



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

Stock Code: 00347

2018

Interim Report

* For identification purposes only

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Important Notice and Definitions

IMPORTANT NOTICE

The Board of Directors (the “Board”), 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 assume responsibility for the truthfulness, accuracy and completeness of the contents contained herein.

Mr. Wang Yidong, the Chairman of the Company, Mr. Ma Lianyong, Chief Accountant and the person-in-charge of accounting as well as Ms. Guo Wu, person in charge of the accounting institution guarantee the truthfulness, accuracy and completeness of the financial statements in this interim report.

The 2018 interim financial report of the Company is unaudited.

The 2018 interim financial report of the Company is prepared in accordance with the Accounting Standards for Business Enterprises of the PRC.

DEFINITIONS

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

“Angang”	Angang Group Company Limited* (鞍鋼集團有限公司)
“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 Limited* and its subsidiaries held by it as to 30% or more (excluding the Group)
“Angang Holding”	Anshan Iron & Steel Group Co. Ltd.
“ANSC-TKS”	ANSC-TKS Automobile Steel Company Ltd. (鞍鋼蒂森克虜伯汽車鋼有限公司)
“Angang Construction”	Angang Construction Group Company Limited (鞍鋼工程建設集團有限公司)

Important Notice and Definitions (Continued)

“Company” or “Angang Steel”	Angang Steel Company Limited* (鞍鋼股份有限公司)
“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”	Karara Mining Limited (卡拉拉礦業有限公司)
“Pangang Vanadium & Titanium”	Pangang Group Steel Vanadium & Titanium Co., Ltd* (攀鋼集團鈮鈦資源股份有限公司)
“Pangang Vanadium & Titanium Group”	Pangang Vanadium & Titanium and its subsidiaries
“PRC” or “China”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong and Macau Special Administrative Region)

Corporate Profile

I. CORPORATE INFORMATION

Stock Exchange of Listing	Shenzhen Stock Exchange		
Stock Abbreviation	Angang Steel	Stock Code	(A share) 000898
Stock Exchange of Listing	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	Wang Yidong		

II. CONTACT PERSONS AND CONTACT METHODS

	Joint Company Secretaries		Securities Affairs Representative
Name	Ma Lianyong	Chen Chun	Jin Yimin
Address	Production Area of Angang Steel, Tiexi District, Anshan City, Liaoning Province, the PRC	18/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong	Production Area of Angang Steel, Tiexi District, Anshan City, Liaoning Province, the PRC
Telephone	0412-6734878 0412-6722156	00852-3912 0863	0412-8417273 0412-6751100
Fax	0412-6727772	00852-3912 0801	0412-6727772
E-mail	mly@ansteel.com.cn	jessica.chen@swcsgroup.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 2017 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 2017 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 (%)
		Before adjustment	After adjustment	
Operating income	46,882	39,057	39,063	20.02
Net profit attributable to the shareholders of the Company	3,499	1,823	1,823	91.94
Net profit attributable to the shareholders of the Company after deduction of non-recurring items	3,517	1,834	1,834	91.77
Basic earnings per share (RMB/share)	0.484	0.252	0.252	92.06
Diluted earnings per share (RMB/share)	0.481	0.252	0.252	90.87
Returns on net assets on weighted average basis (%)	6.79	3.98	3.98	Increased by 2.81 percentage points
Net cash flow from operating activities	1,907	610	611	212.11

	As at the end of the Reporting Period	As at the end of the previous year		Increase/decrease at the end of the Reporting Period as compared with the corresponding period of the previous year (%)
		Before adjustment	After adjustment	
Total assets	92,686	89,204	89,225	3.88
Owners' equity (or shareholders' equity) attributable to the shareholders of the Company	51,653	49,973	49,983	3.34

Total share capital of the Company as at 27 August 2018:

Total share capital of the Company as at 27 August 2018 (shares)	7,234,807,847
Fully diluted earnings per share calculated based on the latest share capital (RMB/share)	0.484

Summary of Accounting Figures and Financial Indicators (Continued)

II. NON-RECURRING ITEMS:

No.	Item	Effect on profit (RMB million)
1	Gains/losses from disposal of non-current assets	-41
2	Government subsidies (except for government subsidies which are closely related to the Company's operations and received in fixed amount or quantity in conformity with the standards of the State) recorded into to gains or losses for the period	22
3	Net gains or losses of subsidiaries arising from business combination under common control from the beginning of the year to the date of combination	1
4	Changes in fair value of financial assets held for trading	-8
5	Other non-operating income and expenses apart from those stated above	2
6	Subtotal	-24
7	Effect on income tax	6
8	Total	-18

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

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

Applicable Not applicable

Overview of the Company's Business

I. PRINCIPAL OPERATIONS OF THE COMPANY DURING THE REPORTING PERIOD

As a large national enterprise for manufacture and sales of iron and steel, the Company is principally engaged in ferrous metal smelting and steel pressing and processing as well as the sales of related products and provision of related services. The Company possesses the complete processes for production of iron and steel including sintering, coking, iron-making, steel-making, steel rolling and ancillary facilities. The Company's principal products include hot rolled sheets, cold rolled sheets, galvanized steel sheets, color coating plates, medium and thick plates, heavy section, heavy rails, wire rods, seamless steel pipes and cold rolled silicon steel. These products are widely used in industries such as machinery, metallurgy, petroleum, chemical industry, coal, electric power, railway, shipbuilding, automobile, construction, home electrical appliances and aviation.

The series of steel products with high-tech characteristics made by the Company including steel for shipbuilding, railway, automobile, nuclear power, petroleum and petrochemicals, home electrical appliances, container and electrical steel have ranked among famous brand products. The Company's research and development on new types of steel products for vessel plate and railway steel rail as well as technologies for manufacture of steel rail has reached international advanced level. The technology for the series products of high-strength thick pipeline steel for undersea high-pressure oil and gas pipeline delivery was industry-leading. Moreover, the Company established the first national key laboratory for metallic material of marine equipment and its application.

The Company has a comprehensive product portfolio with a vast variety of products and complete specifications, and its brand enjoys a high reputation and trustworthiness. Meanwhile, steel for railway as well as steel plates for containers and vessels have continued to be named "China top brand".

II. MATERIAL CHANGES OF MAJOR ASSETS DURING THE REPORTING PERIOD

There was no material change in the major assets of the Company during the Reporting Period.

III. ANALYSIS ON THE CORE COMPETITIVENESS

1. Secured supply of resources

The surrounding areas of Anshan have abundant reserves of iron ore. Presently, a subordinate mining company of Angang Group has iron ore resources of approximately 8,800 million tons and stands at the first place in the PRC and a leading position in the world in terms of production stripping capacity of 230 million tons per year and mineral processing capacity of 65 million tons per year. Its leading mining technology in the PRC and leading mineral processing technology in the world secure the supply of resources for the sustainable development of the Company.

2. Technical and equipment capacity

The principal production techniques and technologies of the Company's Anshan production base have reached national advanced level, with large-scale and state-of-the-art main facilities. The Company also has extensive experience in the construction of steel factories and construction management.

The production base of Bayuquan Iron & Steel Branch Company possesses advanced technological equipment and techniques with a compact layout. It has a sound foundation for green development with leading key indicators for technology in the PRC.

3. Technological innovation and product development capability

The Company's products are rich in variety and complete in specifications, with certain advantages in respect of differentiation. In addition, with a well-known and reputable brand, it has strong superiority in aspect of providing ancillary services to users.

The Company is a top player in terms of plate products, and its sheets for automobiles, home appliances and containers are industry leading. Moreover, the Company is capable of steadily manufacturing high-grade surface cold-rolled and galvanized sheets used for covering external parts of automobiles.

In terms of comprehensive strength, the Company's R&D ranks the top in the steel industry.

III. ANALYSIS ON THE CORE COMPETITIVENESS (CONTINUED)

4. Leadership in technology

The Company's intellectual property strength ranks among the top tier in the metallurgical industry in terms of the number of patent applications, licenses and proprietary technologies. The Company also plays an important role in the formulation and revision of national and industry standards. The Company has made fruitful achievements in intellectual property rights in the areas such as iron-making and steel smelting system, iron and steel products, and environmental resources. The TWIP1180HR hot rolled sheets and other new products manufactured through the whole-process technology were launched into market, setting a norm for and leading the production of advanced high-strength steel products, one of the high manganese steel serial products, across the world. The world's first QP1400 cold-rolled high-strength sheets for automobiles were rolled out of the production lines of Kobelco Angang Auto Steel Co., Ltd.(鞍鋼神鋼), further consolidating Angang Steel's leading position in the manufacturing of steel sheets for automobiles in the PRC. The Company provided the extra-thick and ultra-high strong marine steel for "Blue Whale No. 1" ("藍鯨1號") as an exclusive supplier, which facilitated the successful trial mining of combustible ice in the PRC and enabled the Company to become the only steel producer with the qualification to supply Grade F ultra-high strength marine steel produced with TMCP in the PRC and a steel producer with the qualification and capability to supply steel for top drilling platforms in the world. In addition, the Company is also the world's first steel producer with the capability to supply ultra-wide Cr-Mo steel sheets for pressure vessels with a width of more than 5 meters. The weathering steel for railway vehicles covered all design specifications and the bogies of bullet trains led the development of the industry. The S32101 nuclear grade ultra-wide 4,000mm duplex stainless steel plate, which was successfully developed by the Company, had shored up the weakness in special steel plate in the PRC, and reached the world-class standard. The quality of the high-strength LX86B tire cord steel is comparable with the same product of POSCO. A number of invention patents such as "a type of low-alloy steel sheets with resistance to sulfuric acid dew point corrosion and its manufacturing method" ("一種低合金耐硫酸露點腐蝕鋼板及其製造方法") and "a type of high-strength, cold-rolled, hot-dip galvanized and dual-phase steel sheet and its manufacturing method" ("一種高強度冷軋熱鍍鋅雙相鋼板及其製造方法") were awarded with the 18th China Excellent Patent Awards. Also, a number of achievements such as "the new generation of controlled rolling and controlled cooling technology and its application" ("新一代控軋控冷技術及應用") won national, industry, provincial and municipal awards.

III. ANALYSIS ON THE CORE COMPETITIVENESS (CONTINUED)

5. Advantages in corporate culture

The Company abounds in heroic figures like Meng Tai, Lei Feng, Wang Chonglun as well as advanced models in the new era including Guo Mingyi and Li Chao, and they have become role models for the public. In the long history of development, the Company has established a profound corporate culture with “Innovation, Factualism, Hard Working and Contribution” as its core, which generalizes, extracts and sublimates the spirits of generations of Angang people and is instrumental for the solidarity and cohesion of the Company. With rich connotation and broad denotation, its corporate culture demonstrates the Chinese traditional virtues and the fine work styles of the working class in the PRC. In the new era, it has been complemented with new elements to facilitate the innovative development of the transformation and upgrading of the Company with distinctive culture of advantage, innovation, competition, and harmony.

Report of the Board of Directors

I. OVERVIEW

In the first half of the year, the Company kept focusing on three key elements, namely efficiency, quality and reform. Through improvement of scale efficiency, optimization of product mix, acceleration of technological innovation and enhancement of system-wide cost reduction, the Company achieved significant improvement in operating results.

In the first half of the year, the Group recorded revenue of RMB46,882 million, representing an increase of 20.02% as compared with the corresponding period of the previous year; gross profit amounted to RMB4,659 million, representing an increase of 149.28% as compared with the corresponding period of the previous year; net profit attributable to shareholders of the Company amounted to RMB3,499 million, representing an increase of 91.94% as compared with the corresponding period of the previous year; basic earnings per share amounted to RMB0.484 per share, representing an increase of 92.06% as compared with the corresponding period of the previous year.

1. **Strengthening coordinated production to expand production scale of the iron and steel business**

During the Reporting Period, the Group produced 11,350,200 tons of iron, representing an increase of 6.29% as compared with the corresponding period of the previous year; 11,843,500 tons of steel, representing an increase of 8.57% as compared with the corresponding period of the previous year; and 10,743,000 tons of steel products, representing an increase of 5.13% as compared with the corresponding period of the previous year. Sale of rolled steel amounted to 10,513,300 tons, representing an increase of 5.18% as compared with the corresponding period of the previous year. The Group achieved a sales-output ratio of 97.86%.

In the first half of the year, the Company emphasized system-wide coordination and linkage, and enhanced the interaction of production plants in Anshan and Yingkou and the close coordination between upstream and downstream production process to ensure rigid connection and rapid response, thus achieving stable and efficient production.

I. OVERVIEW (CONTINUED)

2. Deeply extending the industrial chain to promote coordinated development of relevant industries

In the first half of the year, the Company deeply extended the industrial chain to accelerate the coordinated development of relevant industries. Firstly, it tapped into clean power generation industry. The Company cooperated with Angang Group Energy Conservation Technology Service Co., Ltd. (鞍鋼集團節能技術服務有限公司) in the construction of a 180MW gas-steam combined cycle power generation (CCPP) project through the energy performance contracting model. Secondly, it tapped into chemical technology industry. Angang Chemical Technology Co., Ltd. (鞍鋼化學科技有限公司), a subsidiary of the Company, was incorporated and various technical renovation projects on quality enhancement and product mix optimization have been initiated and advanced steadily. Thirdly, it expanded into auto parts industry. The Company jointly established Meizhou GAC Auto Springs Co., Ltd. (梅州廣汽汽車彈簧有限公司) with GAC Group Auto Parts Co., Ltd. (廣州汽車集團零部件有限公司), Guangzhou Huade Auto Springs Co., Ltd. (廣州華德汽車彈簧有限公司) and Haina Special Steel Co., Ltd. (海納特鋼有限公司). Fourthly, it expanded into gas energy industry. Through injecting more capital into Angang Gas Co., Ltd. (鞍鋼氣體有限公司), it vigorously promoted the development of the Company's gas business.

I. OVERVIEW (CONTINUED)

3. Advancing system-wide cost reduction through in-depth exploitation of potentials

By deepening the target cost management at all levels and following benchmarking guidance, the Company continuously advanced the indicator system for system-wide cost reduction, which covered six major areas with 60 target missions to be accomplished. It carried on scrap steel enhancement and steel increase, adjusted and optimized the scrap steel structure, which resulted in the best level in unit consumption of scrap steel and significant improvement in cycle efficiency. It further exploited the potentials in cost reduction and continued to reduce energy cost with a decrease of 6% in the cost for external energy procurement for each ton of steel compared with the corresponding period of the previous year. The comprehensive energy and fresh water consumption for each ton of steel reached the best level in history.

I. OVERVIEW (CONTINUED)

4. Deepening reform to innovate systems and mechanisms

The Company propelled transformation for market-orientated operation and fully promoted contractual management. It studied the implementation of contractual management for newly-built production lines, established and improved the co-investment mechanism covering the whole cycle from being approved to putting into operation and reaching the designed capacities. The Company implemented contractual management on managers of production plants by adopting the goal-based contractual management during their tenures and entering into the letter of responsibility on annual appraisal, so as to promote managers to accomplish their contractual operation targets. The Company developed a financial indicator appraisal system, appraisal mechanism and appraisal model for contractual operation to achieve the set targets on profits. Through the contractual management of production lines, the Company developed market-based concepts and transformed the relationships of traditional production processes into market relationships and facilitated the transformation from “internal production” to “market-based operation”, establishing a more flexible, efficient and dynamic organization and management model on production and operation.

The Company also boosted the reform of the organizational structure and strengthened the regulation on external investments. It continuously improved the regulatory system on invested enterprises and continued to revitalize the equity of invested enterprises to safeguard the interests of enterprises.

I. OVERVIEW (CONTINUED)

5. Focusing on quality improvement to advance brand building of Angang

Brand upgrading was boosted. Firstly, it enhanced branding efforts. The Company developed overall strategies and arrangements for its branding efforts and formulated overall plans and management measures for its branding efforts with a focus on 14 industries and key customers to improve the overall branding efforts. Secondly, it continued to optimize the marketing system. The Company improved its marketing work in all respects through optimizing the operation and management system for motor steel and adjusting the marketing planning on medium and thick plates. It also visited more customers. Major leaders of the Company visited Dongfeng Nissan, GAC Group, CSIC, Dongfang Electric and other long-term strategic partners. Thirdly, it innovated marketing models. The Company deeply extended the industrial chain and advanced processing and distribution business to expand increment and enhance customer loyalty. The Company successfully won the bidding for Yanqing-Chongli Expressway, a key traffic guarantee project for the 2022 Winter Olympics, the Erdos-Anping-Cangzhou gas transmission project of Sinopec, the Rhine Bridge in Germany, the Slussen Bridge in Sweden, the Shenzhen-Zhongshan Channel Cross-Strait Project and other significant projects both at home and abroad, resulting in an increasing market share. Fourthly, it intensified quality improvement and efficiency enhancement. The Company closely followed market conditions and specified pricing for products to maximize the revenue of the enterprise. In addition, it carried forward product restructuring and set product positioning in the industry to boost the sale volume of strategic products.

Product quality was improved. Based on the status quo of its product quality, the Company worked out a three-year plan on quality enhancement to boost the quality upgrading in key areas and for key products. It improved the quality index system and increased the input of special capitals to consistently implement quality enhancement projects and perfect quality indicators. The Company conducted 20 product certifications by domestic and foreign review institutions with a total of 75 steel products passed relevant certifications or field reviews in the first half of the year.

I. OVERVIEW (CONTINUED)

6. Advancing technological innovation to build a new pattern integrating production, marketing and research

Product research and development was accelerated. By adhering to the principle of customer focus and market orientation, the Group intensified its efforts in product development, leading to a continuously optimized product mix. In the first half of 2018, the Group's new products, leading exclusive products and strategic products accounted for 12.23%, 29.42% and 69.25% of its total product output, respectively. The trail production of AC550 high-strength steel for containers and 16MnDR steel for oil storage tanks of CNPC LNG (phase II) project in Tangshan was completed, with their performance meeting clients' requirements.

Technological innovation was advanced. Firstly, the fundamental research was strengthened. The Science and Technology Leading and Climbing Plan 2025 was released, which focused on the development of "new and high-quality products with innovative technology and new equipment". And the Research Project Plan for 2018 to 2020 was developed, which involves a total of 440 projects covering 12 technologies and nine type of products. Secondly, the technological innovation system was improved. A technological innovation management committee and technological innovation expert committee were established. Thirdly, the impetus for technological innovation was worked up. A technological innovation conference was held, a statement of responsibilities and statement of missions were signed with 2025 technological leaders and heads of key projects and the system for technological innovation was established to stimulate "impetus, vitality and traction". Fourthly, the research and development of key projects were strengthened. 25 national-level projects were carried out, 63 research projects obtained project approvals and 69 projects completed project examination and inspection, contributing to cost reduction and efficiency improvement of RMB520 million through technological improvement.

I. OVERVIEW (CONTINUED)

7. Optimizing capital structure to better prevent the funding risk

The Company has successfully issued H-share convertible bonds in an aggregate amount of HK\$1.85 billion, making it become the first listed Chinese steel maker issuing H-share convertible bonds overseas. Further efforts were made to “reduce inventories and trade receivables and increase turnover rate and utilization efficiency of capital”, including setting phase targets of capital turnover, so as to increase turnover rate and utilization efficiency of capital. The capital structure of the Company was optimized. As at the end of June 2018, the gearing ratio of the Company was 43.81%. The management system and implementation plan of industry funds and industry chain financing were developed and promoted on a trial basis. Risk prevention plans were formulated to prevent the funding risk.

8. Strengthening IT project management and comprehensively promoting smart production line construction

Taking Bayuquan Transparent Smart Plant equipped with brand new metallurgical process as the turning point, the Company comprehensively promoted smart production line construction by strengthening its capabilities in technological advancement, production efficiency, smart production and environment-friendly operation. The Company focused on promoting the upgrading of ERP production and sales system, and the construction of demonstration projects of the smart production of 5,500mm thick plates in Bayuquan production base and the project employing whole-process quality control and big data analysis platform. Meanwhile, the Company also promoted the centralized energy control in Bayuquan production bases. In 2018, the fulfillment ratio of the informatization and industrialization project reached 95%.

I. OVERVIEW (CONTINUED)

9. **Committing to environmental governance to better capacity of green development**

The Company furthered its efforts in improving the efficiency and meeting the standards and dust control by using environmental protection facilities. The Company accelerated the implementation of upgrading and renovation programs including dust control, and desulfurization and denitrification of fume emitted from coke ovens for the purpose of environmental protection. To achieve the goal of “blue sky, clear water and green grassland with zero emission of solid waste”, the Company continued to promote green and ecological development of steel plants by formulating and implementing the development plan for environmental protection, and formulating and improving the overall plan for green factories.

In the first half of 2018, the Company was not involved in any serious pollution incident, with 100% execution of the “three simultaneousness” eco-friendly policy. The environment and air quality continued to be improved. All radioactive sources and hazardous waste were completely disposed in accordance with relevant regulations and the environmental risk was effectively controlled.

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	46,882	39,063	20.02	-
Operating costs	39,063	34,680	12.64	-
Marketing expenses	1,415	1,188	19.11	-
Administrative expenses	490	561	-12.66	-
Research and development costs	146	68	114.71	Mainly attributable to the increase in costs incurred for trial production of new products.
Financial expenses	672	555	21.08	-
Income tax expenses	1,166	38	2,968.42	This was mainly because the Company recorded a profit in the first half of 2018 and due to (i) an increase of RMB872 million in reversal of deferred income tax assets recognized in previous years; and (ii) an increase of RMB256 million in income tax expenses accrued for the Reporting Period.

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	1,907	611	212.11	Net cash flow from operating activities increased by RMB1,296 million as compared with the corresponding period of the previous year, mainly attributable to (i) the cash received from sales of goods increased by RMB4,266 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 RMB898 million as compared with the corresponding period of the previous year as a result of the rise in raw fuels price; (iii) tax payment increased by RMB1,267 million during the Reporting Period as compared with the corresponding period of the previous year; and (iv) other cash payments related to operating activities increased by RMB516 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	-824	-666	-23.72	-
Net cash flow from financing activities	482	185	160.54	Net cash flow from financing activities increased by RMB297 million as compared with the corresponding period of the previous year, mainly attributable to (i) the cash received from borrowings during the Reporting Period decreased by RMB810 million as compared with the corresponding period of the previous year; (ii) the cash payment for repayment of borrowings decreased by RMB2,199 million as compared with the corresponding period of the previous year; (iii) the cash payment for dividend distribution and interest payment increased by RMB1,276 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	1,580	130	1,115.38	Net increase of cash and cash equivalents increased by RMB1,450 million as compared with the corresponding period of the previous year, mainly attributable to (i) the net cash flow from operating activities increased by RMB1,296 million as compared with the corresponding period of the previous year; (ii) the net cash flow from investing activities decreased by RMB158 million as compared with the corresponding period of the previous year; (iii) the net cash flow from financing activities increased by RMB297 million as compared with the corresponding period of the previous year; and (iv) the effect of exchange rate fluctuation on cash flow increased by RMB15 million as compared with the corresponding period of the previous year.

2. Whether there is any significant change in profit composition or sources of profit of the Company during the Reporting Period

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

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 (%)	corresponding period of the previous year (%)	corresponding period of the previous year (%)	corresponding period of the previous year (Percentage point)
By industry						
Steel pressing and processing industry	46,784	38,979	16.68	19.89	12.52	5.46
By product						
Hot-rolled sheets products	11,834	9,180	22.43	1.02	-10.92	10.39
Cold-rolled sheets products	16,761	13,874	17.22	19.27	18.92	0.24
Medium-thick plates	7,949	6,896	13.25	46.71	34.03	8.21
By geographical location						
China	43,831	36,364	17.04	21.87	14.37	5.44
Export sales	2,953	2,615	11.45	-3.40	-8.15	4.58

II. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

3. Composition of the principal businesses (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 (i) higher product prices; and (ii) an increase in the sales volume of cold-rolled sheets, medium-thick plates and other iron & steel products.

The decrease in operating costs of hot-rolled sheets products as compared with the corresponding period of the previous year was primarily because (i) the Company focused on three key elements, namely “efficiency, quality and reform” and consistently expanded production scale, optimized product mix, enhanced efforts in reducing procurement cost by differentiated means, accelerated technological innovation and further promoted system-wide cost reduction; and (ii) a decrease in the sales volume.

The increase in operating costs of cold-rolled sheets products and medium-thick plate products as compared with the corresponding period of the previous year was primarily due to (i) higher raw fuel costs; and (ii) an increase in the sales volume.

