25,286
Prime operating cost	<b>34,625</b>	21,884
Other operating cost	<b>28</b>	35
<b>Total</b>	<b>34,653</b>	21,919

### (5) Investment income

Items	This period	Last period
Long-term equity investment income measured at equity method	<b>208</b>	210
Measured at fair value and the changes are recorded into the profits and losses of the current financial assets during the period of holding the investment returns	<b>21</b>	14
<b>Total</b>	<b>229</b>	224

## Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

### 17. NET CURRENT ASSETS

<b>Items</b>	<b>Closing balance</b>	Opening balance
Current assets	<b>25,733</b>	25,676
Less: current liabilities	<b>32,909</b>	36,789
Net current assets/(liabilities)	<b>(7,176)</b>	(11,113)

### 18. TOTAL ASSETS LESS CURRENT LIABILITIES

<b>Items</b>	<b>Closing balance</b>	Opening balance
Total assets	<b>87,532</b>	88,069
Less: current liabilities	<b>32,909</b>	36,789
Total assets less current liabilities	<b>54,623</b>	51,280

## Notes to the Financial Statements (Continued)

For the 6 months ended 30 June 2017 (Expressed in million RMB unless otherwise indicated)

### 19. SUPPLEMENTARY DOCUMENTS

#### (1) Non-operating gains and losses

Items	This period	Last period
Gains/losses from disposal of non-current assets	(13)	(10)
Government grant recorded into profit/loss for current period except that relevant to enterprise operation and in compliance with government policies		39
Other operating income/loss	(1)	4
Other non-operating gains/losses		
<b>Subtotal</b>	<b>(14)</b>	<b>33</b>
Effect on taxation	3	(8)
Effect on minority interest (after tax)		
<b>Total</b>	<b>(11)</b>	<b>25</b>

Extraordinary items were recognized in complies with the requirements of NO. 1 Interpretative announcement of Information disclosures of Companies Publicly issued securities, extraordinary items (CSRC' announcement [2008] No. 43).

#### (2) ROE AND EPS

Profit in this period	Weighted average (ROE) (%)	EPS (Yuan per share)	
		Basic EPS	Diluted EPS
Net profit attributable to ordinary shares	3.98	0.252	0.252
Net profit (exclusive of non-operating profit) attributable to ordinary shares	4.00	0.253	0.253



## Documents Available for Inspection

1. 2017 interim report signed by the Chairman;
2. Financial report signed and affixed with the seal by the legal representative, person in charge of accounting and head of the accounting department of the Company;
3. All documents publicly disclosed by the Company in the China Securities Journal during the Reporting Period;
4. The Articles of Association of the Company;
5. Interim report of the Company disclosed in the Hong Kong stock market.

The above documents are available for inspection at the secretarial office of the Board of Angang Steel Company Limited\*, at Production Area of Angang Steel, Tiexi District, Anshan City, Liaoning Province, the PRC.

*Board of Directors of*  
**Angang Steel Company Limited\***

28 August 2017

*\* For identification purpose only*

*Note:* This report is prepared in Chinese and English. In case of any discrepancy between Chinese and English version, the Chinese version shall prevail.



鞍 鋼 股 份 有 限 公 司  
ANGANG STEEL COMPANY LIMITED\*