4. Liquidity and financial resources

As at 30 June 2018, the Group had long-term loans (exclusive of loans due within one year) of RMB2,034 million with interest rates ranging from 2.65% to 4.9% per annum and terms ranging from 2 to 5 years. These loans, falling due in 2023, are mainly used for replenishing the working capital of the Group. The Group’s long-term loans due within one year amounted to RMB2,958 million.

With good credit standing, the Group was reviewed and assigned a long-term credit rating of “AAA” by the rating committee of China Chengxin International Credit Rating Co., Ltd. (中誠信國際信用評級有限責任公司) in 2018. The Group is able to repay its debts as they fall due.

As at 30 June 2018, the Group had a total capital commitment of RMB2,279 million, which was primarily attributable to the construction and renovation 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 settled its account receivables and payables, arising from products 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.

The Company has issued H-share convertible bonds in an aggregate amount of HK\$1.85 billion, which exposed the Group to foreign exchange risk arising from the exchange rate fluctuations of RMB to HKD upon redemption of such bonds that were not converted. In the second half of 2018, the Company will consider conducting forward, swap or relevant derivative transaction of foreign exchange to lock in the exchange rate between RMB and HKD. Thus, it is expected that exchange rate fluctuations in relation to the convertible bonds will not have any significant impact on the profit or loss of the Company.

III. ANALYSIS OF NON-PRINCIPAL BUSINESSES

Unit: RMB million

	Amount	As a percentage of total profit	Reasons for the changes	Sustainable or not
Investment income	182	3.91	Mainly included investment income from long-term equity investments accounted for using equity method, investment income from derivative financial assets and dividends from other equity instrument investments during the holding period	Yes
Gains or losses arising from changes in fair value	-8	-0.17	Gains or losses resulting from change in fair value of financial assets held for trading	Yes
Asset impairment losses	24	0.52	Mainly included impairment losses on inventories and construction in progress	No
Other gains	22	0.47	Mainly included government grants	Yes
Non-operating income	9	0.19	Mainly included gains on retirement of non-current assets	Yes
Non-operating expenses	48	1.03	Mainly included losses on retirement of non-current assets	Yes

Report of the Board of Directors (Continued)

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			Explanation for significant change
	Amount	As a percentage of total assets (%)	Amount	As a percentage of total assets (%)	Increase/decrease (percentage point)	
Cash at bank and on hand	4,017	4.33	2,098	2.40	1.93	-
Notes and accounts receivables	15,196	16.40	10,713	12.24	4.16	-
Inventories	12,522	13.51	11,179	12.77	0.74	-
Long-term equity investments	2,864	3.09	2,927	3.34	-0.25	-
Fixed assets	46,489	50.16	47,702	54.50	-4.34	-
Construction in progress	1,361	1.47	2,366	2.70	-1.23	-
Short-term loans	15,358	16.57	16,617	18.98	-2.41	-
Long-term loans	2,034	2.19	3,297	3.77	-1.58	-

Report of the Board of Directors (Continued)

IV. ASSETS AND LIABILITIES

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 provision made for the period	Purchases during the period	Disposals during the period	Closing balance
	Before adjustment	After adjustment						
Financial assets								
Including :								
1. Available-for-sale financial assets	719	-	-	-	-	-	-	-
2. Other non-current financial assets	-	39	-8	-	-	-	-	31
3. Derivative financial assets	7	7	-7	-	-	-	-	-
4. Other equity instrument investments	-	680	-	-160	-	-	-	520
Sub-total of financial assets	726	726	-15	-160	-	-	-	551
Investment properties	-	-	-	-	-	-	-	-
Productive biological assets	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
Total	726	726	-15	-160	-	-	-	551
Financial liabilities	13	13	-13	-	-	-	-	0

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 2018 and 31 December 2017, the Group's equity-to-debt ratio was 1.28 times and 1.30 times, respectively.

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

The Group pledged notes receivable with a carrying amount of RMB2,143 million to banks in the period to secure short-term liquidity loans of RMB1,900 million. The term of the pledge is from 25 June 2018 to 31 January 2019.

5. Contingent liabilities

As at 30 June 2018, the Group had no contingent liabilities.

V. BUSINESS PLAN FOR THE SECOND HALF OF 2018

1. Improve efficiency of production and operation to realise economies of scale.
2. Raise the quality awareness of all employees to ensure excellent product quality.
3. Enhance reform and development capabilities and promote the implementation of planned projects.
4. Upgrade technological innovation capability and pool the wisdom and strength of all employees.
5. Sharpen market competitiveness and elevate the brand image of Angang.
6. Boost risk prevention and control capabilities to achieve safe and stable operation.

Report of the Board of Directors (Continued)

VI. ANALYSIS OF INVESTMENTS

1. Overview

Investments for the reporting period (RMB million)	External investments Investments for the corresponding period of the previous year (RMB million)	Change (%)
154	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	Stock Name	Initial Investment (RMB million)	Accounting measurements	Book value at the beginning of the period (RMB million)	Gains or losses on		Purchase amount for the current period (RMB million)	Disposal amount for the current period (RMB million)	Loss or gain during the reporting period (RMB million)	Book value at the end of the period (RMB million)	Accounting item	Source of funds
						changes on fair value of the current period (RMB million)	Accumulative changes in fair value reported in equity (RMB million)						
Shares	600961	Zhuye Group (株冶集團)	81	Measured at fair value	39	-8	-	-	-	-8	31	Financial asset held for trading	Self-owned funds

Report of the Board of Directors (Continued)

VI. ANALYSIS OF INVESTMENTS (CONTINUED)

4. Financial asset investments (Continued)

(2) Derivatives investments

Unit: RMB million

Name of the derivatives investment operator	Relationship with the Group	Connected party or not	Type of derivatives investment	Initial investment amount	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	-	239	283	346	-	243	0.47%	4
Total				1	-	-	239	283	346	-	243	0.47%	4

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 26 March 2018, the Resolution in relation to the Company's 2018 Annual Hedging Business Amount was approved at the 29th meeting of the seventh session of the Board.

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

None

VI. ANALYSIS OF INVESTMENTS (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, operational risk, legal risk, etc.)

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

As the category of position held has sufficient liquidity, there is no liquidity risk.

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

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

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

VI. ANALYSIS OF INVESTMENTS (CONTINUED)

4. Financial asset investments (Continued)

(2) Derivatives investments (Continued)

<p>Changes in market price or 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</p>	<p>Deformed bar, hot-rolled coil, copper and nickel quoted on the Shanghai Futures Exchange; iron ore and coke quoted on the Dalian Commodity Exchange; on 2 January 2018, the settlement prices of deformed bar, hot-rolled coil, copper, nickel, iron ore, and coke were RMB3,842/ton, RMB3,893/ton, RMB55,140/ton, RMB98,750/ton, RMB540/ton, RMB2,005.5/ton, respectively; on 29 June 2018, the settlement prices of deformed bar, hot-rolled coil, copper, nickel, iron ore and coke were RMB3,783/ton, RMB3,907/ton, RMB51,430/ton, RMB116,450/ton, RMB472/ton and RMB 2,076.5/ton, respectively. The changes in fair values of deformed bar, hot-rolled coil, copper, nickel, iron ore and coke were -RMB59/ton, +RMB14/ton, -RMB3,710/ton, +RMB17,700/ton, -RMB68/ton, +RMB71/ton, respectively.</p>
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<p>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</p>	<p>N/A</p>
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VI. ANALYSIS OF INVESTMENTS (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 applicable laws and 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 risk 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.

Report of the Board of Directors (Continued)

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 INVESTEES

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 joint 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	2,175	1,250	2,735	182	158
Angang Finance Corporation	Limited Liability Company	Financial	Deposit, lending and financing	4,000	23,635	7,171	522	511	383

Report of the Board of Directors (Continued)

VIII. ANALYSIS OF MAJOR SUBSIDIARIES AND INVESTEEES (CONTINUED)

Acquisition and disposal of subsidiaries during the Reporting Period

Applicable Not applicable

Name of companies	Approach of acquisition and disposal of subsidiaries during the Reporting Period	Impact on the overall operation and management results
Angang Chemical Technology Co., Ltd. (鞍鋼化學科技有限公司)	Establishment through capital contribution	In virtue of the advantages of the Company in coal and chemical engineering resources, the chemical engineering sector will become more profitable and stronger and in turn level up the economic benefits of the Company.
Angang Gas Co.,Ltd. (鞍鋼氣體有限公司)	Equity holding through capital investment	It will facilitate the development of the gas energy business of the Company and improve the benefit-making capacity of the Company in respect of surplus resources such as gas, energy, etc..

IX. STRUCTURED ENTITIES CONTROLLED BY THE COMPANY

Applicable Not applicable

X. POSSIBLE RISKS AND COUNTERMEASURES

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 and the increasingly stringent regulation and enforcement, the supervision and standards with respect to the environmental protection measures of companies are more stringent, 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 iron and steel producers in terms of environmental protection.

(2) Risk management solutions

The Company strictly implements the fundamental national policies on resources conservation and environmental protection. Centering on transforming back-end pollution treatment into front-end green production, it will focus on promoting the implementation of desulphurization and denitration for coke ovens, fuel gas treatment for ironstone powder pellets and other projects. It will promote the construction of green factories with afforesting plants, clearing road network and controlling dust as the core to reach advanced level in industry in 2018. 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.

X. POSSIBLE RISKS AND COUNTERMEASURES (CONTINUED)

2. Quality and R&D risks

(1) Details of the risks

Multiple pressures arising from the intensifying market competition, supply-side reform and environmental governance demand iron and steel producers to increase their efforts on innovation and R&D and quality management. Therefore, it is essential for the Company to raise its innovation capacity, stimulate the enthusiasm of its researchers and increase the development and application of new processes and technologies, so as to further optimize its product mix and improve the quality of its products and services and thus increase the value-added benefits of products and the core competitiveness of the Company.

(2) Risk management solutions

The Company will reinforce its efforts to build an efficient R&D system and mechanism, so as to arouse the enthusiasm, initiative and creativity of its technical personnel and improve its R&D risk management. Moreover, the Company will deepen the integration of production, marketing and research, upgrade the quality of advantageous, featured and special products, ensuring full coverage of high-end demand from downstream operations and satisfying the needs of users.

The Company will intensify its efforts to strengthen R&D with an open mind, work hard to visit users in an all-round way, introduce technologies through various channels and draw on expertise of external professionals in multiple ways to accelerate basic innovation, introduction, digestion and re-innovation and integrated innovation and speed up technological upgrading and product development. Further, the Company will continue to increase the added value of its products. Focus on high-efficiency products that are urgently needed in the market and difficulties encountered in production and operation activities, the Company will take the initiative to tackle crucial problems of key and supportive R&D projects and break through the technical bottlenecks to increase profitability.

X. POSSIBLE RISKS AND COUNTERMEASURES (CONTINUED)

2. Quality and R&D risks (Continued)

(2) Risk management solutions (Continued)

The Company will devote efforts to reform quality management by optimizing the goal orientation of quality management and establishing a customer experience-oriented quality management system, thereby better satisfying the quality requirements of customers. Besides, the Company will insist on classification-based quality management, ensure fulfilment of quality management responsibility at all levels, strengthen the management of the entire processes and ensure the quality of processes. The Company will continue to push ahead with its quality enhancement projects and solve prominent quality problems.

3. Investment risks

(1) Details of the risks

The complicated and changeable domestic and overseas economic situations brought significant uncertainties to the implementation of investment decisions of enterprises. If the due diligence and feasibility argumentation on investment projects are incomplete, not in-depth or insufficient, it may result in low-quality investment decisions or decision-making mistakes. If the regulation is improper or the risk monitoring and alarming mechanism is defective during the implementation of investment projects, it may not deal with project risks in time and cause failure to achieve expected returns or investment losses.

X. POSSIBLE RISKS AND COUNTERMEASURES (CONTINUED)

3. Investment risks (Continued)

(2) Risk management solutions

Based on the overall strategic planning of the Company, it will reasonably follow the investment orientation, properly master strategic opportunities and expand investments in resources occupation, market layout and other projects to boost investment returns. It will understand and analyze relevant national industrial policies, the macro economic situation and the changes in the industry market in time to provide basis for investment decision-making. It will strengthen examinations on annual investment plans and determine the implementation order based on the project benefits and the prospects of products and will prudently arrange investment. It will firstly support strategic layout, quality improvement, energy conservation and cost reduction, process improvement, environmental protection and emission reduction, relevant industries as well as informatization and intelligentization projects, focusing on solving bottlenecks in production and operation. It will enhance the argumentation of investment plans and the management of implementation process. It will standardize the due diligence and risk appraisal mechanism before the implementation of projects and monitor the risk changes and make dynamic adjustments and response during the implementation to ensure that investment projects can meet the expected targets.

X. POSSIBLE RISKS AND COUNTERMEASURES (CONTINUED)

4. Information system risks

(1) Details of the risks

The constant change and rapid development of information technology will bring certain impact on the objective of the information and intelligence-based top-level design, and increase the complexity of developing technical solutions for top-level design. Any deviation will reduce the feasibility of the program.

The Company's core information system, which has been in service for years, is prone to the risks of high failure rate, low response efficiency and increasing difficulties and cost of operation and maintenance due to service extension, aging of hardware and ancillary devices and overload.

If the information system suffers from any cyber attack or virus infection, it may result in information leakage or massive system breakdown.

(2) Risk management solutions

The Company will leverage on information and intelligence-based means to push forward the reform and innovation of business process and strengthen guidance for the implementation of information-based planning. Meanwhile, the Company will double its efforts to master and apply the new-generation information technology, make full use of technologies like artificial intelligence, big data and industrial internet to realize the transformation and upgrading of digitization and intelligentization. In addition, the Company will make rolling adjustments to its information and intelligence-based planning, providing strong support for business restructuring and innovative development.

X. POSSIBLE RISKS AND COUNTERMEASURES (CONTINUED)

4. Information system risks (Continued)

(2) Risk management solutions (Continued)

The Company will invest more capital into software system integration and service, hardware, internet and information security, develop a sound IT framework, and strengthen the implementation and management of IT projects. Moreover, the Company will establish a standardized operation and maintenance management system and management process, and reinforce the protection for the security of information system, to improve the overall security capability and level.

5. Marketing risks

(1) Details of the risks

With no fundamental changes in the iron and steel overcapacity, the domestic supply-demand imbalance remains outstanding. As there are limited increase in market demands, the market competition will be increasingly intensified and the steel price is unlikely to increase due to the low industrial concentration and the high product homogenization.

As foreign mining are highly monopolized, the prices of imported iron ores, coal and other bulk commodities are unlikely to decline. As the costs in energy conservation, environmental protection and fundraising keep rising, steel companies may be still trapped in a situation with high cost and low profits.

With international trade protectionism rising, steel companies will face more international trade disputes, which will have adverse impacts on steel exports.

X. POSSIBLE RISKS AND COUNTERMEASURES (CONTINUED)

5. Marketing risks (Continued)

(2) Risk management solutions

The Company will strengthen the analysis on various environmental factors affecting its marketing activities, monitor and follow development trends and adjust marketing strategies to adapt to changes of the environment and establish an operation mechanism with quick response.

It will deepen marketing reform, optimize the separation of management and operation, focus on strengthening industry and regional marketing and improve the “1+3+N” sale model. It will advance coordinated marketing, professional marketing, operation marketing and precision appraisal and establish an effective marketing mechanism and improve the market expansion capability. It will also consolidate and boost the “leading” position in the core sales area in Northeastern China and enhance the leadership in regional markets.

It will reinforce customer services and improve customers' satisfaction. It will stick to “quality orientation with excellent brands”, take innovation as the primary driver in leading development, establish and improve a customer-oriented scientific research, quality and marketing management mechanism to solve difficulties of customers, strengthen the loyalty of customers and consistently improve the profitability.

It will closely follow the “Belt and Road” strategy, boost export and quality improvement of steel materials, fully develop segment markets and customers' demands and vigorously explore the international market.

Report of the Board of Directors (Continued)

XI. EMPLOYEES

Staff composition as at 30 June 2018 is set out as follows:

Unit: Persons

	30 June 2018
Number of current employees in the Company	33,578
Number of current employees in major subsidiaries	713
Total number of current employees	34,291
Total number of employees receiving remuneration during the period	34,291
Number of ex-employees or retired employees for which the Company and the major subsidiaries have obligations	0

Specialty composition

Category of specialty composition	30 June 2018
Production	23,790
Sales	321
Technical	2,611
Finance	280
Administration	1,996
Others	5,293
Total	34,291

Education level

Category of education level	30 June 2018
Bachelor's degree and above	9,664
Post-secondary	9,336
Technical secondary school	14,333
Others	958
Total	34,291

XI. EMPLOYEES (CONTINUED)

In the first half of 2018, guided by the philosophy of “inspiring creativity by cultivating learning ability” and focusing on the innovation-driven growth, intelligent manufacturing and green development requirements, the Company designed new training programs aimed at strengthening leadership, promoting innovation and improving executive ability. Through multi-dimensional talent selection, multi-channel talent cultivation, the Company realized the orderly combination of training needs and implementation, the organic integration of key training tasks and difficulties, and the effective connection of learning and application. Moreover, the training programs for leading cadres, professional technicians and operational workers were prepared, planned, implemented and assessed at the same time; and ideological and political, professional attitude and technical skills trainings were carried out at the same time. As a result, the Company built up its core competitive advantage of human resources and realized the effective connection between trainings and production and operation activities. As at the end of June, the Company had organized 685 special training sessions under annual 22 training programs, with participants totaling 14,426; and 1,236 training sessions relating to job knowledge and operational skills at grass-root units, with participants totaling 16,583; and safety qualification trainings for licensed special operation personnel, with participants totaling 3,150. The goal of training programs was achieved.

The Company has adopted position-and-performance based salary and risk-linked annual remuneration packages for senior management; position-and-performance based remuneration and new product development incentive packages for research personnel; sales/profit-linked remuneration package for sales personnel; and position-and-performance based remuneration packages for other personnel.

(XII) PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

During the six months ended 30 June 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

Report of the Board of Directors (Continued)

XIII. SECURITIES TRANSACTIONS BY DIRECTORS

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

XIV. INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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 methods adopted by the Company, and considered the related audit, internal control and the unaudited interim financial report for the six months ended 30 June 2018.

I. INFORMATION ON THE ANNUAL GENERAL MEETINGS AND EXTRAORDINARY GENERAL MEETINGS HELD IN THE REPORTING PERIOD

1. General meetings held in the Reporting Period

Session of Meeting	Type of Meeting	Proportion of investors involvement	Date of convening
2018 first extraordinary general meeting	Extraordinary general meeting	65.10%	5 March 2018
2017 annual general meeting	Annual general meeting	66.55%	5 June 2018

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 ACTUAL CONTROLLERS, 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

Reason for Undertaking	Undertaking Party	Type of Undertaking	Details of Undertaking	Date of Undertaking	Period of Undertaking	Performance of Undertaking
Undertaking made during the restructuring of assets	Angang Holding	Horizontal competition commitments	<p>The Non-competition Undertaking Letter of Anshan Iron & 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 controlled subsidiaries have complied with relevant requirements of the state on the non-competition.</p> <p>(2) Angang Holding and its wholly-owned and controlled 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 controlled subsidiaries of Angang Holding under the same conditions, 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 ACTUAL CONTROLLERS, 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)

Reason for Undertaking	Undertaking Party	Type of Undertaking	Details 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, at the request of the Company, it will transfer all the capital contribution, shares or equity interests it holds in such companies and grant the Company preemptive rights for such capital contribution, shares or equity interests under the same conditions.</p> <p>(5) If Angang Holding and its wholly-owned and controlled subsidiaries have assets and business which compete or may compete with the Company, when the Company proposes to purchase such assets and business, Angang Holding and its wholly-owned and controlled 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 of the opportunity of new business.</p>			

Significant Matters (Continued)

III. THE UNDERTAKINGS PERFORMED BY ACTUAL CONTROLLERS, 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)

Reason for Undertaking	Undertaking Party	Type of Undertaking	Details 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 controlled subsidiaries have the rights to invest in the new business only if the Company expressly refuses such opportunity.</p> <p>If the Company proposes to acquire such business in the future, Angang Holding and its wholly-owned and controlled 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 controlled 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 ACTUAL CONTROLLERS, 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)

Reason for Undertaking	Undertaking Party	Type of Undertaking	Details 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 to engage 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"> (1) Angang Holding ceases to be the controlling shareholder of the Company; (2) The shares of the Company cease to be listed on any stock exchanges (except for temporary suspension of the shares of the Company due to any reason); (3) When the state does not require the contents of certain undertakings, relevant section shall be terminated automatically. 			

Significant Matters (Continued)

III. THE UNDERTAKINGS PERFORMED BY ACTUAL CONTROLLERS, 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)

Reason for Undertaking	Undertaking Party	Type of Undertaking	Details of Undertaking	Date of Undertaking	Period of Undertaking	Performance of Undertaking
Whether the commitment are fulfilled on time	Yes		Considering that Angang Holding does not have any iron and steel production projects in operation 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

This interim report of the Company is unaudited.

V. EXPLANATION OF CHANGES IN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ACCOUNTING METHOD OF THE GROUP DURING THIS YEAR AS COMPARED WITH THE FINANCIAL REPORT OF THE PREVIOUS YEAR

1. Changes in accounting policies

- ① Particulars of and reasons for the changes

In 2017 and 2018, the Ministry of Finance (“MOF”) issued the following amendments to the Accounting Standards for Business Enterprises and relevant interpretations:

Accounting Standards for Business Enterprises No. 14–Revenue (revised) (“New Revenue Standard”)

Accounting Standards for Business Enterprises No. 22–Financial Instruments: Recognition and Measurement (revised), Accounting Standards for Business Enterprises No. 23–Transfer of Financial Assets (revised), Accounting Standards for Business Enterprises No. 24–Hedge Accounting (revised), Accounting Standards for Business Enterprises No. 37–Financial Instruments: Presentation and Reporting (revised) (collectively “New Financial Instruments Standards”)

Accounting Standards for Business Enterprises Interpretation No. 9 – Accounting Treatment of Net Investment losses under Equity Method, Accounting Standards for Business Enterprises Interpretation No. 10 – Depreciation Method based on Revenue Generated from Use of Fixed Assets, Accounting Standards for Business Enterprises Interpretation No. 11 – Amortization Method based on Revenue Generated from Use of Intangible Assets and Accounting Standards for Business Enterprises Interpretation No. 12–Whether the Provider and the Recipient of the Key Management Personnel Service are Related Parties (collectively “No.9 – No. 12 Interpretation”) and the Notice on Revision of the General Format of 2018 Financial Statements of Business Enterprises (Cai Kuai [2018] No. 15).

V. EXPLANATION OF CHANGES IN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ACCOUNTING METHOD OF THE GROUP DURING THIS YEAR AS COMPARED WITH THE FINANCIAL REPORT OF THE PREVIOUS YEAR (CONTINUED)

1. Changes in accounting policies (Continued)

① Particulars of and reasons for the changes (Continued)

The Group has adopted the above revised Accounting Standards for Business Enterprises and interpretations since 1 January 2018 and made adjustments to relevant accounting policies accordingly.

② Major impacts of the changes

A: New Revenue Standard replaced the Accounting Standards for Business Enterprises No. 14 – Revenue and the Accounting Standard for Business Enterprises No. 15 – Construction Contracts (collectively “Original Revenue Standard”) issued by the MOF in 2006.

Under the Original Revenue Standard, the Group regards the risk-and-reward approach as the criteria for the time of revenue recognition. Revenue from sales of goods of the Group is recognised when the significant risks and rewards of ownership of goods have been transferred to the buyer, the amount of revenue and related costs can be measured reliably, related economic benefits are likely to flow into the Group and the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold. Revenue from rendering of services and from construction contracts shall be recognised using percentage of completion method as at the balance sheet date.

V. **EXPLANATION OF CHANGES IN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ACCOUNTING METHOD OF THE GROUP DURING THIS YEAR AS COMPARED WITH THE FINANCIAL REPORT OF THE PREVIOUS YEAR (CONTINUED)**

1. **Changes in accounting policies (Continued)**

② Major impacts of the changes (Continued)

A: (Continued)

Under the New Revenue Standard, the Group regards the transfer of control as the criteria for the time of revenue recognition:

The Group has fulfilled its performance obligations of the contract that the revenue is recognized when the customers take control of the relevant goods or services. The Group pertains to the category that performance obligations are to be fulfilled over a designated period of time only when meeting certain conditions, or otherwise, falls to the category that performance obligations are to be fulfilled at a particular point of time. Where there are two or more performance obligations, the Group shall allocate the transaction price to the corresponding individual performance obligation on the effective date of the contract based on the proportion of the individual selling price of goods or services committed under each individual performance obligation and recognise revenue as per the transaction price allocated to each individual performance obligation. Transaction price refers to the consideration to which the Company and its subsidiaries are expected to be entitled for the transfer of goods or services, and excludes the amount collected on behalf of the third-party suppliers. The transaction price recognised by the Group does not exceed the amount in the accumulated revenue that is likely not to be significantly reversed when the relevant uncertainty is eliminated. Where there are significant financing components in the contract, the Group determines the transaction price based on the amount payable assumed to be paid by the client in cash the moment the latter takes control of the goods or services. The difference between such transaction price and the consideration under the contract is amortised using the effective interest method during the contract period.

V. EXPLANATION OF CHANGES IN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ACCOUNTING METHOD OF THE GROUP DURING THIS YEAR AS COMPARED WITH THE FINANCIAL REPORT OF THE PREVIOUS YEAR (CONTINUED)

1. Changes in accounting policies (Continued)

② Major impacts of the changes (Continued)

A: (Continued)

The Group has made adjustments to the relevant accounting policies in accordance with the specific requirements on specific matters or transactions under the New Revenue Standard.

The Group has presented contract assets and contract liabilities in the balance sheet based on the connection between the fulfilment of performance obligations and payment of the customers pursuant to the New Revenue Standard. At the same time, the Group, as per information disclosure requirements in respect of revenue under the New Revenue Standard, has made more disclosures on relevant accounting policies, judgement on the possibility to cause material impact (measurement on variable consideration, method to allocate transaction price to each individual performance obligation, assumptions used in evaluating the individual selling price of each individual performance obligation, etc.), customer contract information (revenue recognition for the period, contract balance, performance obligations), information of assets in relation to contract cost, etc.

V. EXPLANATION OF CHANGES IN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ACCOUNTING METHOD OF THE GROUP DURING THIS YEAR AS COMPARED WITH THE FINANCIAL REPORT OF THE PREVIOUS YEAR (CONTINUED)

1. Changes in accounting policies (Continued)

② Major impacts of the changes (Continued)

A: (Continued)

The Group reviewed the sources of revenue and the customer contract procedures so as to assess the impacts of the New Revenue Standard on the financial statements. As revenue of the Group is mainly derived from the sale of steel and steel products, the Group still recognise revenue at the time point of delivery to the customers. The adoption of New Revenue Standard does not have any material impact on the Group except for the presentation of the financial statements.

B: New Financial Instruments Standards

The New Financial Instruments Standards have revised the “Accounting Standards for Business Enterprises No. 22 – Financial Instruments: Recognition and Measurement”, the “Accounting Standard for Business Enterprises No. 23 – Transfer of Financial Assets” and the “Accounting Standard for Business Enterprises No. 24 – Hedge Accounting” promulgated by the MOF in 2006 as well as the “Accounting Standard for Business Enterprises No. 37 – Financial Instruments: Presentation” revised by the MOF in 2014 (collectively the “Original Financial Instruments Standards”).

V. EXPLANATION OF CHANGES IN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ACCOUNTING METHOD OF THE GROUP DURING THIS YEAR AS COMPARED WITH THE FINANCIAL REPORT OF THE PREVIOUS YEAR (CONTINUED)

1. Changes in accounting policies (Continued)

② Major impacts of the changes (Continued)

B: New Financial Instruments Standards (Continued)

The New Financial Instruments Standards contain three measurement categories for financial assets: (1) at amortised cost, (2) at fair value through other comprehensive income (FVTOCI) and (3) at fair value through profit or loss (FVTPL). Under the New Financial Instruments Standards, the classification for financial assets is determined based on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the asset. The New Financial Instruments Standards have abrogated three classification categories stipulated in the Original Financial Instruments Standards: held-to-maturity investments, loans and receivables and available-for-sale financial assets.

On 1 January 2018, the Group presented only those financial assets and liabilities quoted in an active open market as financial assets and liabilities at fair value through profit or loss, and all other financial assets and liabilities were not presented as financial assets or liabilities at fair value through profit or loss.

V. EXPLANATION OF CHANGES IN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ACCOUNTING METHOD OF THE GROUP DURING THIS YEAR AS COMPARED WITH THE FINANCIAL REPORT OF THE PREVIOUS YEAR (CONTINUED)

1. Changes in accounting policies (Continued)

② Major impacts of the changes (Continued)

B: New Financial Instruments Standards (Continued)

The New Financial Instruments Standards adopt the “expected credit loss” model (“ECL model”) instead of the “incurred loss” model under the Original Financial Instruments Standards. The ECL model requires consistent evaluation on the credit risks of financial assets. As such, the credit loss recognition time of the Company and its subsidiaries under the New Financial Instruments Standards is earlier than that under the Original Financial Instruments Standards.

ECL model applies to the following items:

- Financial assets measured at amortized cost;
- Contract assets;
- debt securities measured at fair value through other comprehensive income;
- lease receivables;

The ECL model does not apply to equity instruments investments.

The adoption of the ECL model does not have any material impact on the financial position and operating results of the Group.

V. EXPLANATION OF CHANGES IN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ACCOUNTING METHOD OF THE GROUP DURING THIS YEAR AS COMPARED WITH THE FINANCIAL REPORT OF THE PREVIOUS YEAR (CONTINUED)

1. Changes in accounting policies (Continued)

② Major impacts of the changes (Continued)

B: New Financial Instruments Standards (Continued)

Save for certain exceptions, the Group has made retrospective adjustments to the classification and measurement (including impairment) of the financial instruments in accordance with the New Financial Instruments Standards. The difference between the original carrying amount of financial instruments and their carrying amount as at the adoption date of the New Financial Instruments Standards (i.e., 1 January 2018) is credited to other comprehensive income at the beginning of 2018. In addition, the Group did not make any adjustments to the comparative financial statements.

C: Interpretations No. 9 – 12

The Group adjusted the relevant accounting policies based on requirements under Interpretation No. 9 – 12 relating to the accounting treatments on investment net loss under equity method, the depreciation and amortisation methods of fixed assets and intangible assets and recognition and disclosure of related-party recipient of key management personnel service.

The adoption of Interpretations No. 9 – 12 does not have any material impact on the financial position and operating results of the Company and its subsidiaries.

V. EXPLANATION OF CHANGES IN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ACCOUNTING METHOD OF THE GROUP DURING THIS YEAR AS COMPARED WITH THE FINANCIAL REPORT OF THE PREVIOUS YEAR (CONTINUED)

1. Changes in accounting policies (Continued)

② Major impacts of the changes (Continued)

D: Presentation of Financial Statements

The Group prepared its 2018 interim financial statements in accordance with the format for financial statements specified by Cai Kuai [2018] No.15 and retrospectively adjusted the presentation of the related financial statements.

The relevant presentation adjustments are as follows:

Items affected in the consolidated balance sheet and the balance sheet of the Company as at 31 December 2017:

Significant Matters (Continued)

V. EXPLANATION OF CHANGES IN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ACCOUNTING METHOD OF THE GROUP DURING THIS YEAR AS COMPARED WITH THE FINANCIAL REPORT OF THE PREVIOUS YEAR (CONTINUED)

1. Changes in accounting policies (Continued)

② Major impacts of the changes (Continued)

D: Presentation of Financial Statements (Continued)

Unit: RMB million

Consolidated Balance Sheet				
Statement	31 December 2017	Impact of the common control	Impact of the changes in accounting policies	1 January 2018
Notes receivable	9,693		(9,693)	
Accounts receivable	2,463		(2,463)	
Notes receivable and accounts receivable		12	12,156	12,168
Inventories	11,643	3		11,646
Construction in progress	1,040		2	1,042
Construction materials	2		(2)	
Notes payable	240		(240)	
Accounts payable	8,439		(8,439)	
Notes payable and accounts payable			8,679	8,679
Other payables	1,544		93	1,637
Interests payable	93		(93)	

V. EXPLANATION OF CHANGES IN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ACCOUNTING METHOD OF THE GROUP DURING THIS YEAR AS COMPARED WITH THE FINANCIAL REPORT OF THE PREVIOUS YEAR (CONTINUED)

1. Changes in accounting policies (Continued)

② Major impacts of the changes (Continued)

D: Presentation of Financial Statements (Continued)

Balance Sheet				
Statement	31 December 2017	Impact of the common control	Impact of the changes in accounting policies	1 January 2018
Notes receivable	9,632		(9,632)	
Accounts receivable	3,121		(3,121)	
Notes receivable and accounts receivable			12,753	12,753
Construction in progress	947		2	949
Construction materials	2		(2)	
Notes payable	240		(240)	
Accounts payable	8,271		(8,271)	
Notes payable and accounts payable			8,511	8,511
Other payables	1,393		85	1,478
Interests payable	85		(85)	

Significant Matters (Continued)

V. EXPLANATION OF CHANGES IN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ACCOUNTING METHOD OF THE GROUP DURING THIS YEAR AS COMPARED WITH THE FINANCIAL REPORT OF THE PREVIOUS YEAR (CONTINUED)

1. Changes in accounting policies (Continued)

② Major impacts of the changes (Continued)

D: Presentation of Financial Statements (Continued)

Affected items in consolidated income statement and income statement of the Company for the half year of 2017 :

Unit: RMB million

Consolidated Income Statement				
Statement	As at 30 June 2017 before changes in accounting policy	Impact of the common control	Impact of the changes in accounting policies	As at 30 June 2018 after changes in accounting policies
Administrative expenses	629		(68)	561
Research and development costs			68	68

V. EXPLANATION OF CHANGES IN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ACCOUNTING METHOD OF THE GROUP DURING THIS YEAR AS COMPARED WITH THE FINANCIAL REPORT OF THE PREVIOUS YEAR (CONTINUED)

1. Changes in accounting policies (Continued)

② Major impacts of the changes (Continued)

D: Presentation of Financial Statements (Continued)

Statement	Income statement			As at 30 June 2017 after changes in accounting policies
	As at 30 June 2017 before changes in accounting policy	Impact of the common control	Impact of the changes in accounting policies	
Administrative expenses	607		(68)	539
Research and development costs			68	68

Significant Matters (Continued)

V. EXPLANATION OF CHANGES IN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ACCOUNTING METHOD OF THE GROUP DURING THIS YEAR AS COMPARED WITH THE FINANCIAL REPORT OF THE PREVIOUS YEAR (CONTINUED)

1. Changes in accounting policies (Continued)

② Major impacts of the changes (Continued)

D: Presentation of Financial Statements (Continued)

Based on the comparative financial statement after retrospective adjustment in accordance with the requirements of Cai Kuai [2018] No.15, the Group summarized the impact on the items in the consolidated and the company balance sheets for 2018 due to changes in accounting policies without retrospective adjustment in subparagraph (23)(1) under Note 4 to the 2018 Interim Financial Report of the Company as follows:

Unit: RMB million

Statement	The Group				1 January 2018
	31 December 2017	Reclassification		Impact of re-measurement under New Financial Instruments Standards	
		Impact of the New Revenue Standard	Impact of the New Financial Instruments Standards		
Assets:					
Available-for-sale financial assets	719		(719)		
Other equity instrument investments			680	(173)	507
Other non-current financial assets			39		39
Liabilities:					
Receivables in advance	5,581	(5,581)			
Contract liabilities		5,581			5,581
Shareholders' equity:					
Other comprehensive income	(3)			(174)	(177)
Undistributed profits	7,606			1	7,607

V. EXPLANATION OF CHANGES IN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ACCOUNTING METHOD OF THE GROUP DURING THIS YEAR AS COMPARED WITH THE FINANCIAL REPORT OF THE PREVIOUS YEAR (CONTINUED)

1. Changes in accounting policies (Continued)

② Major impacts of the changes (Continued)

D: Presentation of Financial Statements (Continued)

The Company					1 January 2018
Statement	31 December 2017	Reclassification		Impact of re- measurement	
	Impact of the New Revenue Standard	New Financial Instruments Standards	Impact of the New Financial Instruments Standards	under New Financial Instruments Standards	
	2017	Standard	Standards	Standards	
Assets:					
Available-for-sale financial assets	719		(719)		
Other equity instrument investments			680	(173)	
Other non-current financial assets			39		
Liabilities:					
Receivables in advance	4,869	(4,869)			
Contract liabilities		4,869			
Shareholders' equity:					
Other comprehensive income	(3)			(174)	
Undistributed profits	7,510			1	

V. EXPLANATION OF CHANGES IN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ACCOUNTING METHOD OF THE GROUP DURING THIS YEAR AS COMPARED WITH THE FINANCIAL REPORT OF THE PREVIOUS YEAR (CONTINUED)

1. Changes in accounting policies (Continued)

② Major impacts of the changes (Continued)

E: Impact on the Financial Statements for 2018

Due to changes in accounting policies, the equity investments quoted in an open market that the Group does not exercise control, joint control or significant influence over the investee were designated as financial assets held for trading from available-for-sale financial assets, and the gains from fair value changes, income tax expenses and net profit reduced by RMB8 million, RMB2 million and RMB6 million, respectively, for the period from January to June 2018, which had no impact on the net assets at the end of June 2018.

2. There was no change in accounting estimates of the Group during the Reporting Period.

VI. MATTERS RELATING TO INSOLVENCY AND RESTRUCTURING

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

VII. LITIGATION

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

VIII. PENALTY AND RECTIFICATION

Applicable Not applicable

IX. CREDIBILITY OF THE COMPANY, ITS CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLERS

Applicable Not applicable

X. IMPLEMENTATION OF THE SHARE-BASED INCENTIVES, EMPLOYEE STOCK OWNERSHIP SCHEME AND OTHER EMPLOYEE INCENTIVE MEASURES OF THE COMPANY

Applicable Not applicable

Significant Matters (Continued)

XI. MAJOR CONNECTED TRANSACTIONS

1. 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

Connected Transaction Type	Connected Transaction Details	Connected Transaction Pricing principle	Connected Transaction Price (RMB)	Connected Transaction 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
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.	RMB587/ton	3,750	51.50	-	-	RMB576/ton
	Pellet	Market price	RMB735/ton	2,061	96.36	-	-	RMB759/ton

XI. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

1. Connected transactions related to daily operations (Continued)

A. Connected party: Angang Group (Continued)

Connected Transaction Type	Connected Transaction Details	Connected Transaction Pricing principle	Connected Transaction Price (RMB)	Connected Transaction 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.	RMB650/ton	1,033	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.	RMB57/ton	439	100.00	-	-	RMB564/ton

Significant Matters (Continued)

XI. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

1. Connected transactions related to daily operations (Continued)

A. Connected party: Angang Group (Continued)

Connected Transaction Type	Connected Transaction Details	Connected Transaction Pricing principle	Connected Transaction Price (RMB)	Connected Transaction 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
		Standard products (67.2%>iron grade≥65%); the price is calculated by reference to the average value of medium price of Platts 65% 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 65 and multiplied by the actual grade after loading in the place of loading in the corresponding month. 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.						

XI. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

1. Connected transactions related to daily operations (Continued)

A. Connected party: Angang Group (Continued)

Connected Transaction Type	Connected Transaction Details	Connected Transaction Pricing principle	Connected Transaction Price (RMB)	Connected Transaction 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
Procurement of energy and power from the connected party	Scrap	Market price	-	87	4.02	-	-	-
	Billets		-	153	61.19	-	-	-
	Alloy and non-ferrous metal		-	6	0.21	-	-	-
	Sub-total		-	7,529	46.19	21,200	No	-
	Electricity	State price	RMB0.43/kWh	836	36.38	-	-	-
Water		RMB1.36/ton	22	33.42	-	-	-	
Steam		RMB52/GJ	6	100.00	-	-	-	
Sub-total		-	-	864	36.45	2,855	No	-

Significant Matters (Continued)

XI. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

1. Connected transactions related to daily operations (Continued)

A. Connected party: Angang Group (Continued)

Connected Transaction Type	Connected Transaction Details	Connected Transaction Pricing principle	Connected Transaction Price (RMB)	Connected Transaction 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	RMB61/ton	82	73.38	-	-	-
	Lime powder		RMB439/ton	377	97.36	-	-	-
	Refractory materials		-	476	42.51	-	-	-
	Other ancillary materials		-	147	11.96	-	-	-
	Spare parts		-	168	27.37	-	-	-
	Sub-total		-	-	1,250	27.09	3,015	No

XI. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

1. Connected transactions related to daily operations (Continued)

A. Connected party: Angang Group (Continued)

Connected Transaction Type	Connected Transaction Details	Connected Transaction Pricing principle	Connected Transaction Price (RMB)	Connected Transaction 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 support services from the connected party	Railway transportation services	State price	-	259	49.15	-	-	-
	Road transportation services	market price	-	398	84.92	-	-	-
	Pipeline transportation services			30	100.00	-	-	-

Significant Matters (Continued)

XI. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

1. Connected transactions related to daily operations (Continued)

A. Connected party: Angang Group (Continued)

Connected Transaction Type	Connected Transaction Details	Connected Transaction Pricing principle	Connected Transaction Price (RMB)	Connected Transaction 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
	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)	-	55	100.00	-	-	-
	Equipment repair and maintenance and services	market price	-	222	20.18	-	-	-
	Design and engineering services	market price	-	104	71.24	-	-	-

XI. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

1. Connected transactions related to daily operations (Continued)

A. Connected party: Angang Group (Continued)

Connected Transaction Type	Connected Transaction Details	Connected Transaction Pricing principle	Connected Transaction Price (RMB)	Connected Transaction 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
	Educational facilities, occupational technical education, on-the-job training and translation services	market price	-	3	65.28	-	-	-
	Newspaper and other publications	State price	-	1	61.86	-	-	-
	Telecommunication business, telecommunication services and information system	State price or the sum of depreciation expenses and maintenance fees	-	11	62.71	-	-	-

Significant Matters (Continued)

XI. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

1. Connected transactions related to daily operations (Continued)

A. Connected party: Angang Group (Continued)

Connected Transaction Type	Connected Transaction Details	Connected Transaction Pricing principle	Connected Transaction Price (RMB)	Connected Transaction 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
	Production support and maintenance	Costs of labor and materials and management fees as paid based on market prices	-	477	47.79	-	-	-
	Welfare support and maintenance	Costs of labor and materials and management fees as paid based on market prices	-	85	72.54	-	-	-
	Environmental protection and security monitoring	State price	-	10	48.03	-	-	-
	Business reception and meeting expenses	Market price	-	1	61.74	-	-	-
	Greening services	Costs of labor and materials and management fees as paid based on market prices	-	9	100.00	-	-	-

XI. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

1. Connected transactions related to daily operations (Continued)

A. Connected party: Angang Group (Continued)

Connected Transaction Type	Connected Transaction Details	Connected Transaction Pricing principle	Connected Transaction Price (RMB)	Connected Transaction 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 of similar transactions
	Security services	Costs of labor and materials and management fees as paid based on market prices	-	0.004	0.23	-	-	-
	Port agency services		-	115	100.00	-	-	-
	Sub-total		-	1,780	50.59	6,500	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	-	109	100.00	600	No	-

Significant Matters (Continued)

XI. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

1. Connected transactions related to daily operations (Continued)

A. Connected party: Angang Group (Continued)

Connected Transaction Type	Connected Transaction Details	Connected Transaction Pricing principle	Connected Transaction Price (RMB)	Connected Transaction Amount (RMB million)	As a percentage of the amount of similar transactions (%)	Transaction approved cap (RMB million)	Whether exceeding approved cap	Market price of available of similar transactions
Sale of goods to the connected party	Steel products	The selling price charged by Angang Steel to 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.	RMB3,780/ton	1,043	2.44	-	-	-
	Molten iron		RMB2,561/ton	47	100.00	-	-	-
	Billets		RMB2,844/ton	75	18.95	-	-	-
	Coke		RMB1,036/ton	22	100.00	-	-	-
	Chemical by-products		-	85	5.85	-	-	-
	Gas products		-	4	100.00	-	-	-
	Sub-total		-	1,276	2.86	5,310	No	-
Sale of scrap and obsolete material to the connected party	Scrap	Market price	-	169	43.38	-	-	-
	Obsolete materials		-	12	55.17	-	-	-
	Sub-total		-	181	43.97	330	No	-

XI. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

1. Connected transactions related to daily operations (Continued)

A. Connected party: Angang Group (Continued)

Connected Transaction Type	Connected Transaction Details	Connected Transaction Pricing principle	Connected Transaction Price (RMB)	Connected Transaction 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
Provision of comprehensive services to the connected party	Fresh water	State price	RMB3.82/ton	18	85.23	-	-	RMB4.08/ton
	Clean recycled water	Market price or production cost plus a gross profit margin not lower than 5%	RMB0.73/ton	7	56.34	-	-	-
	Gas		RMB44/GJ	278	84.52	-	-	-
	Blast furnace gas		RMB20/GJ	149	99.75	-	-	-
	Steam		RMB52/GJ	9	76.48	-	-	-
	Nitrogen		RMB148/km ³	1	50.11	-	-	-
	Oxygen		RMB53/km ³	2	95.15	-	-	-
	Argon		RMB26/km ³	1	96.10	-	-	-
	Compressed air		RMB106/km ³	1	51.71	-	-	-
	Used hot water		RMB46/GJ	2	1.74	-	-	RMB46/GJ

Significant Matters (Continued)

XI. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

1. Connected transactions related to daily operations (Continued)

A. Connected party: Angang Group (Continued)

Connected Transaction Type	Connected Transaction Details	Connected Transaction Pricing principle	Connected Transaction Price (RMB)	Connected Transaction 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
	Liquid nitrogen		RMB528/ton	8	100.00	-	-	RMB528/ton
	Liquid oxygen		RMB594/ton	25	100.00	-	-	RMB594/ton
	Liquid argon		RMB848/ton	4	100.00	-	-	RMB848/ton
	Product testing services	Market price	-	2	67.06	-	-	-
	Transportation services		-	0.08	100.00	-	-	-
	Agency services		-	2	100.00			
	Entrusted asset management		-	3	100.00			
	Sub-total		-	512	47.70	1,500	No	-

XI. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

1. Connected transactions related to daily operations (Continued)

A. Connected party: Angang Group (Continued)

Connected Transaction Type	Connected Transaction Details	Connected Transaction Pricing principle	Connected Transaction Price (RMB)	Connected Transaction 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 of similar transactions
Particulars on refund of bulk sale								
	Estimated total amount for continuing connected transactions to be conducted during the period (by types of transactions) and their actual implementing during the Reporting Period							The estimated data of Continuing Connected Transactions of the Company for the year of 2018 was based on the content and estimated caps of transactions set out in the Continuing Connected Transaction Agreements approved at the 2015 general meeting of the Company. The total amount of Continuing Connected Transactions of the Company in the first half of 2018 did not exceed the relevant applicable caps as specified under the Continuing Connected Transaction Agreements.
	Reason for the Difference between transaction price and market reference price							The prices of iron concentrate and Kaiaara magnetite were higher than the market price as there was a difference between their grades.
	Relevant explanation on connected party transactions							As production in the iron and steel industry is on a continuous basis, Angang Group has been engaged in mining, supplying, processing and manufacturing of raw materials, auxiliary materials and energy and power, which is a part of the supply chain of the Company. In the meantime, its subsidiaries have a high technological level and service capabilities, which can provide necessary support services for production and operation of the Company. The Company would sell certain products, scrap, obsolete materials and comprehensive services to Angang Group which is a client of the Company.

Significant Matters (Continued)

XI. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

1. 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 transaction: Cash payment

Connected Transaction Type	Connected Transaction Details	Connected Transaction Pricing principle	Connected Transaction Price	Connected Transaction 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	-	5	43.49	50	No
	Maximum daily balance of deposit (including accrued interests)	-	-	1,990	-	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	-	28	4.21	150	No
	Interest payable on entrusted loans		-	-	-	100	No

XI. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

1. Connected transactions related to daily operations (Continued)

B. Connected party: Angang Financial Company (Continued)

Connected Transaction Type	Connected Transaction Details	Connected Transaction Pricing principle	Connected Transaction Price	Connected Transaction Amount (RMB million)	As a percentage of the amount of similar transactions (%)	Whether exceeding the approved cap
<p>Estimated total amount for continuing connected transactions to be conducted during the period (by types of transactions) and their actual implementing during the Reporting Period</p>	<p>The estimated data of Continuing Connected Transactions of the Company for the year of 2018 was based on the content and estimated caps of transactions set out in the Continuing Connected Transaction Agreements approved at the 2015 general meeting of the Company. The total amount of Continuing Connected Transactions of the Company in the first half of 2018 did not exceed the relevant applicable caps as specified under the Continuing Connected Transaction Agreements.</p>					
<p>Reason for the difference between transaction price and market reference price</p>	<p>The difference among credit interest rates, interest on entrusted loans and the estimated amount was relatively larger, as a result of more credit and entrusted facility applied for maximum protection of capital of the Company while entering into the Continuing Connected Transaction Agreements. As more adequate capital was available to the Company in 2018 instead of significantly utilizing credit of Angang Financial Company, the difference among credit interest rates, interest on entrusted loans of Angang Financial Company and the estimated amount was relatively larger.</p>					
<p>Relevant explanation on connected transactions</p>	<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>					

Significant Matters (Continued)

XI. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

1. 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

Connected Transaction Type	Connected Transaction Details	Connected Transaction Pricing principle	Connected Transaction Price (RMB)	Connected Transaction 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	-	142	4.73	-	-	-
	Total		-	142	4.73	2,100	No	-
Particulars on refund of bulk sale		-						

XI. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

1. Connected transactions related to daily operations (Continued)

C. Connected party: Pangang Vanadium & Titanium Group (Continued)

Connected Transaction Type	Connected Transaction Details	Connected Transaction Pricing principle	Connected Transaction Price (RMB)	Connected Transaction 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
	Estimated total amount for continuing connected transactions to be conducted during the period (by types of transactions) and their actual implementing during the Reporting Period							
	Reason for the difference between transaction price and market reference price							
	Relevant explanation on connected transactions							

The estimated data of Continuing Connected Transactions of the Company for the year of 2018 was based on the content and estimated caps of transactions set out in the Continuing Connected Transaction Agreements approved at the 2015 general meeting of the Company. The total amount of Continuing Connected Transactions of the Company in the first half of 2018 did not exceed the relevant applicable caps as specified under the Continuing Connected Transaction Agreements.

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Pangang Vanadium & Titanium Group supplied alloy for the Company at the market price, which provided guarantee for the Company in obtaining continuous and stable supply of raw materials.

Significant Matters (Continued)

XI. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

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

There was no connected transaction in relation to acquisition or disposal of assets or equity during the Reporting Period.

3. Connected transactions in relation to joint external investments

Unit : RMB million

Joint parties	Connected relationship	Investee	Principal business of the investee	Registered capital of the investee	Total assets of the investee	Net assets of the investee	Net profit of the investee
Angang Construction	Controlled by the same beneficial controller	Angang Gas Co., Ltd. (鞍鋼氣體有限公司)	Manufacture of dissolved acetylene; distribution of compressed gas and liquefied gas, etc	50	67	55	1
Progress of significant projects under construction of the investee (if applicable)				—			

4. Debts and obligations due from/owed to connected parties

During the Reporting Period, the Company did not have any debts and obligations due from/owed to connected parties incurred from non-operating activities.

As at 30 June 2018, the Group's bank borrowings of RMB1,000 million were guaranteed by Angang.

XI. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

5. Other major connected transactions

On 30 January 2018, the Resolution on Entering into the First Batch of the Energy Management Contracts between the Company and Angang Group Energy Conservation Technology Service Co., Ltd. in 2018 was approved at the 26th meeting of the seventh session of the Board.

On 9 February 2018, the Resolution on Entering into the Land Lease Agreements between the Company and each of Angang Holding and Angang Naihuo Co., Ltd.* (鞍山鋼鐵集團耐火材料有限公司) was approved at the 27th meeting of the seventh session of the Board.

On 30 May 2018, the Resolution on Entering into the Counter-guarantee Agreement between the Company and Angang Group Company was approved at the 34th meeting of the seventh session of the Board.

XII. USE OF THE CAPITAL OF THE COMPANY BY THE CONTROLLING SHAREHOLDER AND ITS CONNECTED PARTIES FOR NON-OPERATING PURPOSES

During the Reporting Period, neither the controlling shareholder nor its connected parties used the capital of the Company for non-operating purposes.

XIII. 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 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 Holding entered into the Asset and Business Entrustment and Management Service Agreement, which is the specific agreement for execution under the approved Supply of Materials and Services Agreement (2016–2018). Pursuant to the Asset and Business Entrustment and Management Service Agreement, Angang Holding authorized the Company to conduct daily operation and management over the assets, businesses, future assets and business expansion of its unlisted controlled subsidiaries.

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 contractual arrangement during the Reporting Period.

(3) Leasing

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

XIII. MATERIAL CONTRACTS AND THEIR PERFORMANCE (CONTINUED)

2. During the Reporting Period, there was no guarantee provided by the Company, nor was there any guarantee subsisting during the Reporting Period.
3. The Company did not enter into any other material agreement during the Reporting Period.

XIV. SOCIAL RESPONSIBILITIES

1. Material matters regarding environmental protection

Company or subsidiary	Major pollutant and particular pollutant	Discharge manner	Discharge outlet	Location of discharge outlets	Emission concentration	Pollutant discharge standard adopted	Total discharge amount (tonnes)	Total discharge amount approved	Excess discharge
Angang Steel	Chemical oxygen demand	Standard discharge	1	Plant area of Angang	<50mg/L	50mg/L	101.9	not assessed by the government	Nil
	Ammoniacal nitrogen	Standard discharge	1	Plant area of Angang	<5mg/L	5mg/L	13.11		Nil
	Particulate matters	Standard discharge	244	Plant area of Angang	<20mg/m ³	20mg/m ³	5,355.8		Nil
	Sulphur dioxide	Standard discharge	76	Plant area of Angang	<50mg/m ³	50mg/m ³	5,037.5		Nil
	Nitrogen oxides	Standard discharge	76	Plant area of Angang	<100mg/m ³	100mg/m ³	10,102.6		Nil

XIV. SOCIAL RESPONSIBILITIES (CONTINUED)

1. Material matters regarding environmental protection (Continued)

(1) Construction and operation of anti-pollution facilities

The environmental protection facilities of the Company were under stable operation and the pollutants generated were discharged in compliance with the standards. Meanwhile, the Company also carried out treatment over exhausts, abnormal odors and noises. Environmental investment of the Company amounted to RMB704 million. Besides, the Company approved 14 key environmental renovation projects including the new coal blending silo project in the west district of the main ironmaking plant (煉鐵總廠), the new trough project for finished goods at no. 3 furnace and the enclosing shed project for the material yards of pellet ore and lump ore at Lingshan material yard.

(2) Environmental impact assessment on construction projects and administrative permits concerning environmental protection

In the first half of 2018, environmental impact assessment was carried out for all new construction projects of the Company according to relevant regulations and all such projects were completely in line with the “three simultaneities” principle in respect of the environmental impact assessment and environmental protection.

(3) Emergency plan for environmental contingency

In February 2018, the Company made amendments to Emergency Plan for Environmental Contingency and prepared the Emergency Plan for Heavily Polluted Weather Condition.

XIV. SOCIAL RESPONSIBILITIES (CONTINUED)

1. Material matters regarding environmental protection (Continued)

- (4) Voluntary environmental monitoring plan

In 2018, the Company formulated and implemented the monitoring plan in accordance with relevant standards, it also engaged third parties to conduct the monitoring. During the first half of 2018, the Company obtained 51 additional automated dust and gaseous pollutant monitoring devices, among which 37 sets already installed. As a result, the monitoring scope was further extended and environmental management performance was improved significantly.

- (5) Other environmental information subject to disclosure

Nil.

XIV. SOCIAL RESPONSIBILITIES (CONTINUED)

2. Performance of Social Responsibility in Respect of Targeted Poverty Alleviation

(1) Targeted poverty alleviation plans

According to the poverty alleviation work arrangements at city, provincial and national levels, Angang Group (in Anshan area) undertook targeted poverty alleviation tasks at Tajik Autonomous County of Taxkorgan, Xinjiang, Jianchang county, Huludao, Liaoning, Shangtao village, Taohuatu Town, Shuangta District, Chaoyang City as well as Shihuiyao Village, Shihuiyao Town, Xiuyan County, Anshan City. In accordance with the poverty alleviation plan of Angang Group, the Company carried out donations and poverty alleviation work targeted at improving people's livelihood, upgrading infrastructure and developing collective economy in rural areas based on the actual needs of the impoverished areas assigned to the Company after taking into account its own corporate specialties. As a result, the Company helped the assigned impoverished areas accomplish the poverty relief tasks as scheduled and fulfilled its obligations as a corporate citizen, thus enhancing the social image of the Company.

The Company plans to invest RMB14.2 million in poverty alleviation during 2018 to 2020, including RMB4.5 million for 2018, RMB4.7 million for 2019 and RMB5 million for 2020.

XIV. SOCIAL RESPONSIBILITIES (CONTINUED)

2. Performance of Social Responsibility in Respect of Targeted Poverty Alleviation (Continued)

- (2) Summary of Targeted Poverty Alleviation Efforts in the First Half of the Year

During the first half of the year, the Company attached great importance to poverty alleviation and a number of work meetings were held to analyze poverty alleviation work. The officials in charge led a team to visit the impoverished areas assigned to the Company for many times, in an effort to communicate with the impoverished units, understand their demands, analyze the projects and meet the demands of the local markets. It is planned that RMB4.5 million will be invested in poverty alleviation for the whole year. In the first half of the year, the Company did not conduct any targeted poverty alleviation project. The annual poverty alleviation work will commence in the second half of the year.

- (3) Subsequent Targeted Poverty Alleviation Plan

- ① Supporting leading enterprises and facilitating economic development in the local areas

As Jianchang county and Shihuiyao Town are rich in mineral resources, the Company proposes to give priority to purchase products of silicon manganese alloy enterprises in Jiangchang county and iron concentrate of Xinhua iron ore mine in Shihuiyao town under the principle of market-driven operation and on the condition that the quality of the products will be ensured. Through supporting the development of enterprises in the impoverished areas, the Company can help increase the fiscal revenue of the impoverished county and town, revitalize the local economy and create more jobs for the impoverished areas, thus giving an indirect impetus for securing a victory in the fight against poverty.

XIV. SOCIAL RESPONSIBILITIES (CONTINUED)

2. Performance of Social Responsibility in Respect of Targeted Poverty Alleviation (Continued)

(3) Subsequent Targeted Poverty Alleviation Plan (Continued)

- ② Helping develop collective economy and cooperative economy as well as build brands for green agricultural products

In accordance with the requirements at city, provincial and national levels and based on the unified deployment of Jianchang county, the Company plans to capitalize on its advantages in capital resources, focus on addressing the problem of “hollow villages” for the collective economy, help promote collective economy of villages and increase economic income of collective economies, thus creating more jobs for the impoverished areas and taking people there out of poverty. By introducing pollution-free green agricultural by-products of Jianchang county to the canteens and supermarkets for employees in the Company, a win-win situation could be achieved as the employees of the Company can enjoy healthy food while the farmers in Jianchang county can gain wealth through such orders.

To support the building of an industrial park theming agricultural entertainment in Shihuiyao village, the Company plans to invest RMB2.87 million in three years, of which RMB1.05 million will be invested in 2018. The funds will be used for construction of greenhouses, refrigerated warehouses, fish ponds and supporting facilities, which will be used and managed by the villagers upon completion, with priority given to the households in poverty.

XIV. SOCIAL RESPONSIBILITIES (CONTINUED)

2. Performance of Social Responsibility in Respect of Targeted Poverty Alleviation (Continued)

(3) Subsequent Targeted Poverty Alleviation Plan (Continued)

- ② Helping develop collective economy and cooperative economy as well as build brands for green agricultural products (Continued)

Vigorously promoting development of cooperative economy. The Company proposes to invest RMB0.74 million to help Shangtao village to build its planting cooperatives. In particular, 1,000 acres of yellowhorn trees will be planted there. In 2018, RMB0.19 million will be invested.

Helping Shangtao village establish a handwork cooperative. The village committee plans to set up a handwork cooperative consisting of female labor from impoverished families. The cooperative will have two business lines, one is to make eco-friendly non-woven bags such as gift bags, advertising bags, shopping bags and packaging bags for dealers; the other is to make hand woven handicrafts, women with special skills will be organized to make artwork gifts like the Chinese knots.

XIV. SOCIAL RESPONSIBILITIES (CONTINUED)

2. Performance of Social Responsibility in Respect of Targeted Poverty Alleviation (Continued)

(3) Subsequent Targeted Poverty Alleviation Plan (Continued)

- ③ Attaching importance to livelihood projects and increasing investment in livelihood facilities

Firstly, the Company will secure safe drinking water resources for the villagers by gradually drilling deep wells for villages and groups where there are no wells. Secondly, the Company will improve road conditions by upgrading road foundations of unhardened roads and improving construction of infrastructures, thus facilitating public transportation. Thirdly, the Company will eliminate hidden dangers posed by dilapidated buildings through renovation works carried out orderly according to hazardous levels, ensuring residential security of impoverished households. Fourthly, the Company will strengthen local flood control capacities by improving drainage facilities and reinforcing road surface exposed to flooding (or building submersible bridges), solving the difficulties faced by the villagers in travelling in rainy seasons. Fifthly, the Company plans to support Shangtao village in its lighting project, installing 60 road lamps in the village, thoroughly solving the difficulties faced by the villagers in travelling at night. Sixthly, the Company plans to build an marketplace for agricultural products, which will be integrated with the functions for cultural activities to meet the cultural and commercial needs of people in the town and villages.

XIV. SOCIAL RESPONSIBILITIES (CONTINUED)

2. Performance of Social Responsibility in Respect of Targeted Poverty Alleviation (Continued)

(3) Subsequent Targeted Poverty Alleviation Plan (Continued)

- ④ Helping poor households get rid of poverty through customized poverty alleviation efforts and measures

The Company will make customized efforts and measures to help the poor households get rid of poverty through pairing up arrangement. It is planned that RMB50,000 will be invested in this regard each year, benefitting 25 households with RMB2,000 for each.

XV. OTHER SIGNIFICANT EVENTS

On 25 May 2018, the Company successfully issued H-share convertible bonds in an aggregate amount of HK\$1.85 billion on the Hong Kong Stock Exchange, which were listed on the Hong Kong Stock Exchange on 28 May 2018. The initial conversion price of the H-share convertible bonds was HK\$9.54 per share, with a maximum of 193,920,335 shares issuable upon conversion. As a result of the Company's payment of the final dividend for 2017 on 29 June 2018, the conversion price of the H-share convertible bonds was adjusted to HK\$9.20 per share, with a maximum of 201,086,956 shares issuable upon conversion.

Significant Matters (Continued)

XV. OTHER SIGNIFICANT EVENTS (CONTINUED)

Use of Net Proceeds from Issue of Convertible Bonds

The Company issued HK\$1,850,000,000 zero coupon convertible bonds due 2023 on 25 May 2018 (“Convertible Bonds”). The net proceeds from issue of Convertible Bonds were approximately HK\$1,840,576,747 which had all been used for general corporate purposes as repayment of loans and supplement the liquidity as at the date of this report.

Pursuant to the announcement of the Company regarding adjustment of the conversion price of the Convertible Bonds dated 15 June 2018, the conversion price, originally at HK\$9.54 per H Share, shall be adjusted to HK\$9.20 per H Share in accordance with the terms and conditions of the Convertible Bonds as provided in the subscription agreement of the Convertible Bonds dated 10 May 2018. And upon adjustment of the conversion price, an additional of 7,166,621 subscription shares shall be issued to the subscribers at the adjusted price of HK\$9.20 per subscription share upon conversion.

As at 30 June 2018, unpaid principal amount for Convertible Bonds was HK\$1,850,000,000. As calculated based on the conversion price of Convertible Bonds at HK\$9.20 per share, a maximum of 201,086,956 Shares will be allotted and issued if the conversion rights attached to Convertible Bonds are fully exercised, representing approximately 2.78% of the then issued share capital of the Company on 30 June 2018 and approximately 2.70% of the issued share capital of the Company enlarged by the shares issued upon conversion of Convertible Bonds.

XV. OTHER SIGNIFICANT EVENTS (CONTINUED)

Use of Net Proceeds from Issue of Convertible Bonds (Continued)

Set out below is the dilution effect on equity interest of the substantial shareholders of the Company:

	30 June 2018			Upon conversion of the Convertible Bonds at the conversion price of HK\$9.20 per share		
	Class of shares	Number of shares	Approximate percentage of issued shares	Class of shares	Number of shares	Approximate percentage of issued shares
Substantial shareholders						
Angang Holding	A Shares	4,218,547,330	58.31	A Shares	4,218,547,330	56.73
Public holders of A Shares	A Shares	1,930,460,517	26.68	A Shares	1,930,460,517	25.96
HKSCC (Nominees) Limited	H Shares	1,075,693,810	14.87	H Shares	1,075,693,810	14.47
Public holders of H Shares	H Shares	10,106,190	0.14	H Shares	10,106,190	0.14
Bondholders	–	–	–	H Shares	201,086,956	2.70
Total		7,234,807,847	100.00		7,435,894,803	100.00

As calculated based on net profit attributable to shareholders of the Company of approximately RMB3,499 million for the six months ended 30 June 2018, basic and diluted earnings per share of the Company amounted to RMB0.484 and RMB0.481, respectively.

XV. OTHER SIGNIFICANT EVENTS (CONTINUED)

Use of Net Proceeds from Issue of Convertible Bonds (Continued)

On 30 June 2018, the Group recorded net assets attributable to the shareholders of the Company of RMB51,653 million, net current assets of RMB33,527 million and cash and cash equivalents of RMB4,017 million. So far as the Company is concerned, based on the financial positions of the Group, it is expected that the Company is able to meet its redemption obligations under the issued Convertible Bonds whose conversion rights are not yet exercised.



XVI. 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”), Hong Kong Listing Rules, the Rules Governing the Listing of Shares on the Shenzhen Stock Exchange and the Corporate Governance Guideline of Listed Companies and 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.

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 2018.

Significant Matters (Continued)

XVI. CORPORATE GOVERNANCE OF THE COMPANY (CONTINUED)

(1) (Continued)

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.

XVII. SUBSEQUENT EVENTS

1. On 4 July 2018, the Company received the Notice of Angang Group Company* (鞍鋼集團有限公司) on Gratuitous Transfer of State-owned Shares of Angang Steel Company Limited* (《鞍鋼集團有限公司關於無償劃轉鞍鋼股份有限公司國有股份的通知》) from Angang (the “Notice”). The Notice stated that, in order to strengthen strategic cooperation between Angang and Power Construction Corporation of China* (中國電力建設集團有限公司) (the “PCCC”) and optimise the shareholding structure of the Company, Angang proposed to gratuitously transfer 360,000,000 A shares (representing approximately 4.98% of the total share capital of the Company) held by it through Angang Holding, a wholly-owned subsidiary of Angang, to PCCC (the “Gratuitous Transfer”). Before the Gratuitous Transfer, Angang held 4,218,547,330 A shares (representing approximately 58.31% of the total share capital of the Company) through Angang Holding, and PCCC did not hold any shares of the Company. After the Gratuitous Transfer, Angang Group will hold 3,858,547,330 A shares (representing approximately 53.33% of the total share capital of the Company) through Angang Holding, and PCCC will hold 360,000,000 A shares (representing approximately 4.98% of the total share capital of the Company). The Gratuitous Transfer will not cause any changes to the controlling shareholder or de facto controller of the Company. The Gratuitous Transfer is still subject to the approval by the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會).

XVII. SUBSEQUENT EVENTS (CONTINUED)

2. On 12 July 2018, the Resolution on Subscription of the Company for Shares of An Steel International Co., Limited (“An Steel Company”) was considered and approved at the 38th meeting of the seventh session of the Board held by the Company, pursuant to which, the Company proposed to subscribe for 10 subscription shares issued by An Steel Company at a consideration of RMB86.961 million in cash. Upon the completion of the subscription, the total shares in issue of An Steel Company will be 11 shares, of which 10 shares and 1 share will be owned by the Company and Angang Group Hong Kong Co., Limited, accounting for 90.91% and 9.09% of the total shares in issue, respectively. The transaction is now in progress.

3. On 17 July 2018, the Resolution on Acquisition by the Company of entire equity interest in Angang Group Chaoyang Iron & Steel Company Limited* (鞍鋼集團朝陽鋼鐵有限公司)(“Angang Chaoyang”) held by Angang Holding was considered and approved at the 39th meeting of the seventh session of the Board held by the Company, pursuant to which, the Company proposed to acquire the entire equity interest in Angang Chaoyang held by Angang Holding at a consideration equivalent to the appraised value of RMB5,903.85 million as confirmed in the assets valuation report on the proposed acquisition by Angang Steel of the entire equity interest in Angang Chaoyang held by Angang Holding issued by China United Assets Appraisal Group Co., Ltd.* (中聯資產評估集團有限公司). The transaction is now in progress and subject to the approval by the Shareholders in the general meeting by the Shareholders in the Company.

Movements in Share Capital and Shareholding of Substantial Shareholders

I. MOVEMENTS IN SHARES

1. Movements in Shares

As at 30 June 2018, 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 (%)
I. Shares subject to trading moratorium	15,737	0.00	-	-	-	-2,500	-2,500	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	15,737	0.00	-	-	-	-2,500	-2,500	13,237	0.00
4. Foreign investment shares	-	-	-	-	-	-	-	-	-
Including: shares held									
by overseas legal persons	-	-	-	-	-	-	-	-	-
shares held by overseas natural persons	-	-	-	-	-	-	-	-	-

Movements in Share Capital and Shareholding of Substantial Shareholders (Continued)

I. MOVEMENTS IN SHARES (Continued)

1. Movements in Shares (Continued)

	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 (%)
II. Shares not subject to trading moratorium	7,234,792,110	100.00	-	-	-	+2,500	+2,500	7,234,794,610	100.00
1. Renminbi ordinary shares	6,148,992,110	84.99	-	-	-	+2,500	+2,500	6,148,994,610	84.99
2. Domestically listed foreign investment shares	-	-	-	-	-	-	-	-	-
3. Overseas listed foreign investment shares	1,085,800,000	15.01	-	-	-	-	-	-	15.01
4. Others	-	-	-	-	-	-	-	-	-
III. Total shares	7,234,807,847	100.00	-	-	-	0	0	7,234,807,847	100.00

Reasons for movement in shares subject to trading moratorium: Pursuant to the latest regulations as set out in the “Detailed Implementation Rules of Shenzhen Stock Exchange on Reduction of Shareholdings by Shareholders, Directors, Supervisors and Senior Executives of Listed Companies”, 75% of a director’s shareholding in the company is subject to lock-up within his tenure determined at his appointment and the subsequent 6 months. At the beginning of the period, pertinent requirements provided that within the six months upon the departure, 100% of the departing director’s shareholding was subject to lock-up. At the end of the Reporting Period, the director had left his position for more than 6 months, but his original tenure had not elapsed, thus the 75% of his shareholding is now subject to lock-up.

Movements in Share Capital and Shareholding of Substantial Shareholders (Continued)

I. MOVEMENTS IN SHARES (Continued)

2. Changes in shares subject to trading moratorium

Unit: Share

Name of Shareholder	Shares subject to trading moratorium at the beginning of the period	Increase in shares subject to trading moratorium during the period	Decrease in shares subject to trading moratorium during the period	Shares subject to trading moratorium at the end of the period	Reason for the trading moratorium	Date of release of the trading moratorium
Yao Lin	10,000	-	2,500	7,500	The "Detailed Implementation Rules Of Shenzhen Stock Exchange On Reduction Of Shareholdings By Shareholders, Directors, Supervisors And Senior Executives Of Listed Companies" provides that 75 percent of a director's shareholding in the company is subject to lock-up within his term of office determined at his appointment and the subsequent 6 months.	8 December 2019
Total	10,000	-	2,500	7,500	-	-

Movements in Share Capital and Shareholding of Substantial Shareholders (Continued)

II. ISSUANCE AND LISTING OF SECURITIES

Name of shares and their derivative securities	Date of issuance	Issue price (or rate)	Issuance amount	Listing date	Amount		Disclosure index	Disclosure date
					approved for listing and trading	Termination date of trading		
Convertible corporate bonds, bonds cum warrants, corporate debt securities								
ANSTEEL B2305	25 May 2018	0%	HK\$1,850,000,000	28 May 2018	HK\$1,850,000,000	25 May 2023	PROPOSED ISSUE OF HK\$1,850,000,000 ZERO COUPON CONVERTIBLE BONDS DUE 2023 CONVERTIBLE INTO ORDINARY H SHARES OF ANGANG STEEL COMPANY LIMITED and THE NOTICE IN RELATION TO THE LISTING OF HK\$1,850,000,000 ZERO COUPON CONVERTIBLE BONDS DUE 2023 IN THE STOCK EXCHANGE OF HONG KONG LIMITED published on the website of Hong Kong Stock Exchange (http://www.hkexnews.hk)	11 May 2018 and 25 May 2018

Movements in Share Capital and Shareholding of Substantial Shareholders (Continued)

III. NUMBER OF SHAREHOLDERS AND DETAILS OF SHAREHOLDING OF THE COMPANY

Unit: Share

The total number of ordinary shareholders of the Company as at the end of the Reporting Period 107,192 of which 492 were holders of H shares

Details of shareholders holding more than 5% of ordinary shares or shareholdings of the top 10 ordinary shareholders

Name of shareholder	Nature of shareholder	Percentage of shareholding (%)	Number of ordinary shares held 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	Shares pledged or frozen	
							Status of shares	Number
Anshan Iron & Steel Co. Ltd	State-owned legal person	58.31	4,218,547,330	0	-	4,218,547,330	-	-
HKSCC (Nominees) Limited	Overseas legal person	14.87	1,075,693,810	+571,527	-	1,075,693,810	-	-
China National Petroleum Corporation	State-owned legal person	8.98	650,000,000	0	-	650,000,000	-	-
Hong Kong Securities Clearing Company Limited	Overseas legal person	4.45	322,069,397	+251,932,902	-	322,069,397	-	-
Central Huijin Asset Management Ltd.	State-owned legal person	1.00	72,575,900	0	-	72,575,900	-	-
Abu Dhabi Investment Authority (阿布達比投資局)	Overseas legal person	0.36	25,870,600	+1,114,700	-	25,870,600	-	-
Liang Yao Hui (梁耀輝)	Domestic natural person	0.14	10,440,000	0	-	10,440,000	Frozen	10,440,000

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

Name of shareholder	Nature of shareholder	Percentage of shareholding (%)	Number of ordinary shares held 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	Shares pledged or frozen	
							Status of shares	Number
#Liao Qiang(廖强)	Domestic natural person	0.14	10,149,087	0	-	10,149,087	-	-
Chen Fengxi(陳豐喜)	Domestic natural person	0.14	9,950,000	-350,000	-	9,950,000	-	-
DEUTSCHE BANK AKTIENGESELLSCHAFT	Overseas legal person	0.13	9,259,703	+9,259,703	-	9,259,703	-	-

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.

Movements in Share Capital and Shareholding of Substantial Shareholders (Continued)

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

Shareholdings of the top 10 shareholders 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	Number
Anshan Iron & Steel Co. Ltd	4,218,547,330	Renminbi ordinary shares	4,218,547,330
HKSCC (Nominees) Limited	1,075,693,810	Overseas listed foreign shares	1,075,693,810
China National Petroleum Corporation	650,000,000	Renminbi ordinary shares	650,000,000
Hong Kong Securities Clearing Company Limited	322,069,397	Renminbi ordinary shares	322,069,397
Central Huijin Asset Management Ltd.	72,575,900	Renminbi ordinary shares	72,575,900
Abu Dhabi Investment Authority (阿布達比投資局)	25,870,600	Renminbi ordinary shares	25,870,600
Liang Yao Hui (梁耀輝)	10,440,000	Renminbi ordinary shares	10,440,000
#Liao Qiang (廖強)	10,149,087	Renminbi ordinary shares	10,149,087
Chen Fengxi (陳豐喜)	9,950,000	Renminbi ordinary shares	9,950,000
DEUTSCHE BANK AKTIENGESELLSCHAFT	9,259,703	Renminbi ordinary shares	9,259,703

III. NUMBER OF SHAREHOLDERS AND DETAILS OF SHAREHOLDING OF THE COMPANY (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.

IV. CHANGE TO CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

During the Reporting Period, there was no change to the controlling shareholder and the de facto controller of the Company.

V. SUBSTANTIAL SHAREHOLDERS AND OTHER PARTIES' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

Save as disclosed below, as at 30 June 2018, no parties (other than Directors, Supervisors and senior management of the Company) had any interest or short position in the shares and underlying shares of the Company which were recorded in the register required to be kept under Section 336 of the SFO:

V. SUBSTANTIAL SHAREHOLDERS AND OTHER PARTIES' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY (Continued)

Interests in ordinary shares of the Company

Name of shareholder	Number and class of shares held	Percentage	Percentage	Percentage	Capacity
		of total share capital (%)	of total H Shares in issue (%)	of total domestic shares in issue (%)	
Anshan Iron & Steel Group Co. Ltd.	4,218,547,330 State shares	58.31	–	68.61	Beneficial owner
HKSCC Nominees Limited	1,075,693,810 H Shares	14.87	99.07	–	Nominee

Information on Directors, Supervisors and Senior Management

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

Unit: Share

Name	Position	Status of position	Number of shares						Number of shares subject to trading moratorium	
			No. of shares held at the beginning of the Reporting Period	No. of shares increased in the Reporting Period	No. of shares reduced in the Reporting Period	No. of shares held at the end of the Reporting Period	No. of shares granted as at the beginning of the Reporting Period	No. of shares granted during the Reporting Period	Number of shares subject to trading moratorium at the end of the Reporting Period	Number of shares subject to trading moratorium during the Reporting Period
Wang Yidong	Chairman	In office	7,650	-	-	7,650	-	-	-	-
Li Zhen	Director, Deputy General Manager (in charge)	In office	0	-	-	0	-	-	-	-
Ma Lianyong	Director, Deputy General Manager, Chief Accountant, Joint Company Secretary	In office	0	-	-	0	-	-	-	-
Xie Junyong	Director, Deputy General Manager	In office	0	-	-	0	-	-	-	-
Wu Dajun	Independent Non-executive Director	In office	0	-	-	0	-	-	-	-
Ma Weiguo	Independent Non-executive Director	In office	0	-	-	0	-	-	-	-
Feng Changli	Independent Non-executive Director	In office	0	-	-	0	-	-	-	-

Information on Directors, Supervisors and Senior Management (Continued)

I. CHANGES IN THE SHARES HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

Name	Position	Status of position	No. of shares				Number of shares subject to trading moratorium		Number of shares subject to trading moratorium	
			held at the beginning of the Reporting Period	increased in the Reporting Period	reduced in the Reporting Period	held at the end of the Reporting Period	granted as at the beginning of the Reporting Period	granted during the Reporting Period	granted at the end of the Reporting Period	granted as at the end of the Reporting Period
Lin Daqin	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	-	-	-	
Chen Chun	Joint Company Secretary	In office	0	-	-	0	-	-	-	
Li Zhongwu	Former Director, Former Deputy General Manager	Resigned	0	-	-	0	-	-	-	
Zhang Jingfan	Former Director, Former Chief Accountant, Former Joint Company Secretary	Resigned	0	-	-	0	-	-	-	
Luo Yuchen	Former Independent Non-executive Director	Resigned	0	-	-	0	-	-	-	

II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

Name	Position	Category	Date	Reason
Li Zhongwu	Director	Resigned	2018.03.05	By reason of work
	Deputy General Manager	Resigned	2018.01.10	By reason of work
Zhang Jingfan	Director	Resigned	2018.03.05	By reason of work
	Chief Accountant, Joint Company Secretary	Resigned	2018.01.10	By reason of work
Luo Yuchen	Independent Non-executive Director	Resigned	2018.06.05	By reason of work
Li Zhen	Director	Elected	2018.03.05	By reason of work
	Deputy General Manager(in charge)	Appointed	2018.01.10	By reason of work
Ma Lianyong	Director	Elected	2018.03.05	By reason of work
	Deputy General Manager, Chief Accountant, Joint Company Secretary	Appointed	2018.01.10	By reason of work
Xie Junyong	Director	Elected	2018.03.05	By reason of work
	Deputy General Manager	Appointed	2018.01.10	By reason of work

Consolidated Statement of Financial Position (Unaudited)

As of 30 June 2018 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	30 June 2018	31 December 2017
Current assets:			
Cash and cash equivalents	6(1)	4,017	2,437
Derivative financial assets	6(2)		7
Notes receivables and account receivables	6(3)	15,196	12,168
Prepayments	6(4)	1,249	1,772
Other receivables	6(5)	61	261
Inventories	6(6)	12,522	11,646
Current assets held for sale			
Non-current assets due within 1 year			
Other current assets	6(7)	482	300
Total current assets		33,527	28,591
Non-current assets:			
Financial assets available for sale	6(8)		719
Long-term equity investments	6(9)	2,864	2,949
Other investments in equity instruments	6(10)	520	
Other non-current financial assets	6(11)	31	39
Investment properties			
Property, plant and equipment, net	6(12)	46,489	48,012
Construction in progress	6(13)	1,361	1,042
Intangible assets	6(14)	6,118	6,199
Long-term deferred expenses			
Deferred income tax assets	6(15)	840	1,713
Other non-current assets	6(16)	936	
Total non-current assets		59,159	60,634
Total assets		92,686	89,225

Consolidated Statement of Financial Position (Unaudited) (Continued)

As of 30 June 2018 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	30 June 2018	31 December 2017
Current liabilities:			
Short-term loans	6(17)	15,358	14,500
Derivative financial liabilities	6(18)		13
Notes payables and account payables	6(19)	8,353	8,679
Advances from customers	6(20)		5,581
Contract liabilities	6(21)	5,231	
Employee benefits payables	6(22)	400	347
Tax payables	6(23)	348	407
Other payables	6(24)	1,609	1,637
Non-current liabilities due within 1 year	6(25)	2,958	437
Other current liabilities	6(26)		1,500
Total current liabilities		34,257	33,101
Non-current liabilities:			
Long-term Loans	6(27)	2,034	2,905
Bonds payables	6(28)	3,519	2,004
Long-term employee benefits payables	6(29)	123	123
Deferred income	6(30)	665	682
Deferred income tax liabilities	6(31)	6	6
Other non-current liabilities			
Total non-current liabilities		6,347	5,720
Total liabilities		40,604	38,821

Consolidated Statement of Financial Position (Unaudited) (Continued)

As of 30 June 2018 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	30 June 2018	31 December 2017
Shareholders' equity:			
Share capital	6(32)	7,235	7,235
Capital reserves	6(33)	31,517	31,527
Other comprehensive income	6(34)	(163)	(3)
Special reserves	6(35)	56	38
Surplus reserves	6(36)	3,580	3,580
General risk reserves			
Undistributed profit	6(37)	9,428	7,606
Subtotal of Shareholders' equity attributable to shareholders of parent company		51,653	49,983
Minority interests		429	421
Total shareholders' equity		52,082	50,404
Total liabilities and shareholders' equity		92,686	89,225

The notes to the financial statements of pages 140 to 335 are the components of the interim financial report.

Financial statements from pages 118 to 139 are signed by the following:

Legal representative:

Wang Yidong

Chief Accountant:

Ma Lianyong

Controller:

Che Chengwei

Consolidated Statement of Comprehensive Income (Unaudited)

For the six-month period ended 30 June 2018 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	2018	2017
1. Operating income		46,882	39,063
Including: operating income	6(38)	46,882	39,063
2. Operating costs		42,380	37,436
Less: Operating costs	6(38)	39,063	34,680
Tax and surcharges	6(39)	570	394
Marketing expenses	6(40)	1,415	1,188
Administrative expenses	6(41)	490	561
Research and development expenses		146	68
Financial expenses	6(42)	672	555
Including: Interest expenses	6(42)	684	602
Interest income	6(42)	10	29
Impairment losses on assets	6(43)	24	(10)
Add: Other Income	6(44)	22	22
Investment income ("-" for loss)	6(45)	182	229
Including: Income from investment in jointly ventures and associates	6(45)	154	208
Gain/loss from fair value variation ("-" for loss)	6(46)	(8)	5
Income from asset disposals			

Consolidated Statement of Comprehensive Income (Unaudited) (Continued)

For the six-month period ended 30 June 2018 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	2018	2017
3. Operating profit("-" for loss)		4,698	1,883
Add: Non-operating income	6(47)	9	6
Less: Non-operating expenses	6(48)	48	20
4. Profit before income tax ("-" for loss)		4,659	1,869
Less: Income tax expenses	6(49)	1,166	38
5. Net profit for the period ("-" for loss)		3,493	1,831
1. Classification according to the continuity of operation			
a. Net profit from continuous operation		3,493	1,831
b. Net profit from non-continuous operation			
2. Classification according to ownership			
a. Minority interest income		(6)	8
b. The net profit attributed to the owners of the parent company		3,499	1,823

Consolidated Statement of Comprehensive Income (Unaudited)(Continued)

For the six-month period ended 30 June 2018 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	2018	2017
6. The net amount after tax of other comprehensive income		14	(9)
Net after-tax other comprehensive income attributed to shareholders of the parent company	6(34)	14	(9)
(1) The other comprehensive income which can be re-classified into profit or loss			
a. The change of the net assets or liabilities of the re-measurement of benefit plan			
b. The amount of other comprehensive income which can not be reclassified into profit or loss of the invested company under equity method			
(2) The other comprehensive income which can be classified into profit or loss			
a. The amount of the other comprehensive income which can be reclassified in profit or loss of the invested company under equity method	6(34)	14	(9)
b. Gain/loss from the change at fair value of the investments in debt instruments			
c. The value of financial assets re-classified into other comprehensive income			
d. The effective portion of profit or loss from cash flows hedges			
e. Others	6(34)	1	(9)

Consolidated Statement of Comprehensive Income (Unaudited) (Continued)

For the six-month period ended 30 June 2018 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	2018	2017
7. Total comprehensive income		3,507	1,822
The other comprehensive income attributed to the owners of the company		3,513	1,814
The other comprehensive income attributed to the minority		(6)	8
8. Earning per share			
(1) Basic earning per share (RMB/share)		0.484	0.252
(2) Diluted earning per share (RMB/share)		0.481	0.252

The notes to the financial statements of pages 140 to 335 are the components of the interim financial report.

Financial statements from pages 118 to 139 are signed by the following:

Legal representative:

Wang Yidong

Chief Accountant:

Ma Lianyong

Controller:

Che Chengwei

Consolidated Statement of Cash Flows (Unaudited)

For the six-month period ended 30 June 2018 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	Six-month Period Ended 30 June	
		2018	2017
1. Cash flows from operating activities:			
Cash received from selling of goods or rendering of services		37,266	33,000
Refund of taxes and fares		22	34
Other cash received from operating activities	6(50)	29	13
Sub-total of cash inflows		37,317	33,047
Cash paid for goods and services		28,953	28,055
Cash paid to and for the employees		2,193	1,900
Cash paid for all types of taxes		2,418	1,151
Other cash paid for operating activities	6(50)	1,846	1,330
Sub-total of cash outflows		35,410	32,436
Net cash flow from operating activities		1,907	611

Consolidated Statement of Cash Flows (Unaudited) (Continued)

For the six-month period ended 30 June 2018 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	Six-month Period Ended 30 June	
		2018	2017
2. Cash flows from investing activities			
Cash received from return of investments			
Cash received from investment income		249	230
Net cash received from disposal of fixed assets, intangible assets and other non-current assets		3	
Net cash received from disposal of subsidiaries and other operating units			
Other cash received from investment activities	6(50)	58	137
Sub-total of cash inflows		310	367
Cash paid for acquisition of fixed assets, intangible assets and other non-current assets		1,082	1,024
Cash paid for acquisition of investments		21	
Net cash paid for acquisition of subsidiaries and other operating units			
Other cash paid for investment activities		31	9
Sub-total of cash outflows		1,134	1,033
Net cash flow from investing activities		(824)	(666)

Consolidated Statement of Cash Flows (Unaudited) (Continued)

For the six-month period ended 30 June 2018 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	Six-month Period Ended 30 June	
		2018	2017
3. Cash flows from financing activities			
Cash received from absorbing investments		3	
Including: Received of subsidiary from minority shareholders		3	
Cash received from borrowings		15,438	16,248
Other cash received from financing activities	6(50)	180	
Sub-total of cash inflows		15,621	16,248
Cash paid for settling of debts		12,925	15,124
Cash paid for distribution of dividends or profit and repayment of interests		2,213	937
Including: Dividends or profit paid to minority shareholders			
Other cash paid for financing activities	6(50)	1	2
Sub-total of cash outflows		15,139	16,063
Net cash inflow from financing activities		482	185
4. Effect of changes in foreign exchange rate on cash and cash equivalents		15	

Consolidated Statement of Cash Flows (Unaudited) (Continued)

For the six-month period ended 30 June 2018 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	Six-month Period Ended 30 June	
		2018	2017
5. Net increase in cash and cash equivalents			
	6(51)	1,580	130
Add: Cash and cash equivalents at beginning of this period	6(51)	2,437	1,968
6. Cash and cash equivalents carrying forward			
	6(51)	4,017	2,098

The notes to the financial statements of pages 140 to 335 are the components of the interim financial report.

Financial statements from pages 118 to 139 are signed by the following:

Legal representative:

Wang Yidong

Chief Accountant:

Ma Lianyong

Controller:

Che Chengwei

Consolidated Statement of Changes in Shareholders' Equity (Unaudited)

As of 30 June 2018 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	2018										
	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	Total of shareholders' equity
1. Balance as of 31 December 2017	7,235	31,519		(3)	38	3,580		7,604		413	50,386
Add: Changes of accounting policy				(174)				1			(173)
Correction of prior year errors											
Others		8						2		8	18
2. Balance as of 1 January 2018	7,235	31,527		(177)	38	3,580		7,607		421	50,231
3. Increase/decrease in 2018											
("-" represents loss)		(10)		14	18			1,821		8	1,851
(1) total amount comprehensive income				14				3,499		(6)	3,507
(2) Capital introduced or withdrawn by owners		(10)								14	4
i. Capital introduced by owners											
ii. Amount of shares-based payment recorded in owner's equity											
iii. Others		(10)								14	4
(3) Profit distribution								(1,678)			(1,678)
i. Transfer to surplus reserve											
ii. Transfer to general risk reserve											
iii. Distribution to shareholders								(1,678)			(1,678)
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					18						18
i. Extracts of this period					36						36
ii. Usage of this period					(18)						(18)
(6) Others											
4. Balance as of 30 June 2018	7,235	31,517		(163)	56	3,580		9,428		429	52,082

The notes to the financial statements of pages 140 to 335 are the components of the interim financial report.

Financial statements from pages 118 to 139 are signed by the following:

Legal representative:
Wang Yidong

Chief Accountant:
Ma Lianyong

Controller:
Che Chengwei

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

As of 30 June 2018 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	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	
1. Balance as of 31 December 2016	7,235	31,519		12	52	3,580		2,484		406	45,288
Add: Changes of accounting policy											
Correction of prior year errors											
Others		8						3		7	18
2. Balance as of 1 January 2017	7,235	31,527		12	52	3,580		2,487		413	45,306
3. Increase/decrease in 2017 ("-" represents loss)											
(1) total amount comprehensive income				(15)	(14)			5,119		8	5,098
(2) Capital introduced or withdrawn by owners				(15)				5,604		8	5,597
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					(14)						(14)
i. Extracts of this period					58					1	59
ii. Usage of this period					(72)					(1)	(73)
(6) Others											
4. Balance as of 30 June 2017	7,235	31,527		(3)	38	3,580		7,606		421	50,404

The notes to the financial statements of pages 140 to 335 are the components of the interim financial report.

Financial statements from pages 118 to 139 are signed by the following:

Legal representative:
Wang Yidong

Chief Accountant:
Ma Lianyong

Controller:
Che Chengwei

Statement of Financial Position of Parent Company (Unaudited)

As of 30 June 2018 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	30 June 2018	31 December 2017
Current assets:			
Cash and cash equivalents		3,290	1,785
Derivative financial assets			7
Notes receivables and account receivables	16(1)	16,289	12,753
Prepayments		1,073	1,698
Other receivables	16(2)	57	258
Inventories		9,689	9,864
Contract assets			
Current assets held for sale			
Non-current assets due within 1 year			
Other current assets			
Total current assets		30,398	26,365
Non-current assets:			
Financial assets available for sale			719
Other investments in equity instruments		520	
Other non-current financial assets		31	
Long-term account receivables		62	
Long-term equity investments	16(3)	5,032	4,984
Property, plant and equipment, net		44,798	46,290
Construction in progress		1,253	949
Intangible assets		5,937	6,016
Long-term deferred expenses			
Deferred income tax assets		734	1,648
Other non-current assets		936	
Total non-current assets		59,303	60,606
Total assets		89,701	86,971

Statement of Financial Position of Parent Company (Unaudited) (Continued)

As of 30 June 2018 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	30 June 2018	31 December 2017
Current liabilities:			
Short-term loans		15,230	14,430
Derivative financial liabilities			13
Notes payables and account payables		8,134	8,511
Advances from customers			4,869
Contract liabilities		3,812	
Employee benefits payables		397	346
Tax payables		329	388
Other payables		1,448	1,478
Current liabilities held for sale			
Non-current liabilities due within 1 year		2,845	300
Other current liabilities			1,500
Total current liabilities		32,195	31,835
Non-current liabilities:			
Long-term Loans		1,700	2,545
Bonds payables		3,519	2,004
Long-term employee benefit payables		123	123
Deferred income		528	543
Deferred income tax liabilities		6	6
Other non-current liabilities			
Total non-current liabilities		5,876	5,221
Total liabilities		38,071	37,056

Statement of Financial Position of Parent Company (Unaudited) (Continued)

As of 30 June 2018 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	<i>Notes</i>	30 June 2018	31 December 2017
Shareholders' equity:			
Share capital		7,235	7,235
Capital reserves		31,566	31,565
Other comprehensive income		(163)	(3)
Special reserves		56	38
Surplus reserves		3,570	3,570
Undistributed profit		9,366	7,510
Total shareholders' equity		51,630	49,915
Total liabilities and shareholders' equity		89,701	86,971

The notes to the financial statements of pages 140 to 335 are the components of the interim financial report.

Financial statements from pages 118 to 139 are signed by the following:

Legal representative:
Wang Yidong

Chief Accountant:
Ma Lianyong

Controller:
Che Chengwei

Statement of Comprehensive Income of Parent Company (Unaudited)

For the six-month period ended 30 June 2018 Prepared by: Angang Steel Company Limited Monetary unit: RMB million six-month period ended 30 June

Items	Notes	2018	2017
1. Operating income	16(4)	47,023	39,028
Less: Operating costs	16(4)	39,285	34,653
Tax and surcharges		558	384
Marketing expenses		1,336	1,139
Administrative expenses		460	539
Research and development expenses		146	68
Financial expenses		660	555
Including: Interest expenses		670	602
Interest income		6	29
Impairment losses on assets		22	(11)
Add: Other income		20	20
Investment income	16(5)	182	229
Including: Income from investment in jointly ventures and associates		154	208
Income from asset disposals gain/loss from fair value variation		(8)	5
2. Operating profit		4,750	1,955
Add: Non-operating income		6	5
Less: Non-operating expenses		47	20
Including: Loss on non-current asset disposals		45	15
3. Profit before income tax		4,709	1,940
Less: Income tax expenses		1,176	
4. Net profit for the period		3,533	1,940
a. Net profit from continuous operation		3,533	1,940

Statement of Comprehensive Income of Parent Company (Unaudited) (Continued)

For the six-month period ended 30 June 2018 Prepared by: Angang Steel Company Limited Monetary unit: RMB million six-month period ended 30 June

Items	Notes	2018	2017
b. Net profit from non-continuous operation			
5. The net amount after tax of other comprehensive income		14	(9)
(1) The other comprehensive income which can not be reclassified into profit or loss			
a. The change of the net assets or liabilities of the re-measurement of benefits plan			
b. The amount of the other comprehensive income which can not be reclassified in profit or loss of the invested company under equity method			
(2) The other comprehensive income which can be classified into profit or loss		14	(9)
a. The amount of the other comprehensive income which can be reclassified in profit or loss of the invested company under equity method		1	
b. Gain/loss from the change of the fair value of the investments in debt instruments			
c. The value of financial assets re-classified into other comprehensive income			
d. Others		13	(9)
6. Total comprehensive income		3,547	1,931

The notes to the financial statements of pages 140 to 335 are the components of the interim financial report.

Financial statements from pages 118 to 139 are signed by the following:

Legal representative:
Wang Yidong

Chief Accountant:
Ma Lianyong

Controller:
Che Chengwei

Statement of Cash Flows of Parent Company (Unaudited)

For the six-month period ended 30 June 2018 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	2018	2017
1. Cash flows from operating activities:			
Cash received from selling of goods or rendering of services		36,344	32,224
Refund of taxes and fares		21	34
Other cash received from operating activities		25	12
Sub-total of cash inflows		36,390	32,270
Cash paid for goods and services		28,083	27,434
Cash paid to and for employees		2,122	1,842
Cash paid for all types of taxes		2,359	1,091
Other cash paid for operating activities		1,901	1,345
Sub-total of cash outflows		34,465	31,712
Net cash flow from operating activities		1,925	558
2. Cash flows from investing activities			
Cash received from return of investments			
Cash received from investment income		249	230
Net cash received from disposal of fixed assets, intangible assets and other non-current assets			
Other cash received from investment activities		55	134
Sub-total of cash inflows		304	364
Cash paid for acquisition of fixed assets, intangible assets and other non-current assets		1,030	1,004
Cash paid for acquisition of investments		164	
Other cash paid for investment activities		31	9
Sub-total of cash outflows		1,225	1,013
Net cash flow from investing activities		(921)	(649)

Statement of Cash Flows of Parent Company (Unaudited) (Continued)

For the six-month period ended 30 June 2018 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Notes	2018	2017
3. Cash flows from financing activities			
Cash received from absorbing investments			
Cash received from borrowings		15,335	16,248
Other cash received from financing activities		180	
Sub-total of cash inflows		15,515	16,248
Cash paid for settling of debts		12,830	15,085
Cash paid for distribution of dividends or profit and repayment of interests		2,199	923
Other cash paid for financing activities		20	
Sub-total of cash outflows		15,029	16,028
Net cash inflow from financing activities		486	220
4. Effect of changes in foreign exchange rate on cash and cash equivalents		15	
5. Net increase in cash and cash equivalents		1,505	129
Add: Cash and cash equivalents at the beginning of this period		1,785	1,228
6. Cash and cash equivalents carrying forward		3,290	1,357

The notes to the financial statements of pages 140 to 335 are the components of the interim financial report.

Financial statements from pages 118 to 139 are signed by the following:

Legal representative:
Wang Yidong

Chief Accountant:
Ma Lianyong

Controller:
Che Chengwei

Statement of Changes in Shareholders' Equity for Parent Company (Unaudited)

As of 30 June 2018 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	2018							Total of shareholders' equity	
	Share capital	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve		Undistributed profit
1. Balance as of 31 December 2017	7,235	31,565		(3)	38	3,570		7,510	49,915
Add: Changes of accounting policy				(174)				1	(173)
Correction of prior year errors									
Others									
2. Balance as of 1 January 2018	7,235	31,565		(177)	38	3,570		7,511	49,742
3. Increase/decrease in 2018									
("-" represents loss)		1		14	18			1,855	1,888
(1) total amount comprehensive income				14				3,533	3,547
(2) Capital introduced or withdrawn									
by owners		1							1
i. Capital introduced by owners									
ii. Amount of shares-based payment recorded in owner's equity									
iii. Others		1							1
(3) Profit distribution								(1,678)	(1,678)
i. Transfer to surplus reserve									
ii. Transfer to general risk reserve									
iii. Distribution to shareholders								(1,678)	(1,678)
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					18				18
i. Extracts of this period					36				36
ii. Usage of this period					(18)				(18)
(6) Others									
4. Balance as of 31 June 2018	7,235	31,566		(163)	56	3,570		9,366	51,630

The notes to the financial statements of pages 140 to 335 are the components of the interim financial report.

Financial statements from pages 118 to 139 are signed by the following:

Legal representative:
Wang Yidong

Chief Accountant:
Ma Lianyong

Controller:
Che Chengwei

Statement of Changes in Shareholders' Equity for Parent Company (Unaudited) (Continued)

As of 30 June 2018 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Items	Share capital	Capital reserve	2017						Total of shareholders' equity
			Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	
1. Balance as of 31 December 2016	7,235	31,565		12	52	3,570		2,630	45,064
Add: Changes of accounting policy									
Correction of prior year errors									
Others									
2. Balance as of 1 January 2017	7,235	31,565		12	52	3,570		2,630	45,064
3. Increase/decrease in 2017									
("-" represents loss)									
(1) total amount comprehensive income				(15)	(14)			4,880	4,851
(2) Capital introduced or withdrawn								5,365	5,350
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						(14)			(14)
i. Extracts of this period						58			58
ii. Usage of this period						(72)			(72)
(6) Others									
4. Balance as of 30 June 2017	7,235	31,565		(3)	38	3,570		7,510	49,915

The notes to the financial statements of pages 140 to 335 are the components of the interim financial report.

Financial statements from pages 118 to 139 are signed by the following:

Legal representative:
Wang Yidong

Chief Accountant:
Ma Lianyong

Controller:
Che Chengwei

Notes to the Interim Financial Statements

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

1. PROFILE OF THE COMPANY

Angang Steel Company Limited (abbreviated as the Company) was formally established on 8th 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 27 August, 2018.

There are 20 subsidiaries within the scope of the consolidation, please refer to Note 8 interests in other entities, and of which 2 subsidiary are newly established, please refer to Note 7 Changes in combination scope.

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 Interim Financial Statements (Continued)

For the period ended 30 June 2018 (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 June 30, 2018, the financial performance and cash flow of the Group for the six-month period. 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 fiscal year is the calendar year that starts from January 1 and December 31.

(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.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

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.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

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.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

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.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

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 31 December 2017s 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 31 December 2017s 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.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

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.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

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.

As a joint venture, the Company shall recognize the assets only held by the Company, the liabilities only assumed to the Company, and the assets held jointly and the liabilities assumed jointly based on the share percentage held by the Company. In addition, the Company shall recognize the revenue generated by the operation of the joint venture based on the share percentage held by the Company and shall recognize the revenue generated by the sale of parts of joint venture held by the Company. The Company shall recognize the costs only incurred by the Company and recognize the costs incurred by the joint venture based on the share percentage held by the Company.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

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 sale or contribution of assets or a purchase of 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; 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.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

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 differences arising from changes in book value of foreign currency monetary items invested in other equity instruments other than amortized costs shall be recognized directly in other comprehensive income;

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.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(9) Financial instruments

Financial assets and liabilities are recognized when the Group becomes one party under the financial instrument contract.

(1) Financial assets

a. Classification and reclassification

The Group shall classify financial assets on the basis of: the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets as (1) financial assets measured at amortized cost; (2) financial assets measured at fair value through other comprehensive income; (3) financial assets measured at fair value through profit and loss.

When and only when, the Group changes its business model for managing financial assets, it shall reclassify all affected financial assets in accordance with Chapter 6 stipulated in Accounting Standards for Business Enterprises No.22–Recognition and Measurement for Financial Instruments

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(9) Financial instruments (Continued)

(1) Financial assets (Continued)

b. Recognition

A financial asset shall be measured at amortized cost if both of the following conditions are met:

- A. the asset is held within a business model whose objective is to hold the asset in order to collect contractual cash flows;
- B. the contractual terms of the financial asset give rise on specified dated to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met:

- A. the asset is held within a business model whose objectives are not only to hold the asset in order to collect contractual cash flows but also to sell the asset in order to collect contractual cash flows;
- B. the contractual terms of the financial asset give rise on specified dated to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group has designated investments in equity instruments not held for trading as financial assets measured at fair value through other comprehensive income.

A financial asset shall be classified as a financial asset measured at fair value through profit and loss unless it is classified as a financial asset measured at amortized cost or a financial asset measured at fair value through profit and loss.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(9) Financial instruments (Continued)

(1) Financial assets (Continued)

c. Measurement

At the initial recognition, the Group shall measure a financial asset at its fair value. In the case of a financial asset not measured at fair value through profit and loss, the Group shall measure the financial asset at its fair value plus or minus the transaction cost attributable to the acquisition or issue of the financial asset. In the case of a financial asset measured at fair value through profit and loss, the transaction cost attributable to the acquisition or issue of the financial asset shall be recognized in profit or loss for the current period.

At the initial recognition, the measurement of account receivables resulting from the revenue recognition according to Accounting Standards for Business Enterprises No. 14- Revenue does not include: a. significant financing components defined in Accounting Standards for Business Enterprises No.14--Revenue; b. financing components defined in a contract less than 1 year.

The Group shall measure a financial asset classified as measured at amortized cost (not connected with any hedges) based on amortized process. Any gain or loss from the subsequent measure on the financial asset shall be recognized in profit and loss when the financial asset is derecognized, impaired or reclassified.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(9) Financial instruments (Continued)

(1) Financial assets (Continued)

c. Measurement (Continued)

For a financial asset measured at fair value through other comprehensive income, any gain or loss from impairment related to the financial asset, any gain or loss from foreign exchange related to the financial asset, dividend income related to the financial asset or any interest income to the financial asset due to the application of effective interest rate method is recognized in profit or loss for current period. Any other types of gain or loss related to the financial asset are recognized in other comprehensive income.

A gain or loss on a financial asset measured at fair value shall be recognized in profit or loss for current period.

The interest income on a financial asset shall be recognized based on the effective interest rate method. The Interest income is calculated by multiplying the book value of a financial asset by the effective interest rate, except the following situations:

- A. For a purchased or derived financial asset with credit impairment, the Group shall, starting from the initial recognition, determine its interest income by multiplying the amortized cost of the financial asset by the adjusted effective interest rate due to credit impairment.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(9) Financial instruments (Continued)

(1) Financial assets (Continued)

c. Measurement (Continued)

- B. For a purchased or derived financial asset which does not initially suffer credit impairment but has credit impairment in subsequent periods, the Group shall determine its interest income by using the amortized cost of the financial assets multiple the effective interest rate in subsequent periods. If the Group calculates interest income of a financial asset by using the effective interest rate method and the factors to cause credit impairment for the financial asset no longer exist due to the improvement, which may objectively be related to an event (e.g. upgrade of the debtor's credit rating) after the application of the above stipulation, of the financial asset credit risk in subsequent periods, the interest income should be determined by multiplying the effective interest rate by the book value of the financial asset.

The dividend income of a financial asset can be recognized and recorded into profit and loss, only if the following conditions are satisfied simultaneously:

1. the right to collect dividends has been established;
2. the economic benefits related to dividends are likely to flow into the Group.
3. the amount of dividends can be measured reliably.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(9) Financial instruments (Continued)

(1) Financial assets (Continued)

d. Derecognition

The Group shall derecognize a financial asset when, and only when one of the following conditions is met:

1. the contractual rights to the cash flow from the financial asset expire,
2. the Group transfers substantially all the risks and rewards of the ownership of the financial asset,
3. the Group neither transfers nor retains substantially all the risks and rewards of the ownership of the financial asset, and it has not retained the control of the financial asset

If the Group neither transfers nor retains substantially all the risks and rewards of the ownership of a financial asset but it has retained the control of the financial asset, the Group shall continue to recognize the financial asset to the extent of its continuing involvement in the financial asset.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(9) Financial instruments (Continued)

(1) Financial assets (Continued)

d. Derecognition (Continued)

On derecognition of a financial asset in its entirety, the difference between the carrying amount (measured at the date of derecognition) and the sum of the consideration received (including any new asset obtained less any new liability assumed) and the cumulative gain or loss, resulting from the changes of fair value of the financial asset, recorded in other comprehensive income (the contractual terms of the financial asset give rise on specified dated to cash flows that are solely payments of principal and interest on the principal amount outstanding) shall be recognized in profit and loss.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(9) Financial instruments (Continued)

(1) Financial assets (Continued)

d. Derecognition (Continued)

If a part of a financial asset is transferred and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the entire financial asset shall be allocated between the part continued to be recognized and the part that is derecognized, on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount (measured at the date of derecognition) allocated to the part derecognized and the sum of the consideration received for the part derecognized (including any new asset obtained less any new liability assumed) and the cumulative gain or loss for the part derecognized, resulting from the changes of fair value of the financial asset, recorded in other comprehensive income (the contractual terms of the financial asset give rise on specified dated to cash flows that are solely payments of principal and interest on the principal amount outstanding) shall be recognized in profit and loss.

On derecognition of the investments in equity instruments not held for trade designated as financial assets by the Group, all the accumulated gains or losses recognized in other comprehensive income account shall be transferred into retained earning account.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(9) Financial instruments (Continued)

(1) Financial assets (Continued)

e. Impairment

The Group shall recognize the impairment loss based on an expected credit loss impairment model, which means a loss event will no longer need to be occurred before an impairment allowance is recognized, for the following financial assets:

- A. account receivables or contract assets which are recognized accordance with Accounting Standards for Business Enterprises No.14--Revenue and the components of which include financial components. Neither the significant financial components in account receivables nor the financial components in contracts less than 1 year are considered as factors to measure and recognize initially.
- B. account receivables or contract assets which are recognized accordance with Accounting Standards for Business Enterprises No.14--Revenue and the components of which include significant financial components. The significant financial components are considered as factors to recognize and measurement, but the Group takes the option to choose to recognize the impairment loss based on the lifetime expected credit loss.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(9) Financial instruments (Continued)

(1) Financial assets (Continued)

e. Impairment (Continued)

- C. account receivables which are recognized accordance with Accounting Standards for Business Enterprises No.21--Leasing. The Group takes the option to recognize the impairment loss of the account receivables based on the lifetime expected credit loss.

The Group shall recognize the impairment loss for both a financial asset measured at amortized cost and a financial asset measured at fair value through other comprehensive income as the followings:

- A. if the credit risk of the financial asset significantly increases after initial recognition, the Group shall recognize impairment loss based on lifetime expected loss;
- B. if the credit risk of the financial asset does not significantly increase after initial recognition, the Group shall recognize impairment loss based on 12 months expected loss
- C. if the impairment loss of the financial asset has been recognized in previous accounting periods based on lifetime expected loss and the credit risk of the financial asset has not increased significantly since its initial recognition, the Group shall recognize the impairment loss for the financial asset based on 12 months expected loss on balance sheet for current period.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(9) Financial instruments (Continued)

(2) Financial Liabilities

a. Measurement

The group initially measures all its financial liabilities with fair value. In the case of a financial liability not measured at fair value through profit and loss, the Group shall measure the the financial liability at its fair value plus or minus the transaction cost attributable to the acquisition or issue of the financial liability. In the case of a financial liability measured at fair value through profit and loss, the transaction cost attributable to the acquisition or issue of the financial liability shall be recognized in profit or loss for the current period

b. Classification and Reclassification

The Group classifies all its financial liabilities as financial liabilities measured at amortized cost except the followings:

- (a). financial liabilities measured at fair value through profit and loss (including derivatives that are liabilities)
- (b). financial liabilities which arise when transfer of financial assets do not qualify for derecognition or when the Group continues to recognize financial assets to the extent of its continuing involvement. For this type of financial liabilities, the Group measures them according to Accounting Standards for Business Enterprises No.23 – Transfer of Financial Assets

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(9) Financial instruments (Continued)

(2) Financial Liabilities (Continued)

b. Classification and Reclassification (Continued)

- (c). financial guarantee contracts not defined in (a) or (b) or commitments to provide a loan at a lower-market interest rate. After initial recognition, the Group, as the issuer of the financial liabilities, will subsequently measure them at the higher of: 1.the amount determined in accordance with Chapter 8 of Accounting Standards for Business Enterprise No.22–Financial Instruments; 2. the amount initially recognized less accumulative amortization recognized in accordance with Accounting Standards for Business Enterprise No.14–Revenue

The Group shall designate the financial liabilities, recognized in the process of business combination under not common control as the party of purchaser or recognized once considerations received, as measured at fair value through profit and loss. The changes of the fair values shall be recorded in profit and loss.

The Group shall not reclassify any financial liabilities.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(9) Financial instruments (Continued)

(2) Financial Liabilities (Continued)

c. Derecognition

The Group shall remove a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished. An exchange between the Group and lender of debt instruments with substantially different terms shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognized in profit and loss.

(10) 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.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(10) Inventories (Continued)

(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.

(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.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(10) 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.

(11) Long-term equity investment

The long-term equity investment refers to the investment in which the company has control, joint control or significant influence over the invested entities. On the other hand, the long-term equity investments which not result in the control, jointly control or significantly influence on the invested entities, are treated as other equity instruments or financial assets held for trade and their accounting policies refer to Notes 4 and 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.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(11) 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.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(11) 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

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 are 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.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(11) Long-term equity investment (Continued)

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

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 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.

- (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.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(11) 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)

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 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.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(11) 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 (e) shall be applicable.

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.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(11) Long-term equity investment (Continued)

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

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

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.

(12) Property, plant and equipment

- (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 are 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.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(12) Property, plant and equipment (Continued)

(b) Depreciation method

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	
		Estimate residual rate	depreciation 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.

(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"

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(12) Property, plant and equipment (Continued)

- (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 but 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.

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.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(13) 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).

(14) 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.

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.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(14) Borrowing costs (Continued)

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.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(15) 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.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(15) 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.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(15) Intangible assets (Continued)

- (b) Research and development expenditure (Continued)
 - (iv) It is technically and financially capable of completing the development of the intangible asset, and capable of using or selling such intangible asset;
 - (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".

(16) 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.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(16) 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.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(17) 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.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(18) Revenue

Revenue, which results in the increase of shareholder equity regardless of shareholders' capital investments, is the gross inflow of economic benefits for the Group during its daily operation.

The Group shall recognize the revenue when and, only when, the Group fulfills its performance obligations in a contract and the customer in the contract take the control of the right of the good or service.

Where there are two or more performance obligations included in a contract, the Group shall, on the commencement of the contract, apportion the transaction price to each individual performance obligation in accordance with the relative proportion of each individual selling price of the good or service promised by each individual performance obligation and recognize the income according to the transaction price apportioned to each individual performance obligation.

The transaction price is the amount of consideration that the Group expects to be entitled to collect for the transfer of a good or service to its customers, excluding payments collected on behalf of third parties. The transaction price recognized by the Group does not exceed the accumulated revenue amount that has been recognized when the relevant uncertainties disappear and the amount is highly unlikely to be returned. The amount expected to return to the customer as a liability will not be included in the transaction price. Where there is a significant financing element in a contract, the Group shall recognize the transaction price based on the cash amounts the Group should receive at the time when the Group acquires the control of a good or service. The difference between the transaction price recognized and the contract consideration shall be amortized by the effective interest rate method during the contract period. On the contract commencement date, the interval under the contract between the anticipated date customers acquire the control over the good or service and the date customers make payments for the good or service does not exceed one year, the Group shall not consider the significant financing element in the contract to determine the transaction price.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(18) Revenue (Continued)

If one of the following conditions is satisfied, it is believed that the Group performs its obligations within a certain period of time; otherwise it is believed that the Group performs its obligations at a certain point of time:

- Customers are acquiring and are consuming the economic benefits arising from the Group's contract obligation performances while the Group is performing its contract obligations;
- Customers are able to control the good under construction by the Group;
- The effects of the good or service produced by the Group in the course of obligation performance are irreplaceable and the Group has the right to collect payments for the part of the performance that has been completed so far throughout the contract period.

For the contract obligations performed within a certain period of time, the Group shall recognize the revenue in accordance with the progress of the obligation performance. Where the progress of obligation performance cannot be reasonably determined and the cost incurred by the group can be expected to be compensated, the revenue can be recognized according to the amount of cost incurred until the progress of obligation performance can be reasonably determined.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(18) Revenue (Continued)

For the obligations performed at a certain point of the time, the Group shall recognize revenue at the point when customers gain control of the right of a good or service. In determining whether a customer has acquired the control of the right of a good or service, the Group will consider the following indications:

- the Group has the right to receive cash as the consideration of the good or service immediately;
- the Group has transferred the real good to customers;
- the Group has transferred the substantial risks and rewards of the ownership of the good or the ownership of the good to its customers;
- customers have accepted the good or service.

A contract asset is recognized when the group has transferred a good or service to its customers and has the right to receive consideration. The impairment loss of a contract asset is recognized on the basis of expected credit losses (notes 4, 9 (5)). An account receivable is recognized when the group has, unconditionally, the right to collect consideration from customers. A contractual liability is recognized when the Group has the obligation to transfer a good or service to its customers in consideration of its account receivables.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(19) 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.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(19) 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.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(19) Government grants (Continued)

Government grant related to the daily activities of the Group is included in other income based on the nature of business. Government grant, which are not related to daily activities, is included in the non-operation income.

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.

(20) 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.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(20) Deferred income tax asset and liability (Continued)

(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.

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.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(20) Deferred income tax asset and liability (Continued)

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

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.

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.

On the balance sheet date, 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.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(20) Deferred income tax asset and liability (Continued)

(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.

(21) 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.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(21) Leases (Continued)

(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.

(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.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(21) Leases (Continued)

(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.

(22) 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 rend 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.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(22) Employee benefits (Continued)

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 an 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.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(23) Changes of significant accounting policies and estimates

(1) Changes in accounting policies

- a. The following amendments and interpretations on Accounting Standards for Business Enterprises are introduced and issued by Ministry of Finance in Year 2017, effectively on January 1 2018:

Accounting Standards for Business Enterprises No. 14–Revenue (revised) (“New Revenue Standard”)

Accounting Standards for Business Enterprises No. 22–Financial Instruments: Recognition and Measurement (revised), Accounting Standards for Business Enterprises No. 23–Transfer of Financial Assets (revised), Accounting Standards for Business Enterprises No. 24–Hedge Accounting (revised); Accounting Standards for Business Enterprises No. 37–Financial Instruments: Presentation and Reporting (revised) (collectively “New Financial Instruments Standards”)

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(23) Changes of significant accounting policies and estimates (Continued)

(1) Changes in accounting policies (Continued)

(a) (Continued)

Accounting Standards for Business Enterprises Interpretation No. 9 – Accounting Treatment of Net Investment losses under, Equity Method, Accounting Standards for Business Enterprises Interpretation No. 10 – Depreciation Method based on Revenue, Generated from Use of Fixed Assets, Accounting Standards for Business Enterprises Interpretation No. 11 – Amortization Method based on Revenue Generated from Use of Intangible, Assets and Accounting Standards for Business Enterprises, Interpretation No. 12–Whether the Provider and the Recipient of the Key Management Personnel Service are Related Parties (collectively “No.9 – No. 12 Interpretation”) and

The Notice on Revision of the General Format of 2018 Financial Statements of Business Enterprises (Cai Kuai [2018] No. 15).

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(23) Changes of significant accounting policies and estimates (Continued)

(1) Changes in accounting policies (Continued)

(b) Major effects due to the application of new Accounting Standards for Business Enterprise

A. New and revised Accounting Standards for Business Enterprise

The new accounting standards for revenue replace the Accounting Standards for Enterprises No. 14 – Revenue issued by the Ministry of Finance in 2006 and the Accounting Standards for Enterprises No. 15 – Construction Contract (collectively referred to as the "old revenue standards").

According to the old revenue standards, the Group recognizes the revenue at the point when the Group transfers the risks and rewards of the ownership of a good or service to its customers. The Group recognizes the revenue from the sale of a good when all the following conditions are satisfied simultaneously: 1. when the substantial risks and rewards of the ownership of a good have been transferred to the buyer, 2. the amount of revenue and related cost can be measured reliably, 3. the relevant economic benefits are likely to be received by the Group, 4. the Group has neither retained the right to manage ownership of the good nor the right to effectively control the good which have been sold. The revenue from providing labour services or construction contracts shall be recognized by the method of percentage of completion on the balance sheet date.

Under the new revenue criteria, the Group considers the time point to transfer the right of controlling the goods and services as the criteria to recognize revenue:

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(23) Changes of significant accounting policies and estimates (Continued)

(1) Changes in accounting policies (Continued)

(b) Major effects due to the application of new Accounting Standards for Business Enterprise (Continued)

A. New and revised Accounting Standards for Business Enterprise (Continued)

The revenue of a good or service shall be recognized when the Group fulfilled its contractual obligations, which means a customer has acquired the control of the relevant good or service.

When certain conditions are met, the Group shall be regarded to perform its obligations within a certain period of time, otherwise, it shall be regarded to perform its obligations at a certain point of time. Where there are two or more performance obligations included in a contract, the Group shall, on the commencement of the contract, apportion the transaction price to each individual performance obligation in accordance with the relative proportion of each individual selling price of the good or service promised by each individual performance obligation and recognize the income according to the transaction price apportioned to each individual performance obligation. The transaction price is the amount of consideration that the Group expects to be entitled to collect for the transfer of a good or service to its customers, excluding payments collected on behalf of third parties. The transaction price recognized by the Group does not exceed the accumulated revenue amount that has been recognized when the relevant uncertainties disappear and the amount is highly unlikely to be returned. Where there is a significant financing element in a contract, the Group recognizes the transaction price based on the cash amounts the Group should receive at the time when the Group acquires the control of a good or service. The difference between the transaction price recognized and the contract consideration shall be amortized by the effective interest rate method during the contract period.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(23) Changes of significant accounting policies and estimates (Continued)

(1) Changes in accounting policies (Continued)

(b) Major effects due to the application of new Accounting Standards for Business Enterprise (Continued)

A. New and revised Accounting Standards for Business Enterprise (Continued)

The Group has changed its relative accounting policies in accordance with the standards set out in the new Accounting Standards for Business Enterprises – Revenue.

In accordance with the new accounting standards – Revenue, the Group shall report its contractual assets or contractual liabilities on balance sheet based on the relationship between the Group's performance obligations and customer's payments. Meanwhile, the new revenue accounting standards require the Group to disclose more information regarding revenue, such as relative accounting policies, significant judgments (i.e. measures for variable consideration, methods for allocating transaction prices to individual performance obligation, assumptions for estimating the price related to each individual performance obligation), information related to customer contracts (i.e. revenue recognized for current period, outstanding balance for contracts, performance obligations), asset information related to costs in the contracts).

The Group reviews the sources of income and the procedures to perform customer contracts to assess the impact of the new revenue standards on the Group's financial statements. The group's revenue is mainly from sales of steel and steel products, but the revenue is still recognized at the time when the goods are delivered to its customers.

The adoption of new accounting standards has no significant impact on the group's presentation and disclosure of financial information.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(23) Changes of significant accounting policies and estimates (Continued)

(1) Changes in accounting policies (Continued)

(b) Major effects due to the application of new Accounting Standards for Business Enterprise (Continued)

B. Financial Instruments

The new financial instrument standards are revised based on, issued by the Ministry of Finance in 2006, Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments, Accounting Standards for Enterprises No. 23 – Transfer of Financial Assets, Accounting Standards for Enterprises No. 24 – Hedge Accounting, and Accounting Standards for Enterprises No. 37 revised by the Ministry of Finance in 2014. – Disclosure of financial instruments (collectively known as “the old financial instruments Standards”).

The new financial instrument standards classify financial assets into three basic categories:

- (1) financial assets measured at amortized cost;
- (2) financial assets measured at fair value through other comprehensive income; and
- (3) financial assets measured at fair value through profits and losses. The new standard requires that the Group classifies a financial asset based on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The three categories of holdings-to-maturity investments, loans and receivables, and financial assets available for sale classified in the old Financial Instruments Standards are no longer existed.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(23) Changes of significant accounting policies and estimates (Continued)

(1) Changes in accounting policies (Continued)

(b) Major effects due to the application of new Accounting Standards for Business Enterprise (Continued)

B. Financial Instruments (Continued)

Starting from January 1, 2018, the Group has only designated these financial assets or liabilities that are actively traded in the open market with quoted price as the financial assets or liabilities that are measured at fair value through profit and loss and no any other financial assets or liabilities have been designated as the financial assets or liabilities measured at fair value through profit and loss.

The "incurred loss" model under the old financial instrument standards is replaced by the "expected credit loss" model introduced in the new financial instrument standards. The "expected credit loss" model requires the Group to continuously evaluate the credit risk of its financial assets, so the new "expected credit loss" model will result in an allowance for credit losses being recorded on financial assets regardless of whether there has been an actual loss event.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(23) Changes of significant accounting policies and estimates (Continued)

(1) Changes in accounting policies (Continued)

(b) Major effects due to the application of new Accounting Standards for Business Enterprise (Continued)

B. Financial Instruments (Continued)

The "expected credit loss" model is applied to the following accounts:

- Financial assets measured at amortized cost;
- Contractual assets;
- Debt investments with fair value through other comprehensive income;
- Leases;

The "expected credit loss" model does not apply to investments in equity instruments.

The adoption of the "expected credit loss" has no significant impact on the group's presentation and disclosure of financial information.

The Group has retrospectively adjusted the classification and measurement of financial instruments (including impairments) in accordance with the new Financial Instruments standards, except for certain specific circumstances, and allocated the difference between the original book value of financial instruments and the new book value recorded on 1 January 2018 due to implement the new Financial Instruments standards into 31 December 2017 of other comprehensive income for year 2018. At the same time, the group did not adjust the comparative financial information.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(23) Changes of significant accounting policies and estimates (Continued)

(1) Changes in accounting policies (Continued)

(b) Major effects due to the application of new Accounting Standards for Business Enterprise (Continued)

C. Interpretations of Accounting Standards for Business Enterprises No.9 – No.12

The Group has adjusted its accounting policies in accordance with the Interpretations of Accounting Standards for Business Enterprises No.9 – No.12, which discusses the accounting treatments for net investment losses under the equity method, the depreciation and amortization methods for fixed and intangible assets, and the disclosure of related parties related to the services of the key managers.

The adoption of the new Interpretations of Accounting Standards for Business Enterprises No.9 – No.12 has no significant impact on the group's presentation and disclosure of financial information.

D. Presentation and disclosure

The Group has prepared the interim financial report for year 2018 in accordance with the retrospective adjusted the presentation of the relevant financial statements. Policies stipulated in CAIKUAI [2018] No.15 Notice issued by Ministry of Finance. The effects of non-retrospective adjustments of the changes accounting policies on the 2018 consolidated financial statements are the followings:

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(23) Changes of significant accounting policies and estimates (Continued)

(1) Changes in accounting policies (Continued)

(b) Major effects due to the application of new Accounting Standards for Business Enterprise (Continued)

D. Presentation and disclosure (Continued)

The presentation and disclosures are the followings:

Accounts which are affected on Consolidated Statement of Financial Position dated on December 31 2017 and Statement of Financial Position of Parent Company dated on December 31, 2017:

Item	Consolidated Statement of Financial Position			1 January 2018
	31 December 2017	Impact of Common Control	Impact of changes in accounting policies	
Note receivables	9,693		(9,693)	
Account receivables	2,463		(2,463)	
Note receivables and account receivables		12	12,156	12,168
Inventories	11,643	3		11,646
Construction in progress	1,040		2	1,042
Construction materials	2		(2)	
Note payables	240		(240)	
Account payables	8,439		(8,439)	
Note payables and account payables			8,679	8,679
Other payables	1,544		93	1,637
Interest payables	93		(93)	
Total				-

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(23) Changes of significant accounting policies and estimates (Continued)

- (1) Changes in accounting policies (Continued)
 - (b) Major effects due to the application of new Accounting Standards for Business Enterprise (Continued)
 - D. Presentation and disclosure (Continued)

Statement of Financial Position of Parent Company				
Item	31 December 2017	Impact of Common Control	Impact of the changes in accounting policies	1 January 2018
Note receivables	9,632		(9,632)	
Account receivables	3,121		(3,121)	
Note receivables and account receivables			12,753	12,753
Construction in progress	947		2	949
Construction materials	2		(2)	
Note payables	240		(240)	
Account payables	8,271		(8,271)	
Note payables and account payables			8,511	8,511
Other payables	1,393		85	1,478
Interest payables	85		(85)	
Total			-	

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(23) Changes of significant accounting policies and estimates (Continued)

(1) Changes in accounting policies (Continued)

(b) Major effects due to the application of new Accounting Standards for Business Enterprise (Continued)

D. Presentation and disclosure (Continued)

Accounts which are affected on Consolidated Income Statement and Income Statement of the Parent Company for the Period from 1 January 2017 to 30 June 2017:

Item	Consolidated Statement of Comprehensive Income			2017 (Restated)
	2017	Impact of Common Control	Adjustment	
Administrative expenses	629		(68)	561
Research and development expenses			68	68
Total				-

Item	Statement of Comprehensive Income of Parent Company			2017 (Restated)
	2017	Impact of Common Control	Adjustment	
Administrative expenses	607		(68)	539
Research and development expenses			68	68
Total				-

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(23) Changes of significant accounting policies and estimates (Continued)

(1) Changes in accounting policies (Continued)

(b) Major effects due to the application of new Accounting Standards for Business Enterprise (Continued)

D. Presentation and disclosure (Continued)

Based on the comparative financial statement which is retrospectively adjusted in accordance with Cai Kuai [2018] No.15 Notice issued by Ministry of Finance, the Group has summarized the impact of the changed accounting policies which are not retrospectively adjusted in Notes 4.23 (1) on the accounts in the consolidated balance sheet for year 2018 and the balance sheet of parent company for year 2018 is as follows:

	The Group			Book Value on 1 January 2018 (Restated)
	Book Value on 31 December 2017	Reclassification		
	Adjustment Due to New Revenue Standards	Adjustment Due to New Financial Instrument Standards	Measurement Due to New Financial Instrument Standards	
Assets:				
Available-for-sale financial assets	719	(719)		
Other investments in equity instruments		680	(212)	507
Other non-current financial assets		39		39
Liabilities:				
Prepayments	5,581	(5,581)		
Contract liabilities		5,581		5,581
Shareholder equity:				
Other comprehensive income:	(3)		(174)	(177)
Undistributed profit	7,606		1	7,607

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(23) Changes of significant accounting policies and estimates (Continued)

(1) Changes in accounting policies (Continued)

(b) Major effects due to the application of new Accounting Standards for Business Enterprise (Continued)

D. Presentation and disclosure (Continued)

The Parent Company				
	Reclassification			Book Value on 1 January 2018 (Restated)
	Book Value on 31 December 2017	Adjustment Due to New Revenue Standards	Adjustment Due to New Financial Instrument Standards	
Assets:				
Available-for-sale financial assets	719		(719)	
Other investments in equity instruments			680	(173)
Other non-current financial assets			39	
				507
				39
Liabilities:				
Prepayments	4,869	(4,869)		
Contract liabilities		4,869		
				4,869
Shareholder equity:				
Other comprehensive income:	(3)			(174)
Undistributed profit	7,510			1
				7,511

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(23) Changes of significant accounting policies and estimates (Continued)

(1) Changes in accounting policies (Continued)

(b) Major effects due to the application of new Accounting Standards for Business Enterprise (Continued)

E. Effects on Financial Statements

Due to the change of accounting policy, the Group's equity investments, quoted in the open market, in certain entities, which are not controlled, jointly controlled or significantly affected by the Group, are reclassified as the category of financial assets held for sale from the category of financial assets available for sale. For period from January to June 2018, the fair value through profit and loss is reduced by RMB8 million, the income tax expense is reduced by RMB2 million. Thus, net profit for the period is reduced by RMB6 million. The balance of net assets for period ending 30 June 2018 is not affected.

(2) There are no accounting estimate changes for the Group during this reporting period.

(24) Corrections of prior year errors

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

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(25) 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) 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.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(25) Critical accounting judgments and estimates (Continued)

(a) Write-down of inventories (Continued)

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.

(b) 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.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(25) Critical accounting judgments and estimates (Continued)

(b) Impairment of non-current assets (Continued)

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.

(c) 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.

(d) Investments in other equity instruments

For investments in other equity instruments which have not been quoted in the open market, the Group shall adopt the net book assets of the invested entity as the basis for determining the fair value. The fair value of investment in other equity instruments is determined by multiplying the net book assets of the invested entity by the percentage of shares held by the Group in the invested entity.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(25) Critical accounting judgments and estimates (Continued)

(e) 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.

(f) 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.

(g) 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.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(25) Critical accounting judgments and estimates (Continued)

(h) 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.

5. TAXATION

Main taxes and tax rates

Type of tax	Tax rates and base
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
Business tax	Taxable income: 3%, 5%(Before April 30th)
City construction and Education surtax maintenance tax	Paid circulating tax: 7%, 3%, 2%
Enterprise income tax	Taxable income: 25%
Custom duty	FOB: 5%–15%

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Unless otherwise specified, the 31 December 2017 refers to the balance as of 1 January 2018, and the closing balance refers to the balance as of 30 June 2018, the current year refers to the first six month period of year 2018, last year refers to the first six month period of year 2017.

(1) Cash and cash equivalents

Items	30 June 2018	31 December 2017
Cash		1
Bank deposits	3,774	2,205
Other cash balance	243	231
Total	4,017	2,437

(2) Derivative financial assets

Items	30 June 2018	31 December 2017
Future contract		7
Total		7

(3) Note receivable and account receivable

Items	30 June 2018	31 December 2017
Note receivables	12,692	9,695
Account receivables	2,504	2,473
Total	15,196	12,168

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(3) Notes receivable and account receivable (Continued)

(1) Note receivables

(a) Classification of note receivables

Items	30 June 2018	31 December 2017
Bank Acceptance Notes	11,409	8,712
Commercial Acceptance Notes	1,283	983
Total	12,692	9,695

(b) Note receivables pledged at the end of the period

Items	Pledged Notes by End of 30 June 2018
Bank Acceptance Notes	2,143
Total	2,143

Note: The group has pledged notes receivable whose values 2,143 million yuan to the bank to gain the short-term loan of 1,900 million yuan. The period of the pledge is 25 June 2018 to 31 January 2019.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(3) Notes receivable and account receivable (Continued)

(1) Note receivable (Continued)

(c) Note receivables that have been endorsed or discounted at the end of the period and have not expired on the balance sheet date

Items	Amount of Termination Confirmation	Amount of Non-termination Confirmation
Bank Acceptance Notes	15,969	
Commercial Acceptance Notes	123	
Total	16,092	

(d) No note receivables were transferred to accounts receivable due to insolvency of the issuer as of 30 June 2018.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(3) Notes receivable and account receivable (Continued)

(2) Account receivables

(a) Classification of account receivables

Type	30 June 2018			
	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	1,930	74	66	98
Account receivable for which bad debt is prepared based on group combination	11	1	1	1
Accounts receivable with amounts that are individually insignificant and subject to separate assessment for bad debts provision	631	25	1	1
Total	2,572	100	68	100

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(3) Notes receivable and account receivable (Continued)

(2) Accounts receivable (Continued)

(a) Classification of accounts receivable (Continued)

Type	31 December 2017			
	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	2,173	85	66	98
Account receivable for which bad debt is prepared based on group combination	11	1	1	1
Accounts receivable with amounts that are individually insignificant and subject to separate assessment for bad debts provision	357	14	1	1
Total	2,541	100	68	100

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(3) Notes receivable and account receivable (Continued)

(2) Accounts receivable (Continued)

(b) Account receivables classified by aging

	30 June 2018			
	Book Value		Bad Debt Provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	2,435	95		
1 to 2 years	111	4	67	99
2 to 3 years	17	1		
Over 3 years	9		1	1
Total	2,572	100	68	100

	31 December 2017			
	Book Value		Bad Debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	2,430	96	66	98
1 to 2 years	20	1	1	1
2 to 3 years	18	1		
Over 3 years	73	2	1	1
Total	2,541	100	68	100

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(3) Notes receivable and account receivable (Continued)

(2) Accounts receivable (Continued)

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

Account Receivables (By company)	30 June 2018			
	Account Receivables	Bad Debt Provision	Percentage (%)	Reason
Anshan Zhongyou Tianbao Steel Tube Co., Ltd.	67	66	99	Business operation is discontinued and not able to make payments
Total	67	66		

(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 period was RMB1,297 million, which accounted for 50% of the closing balance of the total accounts receivable. The closing balance of corresponding bad debt provision amounted to 0.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(4) Prepayments

- (a) Prepayment classified by aging

Items	30 June 2018		31 December 2017	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	1,154	92	1,558	88
1 to 2 years	3		133	8
2 to 3 years	33	3	43	2
Over 3 years	59	5	38	2
Total	1,249	100	1,772	100

- (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 RMB797 million in total, accounting for 63.76% of the prepayment balance at the end of the period.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(5) Other receivables

(a) Classification of other receivables

Type	30 June 2018			
	Book value		Bad Debt Provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Other receivables with amounts that are individually significant and subject to separate assessment for bad debts provision	33	54		
Other receivables with amounts that are individually insignificant and subject to separate assessment for bad debts provision	28	46		
Total	61	100		

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(5) Other receivables (Continued)

(a) Classification of other receivables (Continued)

Type	31 December 2017			
	Book Value		Bad Debt Provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Other receivables with amounts that are individually significant and subject to separate assessment for bad debts provision	233	89		
Other receivables with amounts that are individually insignificant and subject to separate assessment for bad debts provision	28	11		
Total	261	100		

(b) Classification of other receivable according to the nature

Other Account Receivables	30 June 2018	31 December 2017
Petty cash	18	18
Guangzhou automobile Steel loans	33	213
Export tax rebate		21
Other	10	9
Total	61	261

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(5) Other receivables (Continued)

(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.

(6) Inventory

(a) Classification of Inventory

Items	30 June 2018		
	Book Value	Inventory falling Price Reserves	Carrying Value
Raw materials	2,960	196	2,764
Work in progress	3,765	377	3,388
Finished goods	4,457	130	4,327
Revolving materials	784		784
Spare parts	1,040	55	985
Goods shipped in transit	28		28
Materials in transit	211		211
Work in progress– outsourced	35		35
Total	13,280	758	12,522

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(6) Inventory (Continued)

(a) Classification of Inventory (Continued)

Items	31 December 2017		
	Book Value	Inventory Price Reserves for Impairment	Carrying Value
Raw materials	3,088	69	3,019
Work in progress	3,271	409	2,862
Finished goods	3,674	202	3,472
Goods shipped in transit	23		23
Revolving materials	802		802
Spare parts	1,210	55	1,155
Materials in transit	285		285
Work in progress– outsourced	28		28
Total	12,381	735	11,646

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(6) Inventory (Continued)

- (b) Changes in Inventory falling price reserves

Items	31 December 2017	Increase of the year Written Down	Decrease of the Year	
			Written Back	30 June 2018
Raw materials	69	127		196
Work in progress	409	13	45	377
Finished goods	202		72	130
Spare parts	55			55
Total	735	140	117	758

- (c) Analysis of Inventory falling price reserves

The net realizable value for finished goods and the relevant raw materials is lower than the cost; therefore, provision for inventory was accrued at the end of the period. Meanwhile, due to the recovery of the market price or decrease of the product cost, 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 Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(7) Other current assets

Items	30 June 2018	31 December 2017
Input tax credit to be deducted and certified	216	116
Input tax retained	266	184
Total	482	300

(8) Available-for-sale financial assets

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

Items	31 December 2017
Listed investment including: Hong Kong	39
Mainland	39
Non-listed investment	680
Total	719

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

Items	31 December 2017		
	Book Balance	Impairment	Book Value
Available-for-sale financial assets:			
Measured at fair value	874	155	719
Measured at cost	39		39
	835	155	680
Total	874	155	719

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

The Classification of Available-for-sale Financial Assets	Equity Instruments Available for Sale
The cost of equity instruments/The amortized cost of debt instruments	38
Fair value	39
Changes in fair value amounts accumulated through other comprehensive income	1
Provision for impairment	

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (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

Invested Entities	Book Balance	Impairment Provision	Book Value	Share Percentage	Cash Dividend
China Metallurgical Southern Engineering Technology Co., Ltd. (hereinafter referred to as "China Southern")	135		135	6	13
Tianjin Tiantie	185	155	30	5	
Heilongjiang Longmay Mining Group Co.,Ltd. (hereinafter referred to as "Longmay Group")	245		245	1	
Anshan Falan Packing Material Co. Ltd. (hereinafter referred to as "Anshan Falan")	21		21	15	
Dalian Shipbuilding Industry Co.,Ltd Shipyard Company(hereinafter referred to as "Dalian Shipyard")	151		151	15	
China Shipbuilding Industry Equipment and Materials Bayuquan Co., Ltd (hereinafter referred to as "China Shipbuilding")	10		10	10	
Dalian Shipbuilding Industry Group Steel Co.,Ltd (hereinafter referred to as "Dalian Steel")	69		69	15	
Guoqi Automobile Lightweight (Beijing) Technology Research Institute Co., Ltd.(hereinafter referred to as "Guoqi Lightweight")	3		3	7	
Changsha Baosteel steel processing & Distribution Co., Ltd. (hereinafter referred to as "Changsha steel")	14		14	14	1
Shanghai Ouye Chemical Po Electronic Commerce Co.,Ltd. (hereinafter referred to as "Shanghai Ouye")	2		2	10	
Total	835	155	680		14

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (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
(Continued)

Note: Since January 1, 2018, the Group has implemented the new Financial Instruments Standards. The Group has designated the investments in equity instruments originally classified as available for sale as financial assets measured at fair value through profit and loss and the changes of their fair value are recorded into profits and losses, as well as financial assets measured at fair value through other comprehensive income, and has presented them on the balance sheet as other investments in equity instruments and finance assets held for trade. For the financial assets held for trade is held for a long time period, these financial assets are reclassified as other non-current financial assets at the end of the financial period (see notes 6, 11 and 12).

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (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	31 December 2017	Increase/Decrease			
		Increase	Decrease	Investment income under The equity method	Other comprehensive Income Adjustment
a. Jointly venture					
TKAS Auto Steel Company Limited ("ANSC-TKS")	737			79	
The iron and Steel shares - Dalian ship heavy industry steel processing Distribution Co. Ltd. ("ANSC - Dachuan")	228			(5)	
Changchun FAM Steel Processing and Distribution Group Limited ("Changchun FAM")	98			3	
Guangzhou automobile Steel	312			(14)	
minor total	1,375			63	

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (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	31 December 2017	Increase/Decrease			
		Increase	Decrease	Investment income under The equity method	Other comprehensive Income Adjustment
b. associated venture					
Angang Group Finance Co., Ltd ("Angang Finance")	1,353			75	1
Guangzhou Nansha Steel Logistical Co., Ltd. ("Nansha Logistical")	58			(1)	
Anshan Iron and steel solid gold (Hangzhou) metal materials Co., Ltd. ("AISSG")	98			1	
Guangzhou Bao Steel Processing Co. ("Guangzhou steel")	65			15	
Anshan Angang iron oxide powder Co., Ltd. ("iron oxide powder company")				1	
Meizhou GAC Automobile Spring Co., Ltd. ("Meizhou Motor Company")		21			
minor total	1,574	21		91	1
Total	2,949	21		154	1

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (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	Closing Value of the Provision for Impairment
	Other Equity Changes	Declaration of Cash Dividends or Profits	Provision for impairment Loss	Other		
1. cooperative enterprise						
ANSC-TKS		(240)		(13)	563	
ANSC – Dachuan					223	
Changchun FAM					101	
Guangzhou automobile Steel				(8)	290	
minor total		(240)		(21)	1,177	
2. associated enterprise						
Angang Finance					1,429	
Nansha Logistical					57	
AISSG					99	
Guangzhou steel iron oxide powder company					1	
Meizhou Motor Company					21	
minor total					1,687	
Total		(240)		(21)	2864	

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(10) Other investments in equity instruments

- (1) Details of other investments in equity instruments

The Invested Entity	Book Balance At 30 June 2018
China Metallurgical Southern Engineering Technology Co., Ltd. (hereinafter referred to as "China Southern")	350
Tianjin Tiantie Heilongjiang Longmay Mining Group Co., Ltd. (hereinafter referred to as "Longmay Group")	29
Anshan Falan Packing Material Co. Ltd. (hereinafter referred to as "Anshan Falan")	23
Dalian Shipbuilding Industry Co., Ltd Shipyard Parent Company (hereinafter referred to as "Dalian Shipyard")	65
China Shipbuilding Industry Equipment and Materials Bayuquan Co., Ltd (hereinafter referred to as "China Shipbuilding")	5
Dalian Shipbuilding Industry Group Steel Co., Ltd (hereinafter referred to as "Dalian Steel")	33
Guoqi Automobile Lightweight (Beijing) Technology Research Institute Co., Ltd. (hereinafter referred to as "Guoqi Lightweight")	3
Changsha Baosteel steel processing & Distribution Co., Ltd. (hereinafter referred to as "Changsha steel")	10
Shanghai Ouye Chemical Po Electronic Commerce Co., Ltd. (hereinafter referred to as "Shanghai Ouye")	2
Total	520

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(10) Other investments in equity instruments (Continued)

(2) Analysis of Other equity instruments

Item	30 June 2018
Stock investment including: Hongkong Mainland China	
Non-stock investment	520
Total	520

Note: The Group's Investments in equity instruments are the investments that the Group plans to hold for a long time for strategic purposes. Therefore, the Group designates them as financial assets measured at fair value through other comprehensive and the changes of their fair value are recorded in other comprehensive income. The new book value of equity investments as of January 1, 2018 is net book assets of equity investments multiplied by the percentage of shares held, and the difference \$173 million between the original book value and the new book value of the equity investments is recorded into other comprehensive income.

(11) Other non-current financial assets

Invested Entity	Closing Balance 30 June 2018
ZhuYe Group	31
Total	31

Note: The Group designates investments in equity instruments which are actively traded in open market with quoted-price as financial assets measured at fair value through profits and losses. The investments in ZhuYe Group are long-term investments held for strategic purposes, thus they are reclassified as other non-current financial assets at the end of this period.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(12) Property, plant and equipment

(a) Analysis of property, plant and equipment

Items	Houses and Buildings	Machineries and Equipment	Others	Total
① Original Cost				
Balance at 31 December 2017	29,008	72,372	5,303	106,683
Increase in the period	24	75	84	183
Purchase			1	1
Transform from projects				
under construction	38	103	45	186
Others	(14)	(28)	38	(4)
Decrease in the period	64	160	16	240
Disposal or scrap	64	160	16	240
Others				
Balance at 30 June 2018	28,968	72,287	5,371	106,626
② Accumulated Depreciation				
Balance at 31 December 2017	10,182	43,969	4,489	58,640
Increase in current period	342	1,205	111	1,658
Depreciation for current				
period	338	1,220	100	1,658
Others	4	(15)	11	
Decrease in current period	43	128	14	185
Disposal or scrap	43	128	14	185
Others				
Balance at 30 June 2018	10,481	45,046	4,586	60,113

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(12) Property, plant and equipment (Continued)

(a) Analysis of property, plant and equipment (Continued)

Items	Houses and Buildings	Machineries and Equipment	Others	Total
③ Provision for impairment				
Balance at 31 December 2017	5	25	1	31
Increase				
Decrease:		6	1	7
Dispose or scrap		6	1	7
Others				
Balance at 30 June 2018	5	19		24
③ Book Value				
Book value at 30 June 2018	18,482	27,222	785	46,489
Book value at 31 December				
2017	18,821	28,378	813	48,012

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(12) Property, plant and equipment (Continued)

- (b) Temporarily idle property, plant and equipment

Items	Cost	Accumulated Depreciation	Provision for impairment	Carrying Value	Notes
Houses and buildings					
Machineries and Equipment	33	26		7	
Others					
Total	33	26		7	

- (c) The Group had no financial leased-in property, plant and equipment as of 30 June 2018.

- (d) Property, plant and equipment held under financial leases

Items	30 June 2018	31 December 2017
Buildings and Plants	22	22
Machineries and Equipment	7	7
Total	29	29

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(13) Constructions in progress

(a) Details of constructions in progress

Item	30 June 2018			31 December 2017		
	Book Value	Provision for impairment	Carrying Amount	Book Value	Provision for impairment	Carrying Amount
Oriented silicon steel laser scribe production line project				30		30
The three area of the converter workshop environmental renovation project	109		109	109		109
4300 thick plate line new pre straightening machine and cold straightening machine project	274		274	229		229
60 thousand m ³ /h oxygen generating unit project	170		170	167		167
Cold rolled high strength steel and auxiliary reconstruction project	16		16	2		2
Ball flat steel development guarantee project	41		41	40		40
Bayuquan Project	212		212	181		181
Zhengzhou project	78		78	70		70
Guangzhou Project				8		8
Overhaul and reconstruction of 1# slab casting machine at No.3 plant of Angang steel	34		34	17		17

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(13) Constructions in progress (Continued)

(a) Details of constructions in progress (Continued)

Item	30 June 2018			31 December 2017		
	Book Value	Provision for impairment	Carrying Amount	Book Value	Provision for impairment	Carrying Amount
Construction of thick plate heat treatment line and supporting facilities for thick plate 4300 unit	27		27	27		27
Quality upgrading of coal tar processing products and adjustment of variety structure in Chemical Industry Department	24		24			
Heating transformation project for 4# generating unit of central power station of Angang	20		20	20		20
Reconstruction project of 3# and 4# CDQ generating units in the northern part of Anshan Iron and steel group	20		20	3		3
Restructure of 2#3.5 oxygen generating unit	19		19	16		16
Others	276		276	121		121
Construction materials	41		41	2		2
Total	1,361		1,361	1,042		1,042

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(13) Constructions in progress (Continued)

(b) Changes in major constructions in progress

Construction Project	Budget	31 December 2017	Increase in Current Period	Transferred into Fixed Assets	Other Decrease in Current Period	30 June 2018
Oriented silicon steel laser scribe production line project	90	30		30		
The three area of the converter workshop environmental renovation project	1,000	109				109
4300 thick plate line new pre straightening machine and cold straightening machine project	325	229	45			274
60 thousand m ³ /h oxygen generating unit project	387	167	3			170
Cold rolled high strength steel and auxiliary reconstruction project	299	2	14			16
Ball flat steel development guarantee project	42	40	1			41
Bayuquan Project	3,083	181	41	9	1	212
Zhengzhou project	146	70	8			78
Guangzhou Project	130	8		8		
Overhaul and reconstruction of 1# slab casting machine at No.3 plant of Angang steel	245	17	17			34
Construction of thick plate heat treatment line and supporting facilities for thick plate 4300 unit	250	27				27
Quality upgrading of coal tar processing products and adjustment of variety structure in Chemical Industry Department	150		24			24
Heating transformation project for 4# generating unit of central power station of Angang	24	20				20
Reconstruction project of 3# and 4# CDQ generating units in the northern part of Anshan Iron and steel group	60	3	17			20
Restructure of 2#3.5 oxygen generating unit	22	16	3			19
Others	10,198	121	295	139	1	276
Total		1,040	468	186	2	1,320

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(13) Constructions in progress (Continued)

(b) Changes in major constructions in progress (Continued)

Construction Project	Accumulated Capitalized Borrowing Cost	Of Which: Capitalized this Period	Capitalization Rate (%)	Expenditure Over Budget (%)	Project Progress (%)	Resource of Fund
Oriented silicon steel laser scribe production line project	2			87	100	Self-financing
The three area of the converter workshop environmental renovation project	36			100	100	Self-financing
4300 thick plate line new pre straightening machine and cold straightening machine project				84	95	Self-financing and government financing
60 thousand m ³ /h oxygen generating unit project	21			81	100	Self-financing
Cold rolled high strength steel and auxiliary reconstruction project	27			95	95	Self-financing
Ball flat steel development guarantee project				97	100	Self-financing and government financing
Bayuquan Project	607			85	85	Self-financing
Zhengzhou project	1			86	86	Self-financing
Guangzhou Project	3			99	100	Self-financing
Overhaul and reconstruction of 1# slab casting machine at No.3 plant of Angang steel	2	2	4	13	13	Self-financing
Construction of thick plate heat treatment line and supporting facilities for thick plate 4300 unit				87	100	Self-financing

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(13) Constructions in progress (Continued)

(b) Changes in major constructions in progress (Continued)

Construction Project	Accumulated Capitalized Borrowing Cost	Of Which: Capitalized this Period	Capitalization	Expenditure	Project	Resource of Fund
			Rate (%)	Over Budget (%)	Progress (%)	
Quality upgrading of coal tar processing products and adjustment of variety structure in Chemical Industry Department				15	50	Self-financing
Heating transformation project for 4# generating unit of central power station of Angang				86	95	Self-financing
Reconstruction project of 3# and 4# CDQ generating units in the northern part of Anshan Iron and steel group	1	1	4	32	98	Self-financing
Restructure of 2#3.5 oxygen generating unit	2			77	100	Self-financing
Others	314		4			Self-financing
Total	1,016	3				

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(13) Constructions in progress (Continued)

(c) Provision of Impairment

Items	31 December 2017	Increase in	Decrease in	30 June 2018
		Current Period	Current Period	
		Impairment	Reversal	
		Recognized		
Project for Freezing Gas		1	1	
Total		1	1	

(d) Construction materials

Items	30 June 2018	31 December 2017
special material		
special equipment	41	2
Total	41	2

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(14) Intangible assets

Items	Land Use Right	Non- Patented Technology	Software	Trademark Right	Total
1. Cost					
The balance at the beginning of the year	7,974	43	59	4	8,080
Increase:			2		2
(a) purchase					
(b) internal R&D					
(c) others			2		2
Decrease:					
(a) disposition					
(b) Enterprise merger					
The balance at the end of the year	7,974	43	61	4	8,082
2. Accumulative amortization					
The balance at the beginning of the year	1,782	43	52	4	1,881
Increase:	81		2		83
(a) Counting and Drawing	81		2		83
(b) Enterprise merger					
Decrease					
(a) disposition					
(b) Enterprise merger					
The balance at the end of the year	1,863	43	54	4	1,964
3. Provision for impairment					
The balance at the beginning of the year					
Increase:					
(a) Counting and Drawing					
Decrease					
(a) disposition					
The balance at the end of the year					
4. Book value					
The closing book value	6,111		7		6,118
The opening book value	6,192		7		6,199

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(15) Deferred income tax assets and deferred income tax liabilities

(a) Recognized deferred income tax assets

Items	30 June 2018		31 December 2017	
	Deferred Income Tax Assets	Temporary Difference or Deductible Loss	Deferred Income Tax Assets	Temporary Difference or Deductible Loss
Provision for impairment of fixed assets	247	990	247	990
Deductible loss	195	774	1,071	4,282
Unrealized inter-group profit	118	473	71	283
Accumulated depreciation of fixed assets	32	129	32	129
Salaries payable	47	189	47	189
Employee training expenses	13	54	13	54
Termination benefits	45	182	60	240
Deferred income	136	543	136	543
Changes for fair value of financial assets held for trade	2	8		
Others	5	19	36	145
Total	840	3,361	1,713	6,855

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(15) Deferred income tax assets and deferred income tax liabilities (Continued)

(b) Recognized deferred income tax liabilities

Items	30 June 2018		31 December 2017	
	Deferred Income Tax Liabilities	Taxable Temporary Difference	Deferred Income tax Liabilities	Taxable Temporary Difference
Fair value variation on financial assets held for trade				1
Capitalized borrowing costs	6	24	6	24
Total	6	24	6	25

(c) Deductible loss has not been recognized as deferred tax assets

Items	30 June 2018	31 December 2017
Deductible loss	6	5
Total	6	5

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(15) Deferred income tax assets and deferred income tax liabilities (Continued)

- (d) Deductible loss has not been recognized as deferred tax assets which is due to next year

Items	30 June 2018	31 December 2017
2017		
2018		
2019		
2020		
2021		
2022	6	5
Total	6	5

(16) Other non-current assets

Item	30 June 2018	31 December 2017
Prepayment for Constriction Projects	936	
Total	936	

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(17) Short-term loans

Items	30 June 2018	31 December 2017
Pledged loans	1,900	200
Guaranteed loans	1,000	1,000
Credit loans	12,458	13,300
Total	15,358	14,500

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(1)).

(18) Derivative financial liabilities

Item	30 June 2018	31 December 2017
Future Contracts		13
Total		13

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(19) Notes payable and account payables

Items	30 June 2018	31 December 2017
Note payables	2,010	240
Account payables	6,343	8,439
Total	8,353	8,679

(1) Note payables

Types of notes	30 June 2018	31 December 2017
Bank acceptances trade acceptances	2,010	240
Total	2,010	240

Note: No unpaid but contract expired note payables for the Group at the end of the period.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(19) Notes payable and account payables (Continued)

(2) Account payables

(a) Classification of account payables by nature

Items	30 June 2018	31 December 2017
Operation expenses on supporting production	18	70
Account payables for purchasing	5,569	7,334
Construction payables	254	518
Freight	380	371
Others	122	146
Total	6,343	8,439

(b) Significant account payables aging over 1 year

Creditor	Balance owed	Aging
Tangyuan Tianyu Coal & Coke Energy Co., Ltd.	61	2-3 year, 5 year
Total	61	

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(19) Notes payable and account payables (Continued)

(2) Account payables (Continued)

(c) Aging of account payables

Aging	30 June 2018		31 December 2017	
	Balance	Percentage (%)	Balance	Percentage (%)
Within 1 year	6,252	99	8,348	99
1 to 2 years	7		10	
2 to 3 years	23		22	
Over 3 years	61	1	59	1
Total	6,343	100	8,439	100

(20) Advances from customers

(a) Classification of advances from customers by nature

Items	31 December 2017
Selling of products	5,576
Others	5
Total	5,581

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(21) Contract liabilities

Items	30 June 2018
Selling of products	5,228
Others	3
Total	5,231

Note: The revenue amount recognized in the current period, including the book value of the contract liabilities as at 31 December 2017, was RMB5,543 million.

(22) Employee benefits payable

(a) The situation about employee benefits payable

item	31 December			30 June
	2017	Increase	Decrease	2018
A Short-term remuneration	104	1,907	1,669	342
B After-service benefits-				
Defined Contribution Plans	126	331	457	
C Termination benefits	117	90	149	58
D Other benefits due within one year				
E others				
Total	347	2,328	2,275	400

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(22) Employee benefits payable (Continued)

(b) The situation about short-term remuneration

Items	31 December 2017	Accrued During the Period	Paid During the Period	30 June 2018
1. Salaries, bonus and allowance	46	1,453	1,280	219
2. Staff welfare		166	98	68
3. Social insurance		118	118	
Including: Medical insurance		93	93	
Staff and workers' injury insurance		25	25	
Maternity insurance				
Others				
4. Housing fund		115	115	
5. Labor union fee and staff training fee	58	25	28	55
6. Short paid absences				
7. The short-term profit sharing plan				
8. Others		30	30	
Total	104	1,907	1,669	342

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(22) Employee benefits payable (Continued)

(c) Defined Contribution Plans

Items	31 December 2017	Accrued During the period	Paid During the Period	30 June 2018
1. Basic pension insurance		243	243	
2. Unemployment insurance		6	6	
3. Occupational pension contribution	126	82	208	
Total	126	331	457	

(23) Taxes payable

Items	30 June 2018	31 December 2017
VAT	167	296
Environmental protection tax	23	
Resource tax		1
Corporate income tax	74	12
City maintenance and construction tax	17	22
Property tax	12	12
Land use tax	32	32
Individual income tax	7	10
Educational surcharges	12	16
Others	4	6
Total	348	407

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(24) Other payables

(a) Classification of other payables by nature

Items	30 June 2018	31 December 2017
Quality assurance-project/ spare parts	667	574
Government special funds transferred by Anshan iron and Steel Group Co., Ltd	328	328
Construction payables	240	232
Deposit for steel shelves		44
Freight charges		12
Others	282	354
Interest payables	92	93
Total	1,609	1,637

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(24) Other payables (Continued)

(b) Significant balances of other payables aging over 1 year

Creditor	Amount	Reason for Not Paid	Whether Paid after Balance Sheet Date
Acre Coking & Refractory Engineering Technology Corporation	30	Project quality assurance	No
Acre Coking & Refractory(Dalian) Engineering Technology Corporation	30	Project quality assurance	No
MCC heavy industry equipment Co., Ltd.	18	Project quality assurance	No
Air liquide (Hangzhou) Co., Ltd.	11	Project quality assurance	No
Anshan Iron and Steel Group Automation Parent Company	11	Project quality assurance	No
Anshan Iron and Steel Group Information Industry Co., Ltd	10	Project quality assurance	No
China Sanye Group Co., LTD	10	Project quality assurance	No
Others	52	Contract assurance/ Project quality assurance	No
Total	172		

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(24) Other payables (Continued)

(c) Interest payables

Items	30 June 2018	31 December 2017
Staging interest maturity of long-term borrowings	7	8
Interest for corporate bonds	85	85
Total	92	93

(25) Non-current liabilities due within 1 year

Items	30 June 2018	31 December 2017
Long-term loans due within 1 year (Note: 6(28))	2,958	437
Total	2,958	437

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(26) Other current liabilities

Items	30 June 2018	31 December 2017
Short-term financing bonds		1,500
Total		1,500

(27) Long-term loans

(a) Classification of Long-term loans

Items	30 June 2018	31 December 2017
Guaranteed loans	412	483
Credit loans	4,580	2,859
Minor total	4,992	3,342
Less: long-term loans due within 1 year (Note: 6(26))	2,958	437
Total	2,034	2,905

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 is 2.64%–4.9%.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(27) Long-term loans (Continued)

(b) Classification of Long-term loans by the maturity date

Items	30 June 2018	31 December 2017
Within 1 year	2,958	437
1 year to 2 year (include 2 year)	3	2,545
2 year to 3 year (include 3 year)	1,706	
3 year to 5 year (include 5 year)	325	360
Total	4,992	3,342

(28) Bonds payable

(a) Bonds payable

Items	30 June 2018	31 December 2017
Medium term note	2,007	2,004
Convertible Bonds	1,512	
Total	3,519	2,004

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(28) Bonds payable (Continued)

(b) Increase or decrease in bonds payable

Type of bonds	Par Value	Issuance Date	Bond Duration	Issuance Amount	31 December 2017
16MTN001	1,000	27 Jul 2016	5 years	1,000	99
16MTN002	2,000	3 Aug 2016	5 years	2,000	1,180
16MTN003	1,000	31 Aug 2016	5 years	1,000	725
Convertible Bonds	1,512	25 May 2018	5 years	1,512	
Total	5,512			5,512	2,004

Type of bonds	Current issue	Accrued Interest at Face Value	Amortization with the Premium or Discount of Bonds	Repayment in the period	31 December 2017
MTN001					99
MTN002			2		1,182
MTN003			1		726
Convertible bonds	1,512				1,512
Total	1,512		3		3,519

Note: Please see note 15 . 3 for more details.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(29) Long-term employee benefits payable

Items	30 June 2018	31 December 2017
Termination benefits	123	123
Total	123	123

(30) Government grant

- (1) The basic situation of government grants identified in the beginning of the period

Items	Amount	Assets Related		Whether or not it is actually received
		Deferred Income	Writing Down the Book Value of Assets	
The government grants related to project on intelligent production line	1	1		Yes
The government grants related to project on High-speed trains	1	1		Yes
Others	3	3		Yes
Total	5	5		

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(30) Government grant (Continued)

(2) Government grants included in the profit or loss

Items	Assets Related or Income related	Included in Other Income	Included in the Non- operating Income	Writing Down the Costs or Expenses
Relocation compensation for Shenyang Steel	Assets-related		2	
265m ² sintering machine flue gas desulfurization	Assets-related		5	
Grants related to environment protection	Assets-related		7	
Two sintering flue gas desulfurization	Assets-related		3	
Thress sintering flue gas desulfurization	Assets-related		2	
The control of rolling and cooling	Assets-related		1	
Laser grooving	Assets-related		1	
Scale remove by ultrasonic	Assets-related		1	
Total			22	

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(31) Deferred income

Items	31 December 2017	Increase	Decrease	30 June 2018	Cause of Formation
Government grants	682	5	22	665	
Total	682	5	22	665	–

Among them, the projects involved the government grants are as follows:

Liabilities	31 December 2017	Included in the Non- operating Income	Included in other income	Other Decrease	30 June 2018	Related to Assets or Income
Bayuquan 1450 cold-rolled project	200				200	asset
Compensations for relocation	129		2		127	asset
Environmental funds	69		7		62	asset
265m ² sintering machine flue gas desulfurization	64		5		59	asset
Two sintering flue gas desulfurization	31		3		28	asset
5500MM defense heavy plate steel project	28				28	asset
Industrial comprehensive demonstration project of low carbon production technology in metallurgical plant	22				22	asset
Others	139	5	5		139	asset and income
Total	682	5	22		665	

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(32) Share capital

30 June 2018	31 December 2017		Changes of the period(+,-)					30 June 2018	
	Balance	Proportion (%)	New Shares Issued	Bonus Issue	Shares Transferred from Reserves	Others	Subtotal	Balance	Proportion (%)
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
Total	7,235	100						7,235	100

2017	31 December 2017		Changes of the period(+,-)					30 June 2018	
	Balance	Proportion (%)	New Shares Issued	Bonus Issue	Shares Transferred from Reserves	Others	Subtotal	Balance	Proportion (%)
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
Total	7,235	100						7,235	100

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(33) Capital reserve

June 2018	31 December 2017	Increase of the period	Decease of the period	30 June 2018
Share premium	31,152			31,152
Other capital reserve	375		10	365
Total	31,527		10	31,517

2017	31 December 2017	Increase of the period	Decease of the period	30 June 2018
Share premium	31,152			31,152
Other capital reserve	375			375
Total	31,527			31,527

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(34) Other comprehensive income

Other comprehensive income will be reclassified into the gains and losses:

Items	Profit or loss arising from fair value changes of other investments in equity instruments		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	1	11	(4)	1	(3)
Amount due to changes of accounting policies	(174)				(174)	
Adjusted balance for the beginning of the period	(173)	11	(4)	1	(177)	12
Amount for the period before tax	13	(13)	1	(5)	14	(18)
Minus: transform into profit or loss from other comprehensive income						
Minus: income tax expenses		(3)				(3)
The after-tax amount attributed to the parent Parent Company	13	(10)	1	(5)	(5)	(15)
The after-tax amount attributed to minority shareholders						
The balance at the end of the period	(160)	1	(3)	(4)	(163)	(3)

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(35) Special reserve

June 2018	31 December 2017	Increase During the period	Decrease During the period	30 June 2018
Safety production expenses	38	36	18	56
Total	38	36	18	56

2017	31 December 2017	Increase During the period	Decrease During the period	30 June 2018
Safety production expenses	52	58	72	38
Total	52	58	72	38

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(36) Surplus reserve

June 2018	31 December 2017	Increase During the Period	Decrease During the Period	30 June 2018
Statutory surplus reserve	3,580			3,580
Total	3,580			3,580

2017	31 December 2017	Increase During the Period	Increase During the Period	30 June 2018
Statutory surplus reserve	3,580			3,580
Total	3,580			3,580

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(37) Undistributed profits

Items	This period
31 December 2017	7,604
Business combination under common control	2
Adjustment due to changes of accounting policies	1
Adjusted 31 December 2017	7,607
Increase in the period	3,499
Including: Net profit transferred this period	3,499
Other adjustment factors	
Decrease of the period	1,678
Including: Extraction of surplus reserve this period	
Extraction of general risk provisions this period	
Distribution of cash dividend this period	1,678
Conversed capital	
Other decreases	
Closing balance	9,428

Note: On June 5, 2017, the general meeting of shareholders for year 2017 approved the profit distribution plan, and paid a cash dividend of RMB0.232 per share to all ordinary shareholders, totaling RMB1,678 million.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(38) Operating revenue and operating cost

(1) Revenue classified based on the nature of business

Items	This Period		Last Period	
	Revenue	Cost	Revenue	Cost
Operating income from main business line	46,784	38,979	39,029	34,648
Operating income from other business line	98	84	34	32
Total	46,882	39,063	39,063	34,680

Note: The Group has one segment according to business category which production and sale of iron and steel products.

(2) Revenue classified based on the geographic region

Items	This Period	Last Period
Revenue from Mainland China	43,929	36,006
Revenue from outside of Mainland China	2,953	3,057
Total	46,882	39,063

(3) Revenue recognized at a certain period of time or at a certain point of time

Items	This Period	Last period
Revenue recognized at a certain point of time	46,882	39,063
Total	46,882	39,063

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(39) Taxes and surcharges

Items	This period	Last period
City maintenance and construction tax	134	75
Educational surcharge and local educational surcharge	96	53
Land tax	184	168
Property tax	68	66
Stamp tax	37	31
Resources tax and business tax	1	1
Environment protection tax	50	
Total	570	394

Note: For information about standard of business taxes and surcharges, please refer to Note 5.

(40) Marketing expenses

Items	This period	Last period
Freight expense	1,140	941
Packing expense	37	28
Sales and service expense	40	46
Employee benefits	89	72
Warehouse storage expense	21	22
Agency fee for commissioned sales	12	16
Insurance expense	5	5
Others	71	58
Total	1,415	1,188

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(41) General and administrative expenses

Items	This period	Last period
Employee benefits	304	443
Amortization of intangible assets	82	78
Depreciation	23	26
Computer maintenance expense	4	2
Repair and maintenance	14	3
Afforestation fees	2	4
Accountancy fees	11	3
Utility expenses	2	2
Land use fees	32	
Loss on inventory counting physically	13	
others	3	
Total	490	561

(42) Finance expenses

Items	This period	Last period
Interest expense	684	602
Including: It has to pay off all the interests from the bank loans and other loans	538	549
The financial charges during the financial lease period		
Other interest expenditures	146	53
Less: Interest income	10	29
Less: Capitalized interest expense	3	23
Exchange gain or loss	(9)	
Less: Capitalized exchange gain or loss		
Others	10	5
Total	672	555

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(43) Impairment losses

Items	This period	Last period
Provision for written-down of inventories	23	(10)
Provision of impairment for construction in progress	1	
Total	24	(10)

(44) Other income

Item	This Period	Last Period	Included in non-recurring profit and loss
Relocation compensation for Shenyang Steel	2	2	2
265m ² sintering machine flue gas desulfurization	5	5	5
Grants related to environment protection	7	7	7
Two sintering flue gas desulfurization	3	3	3
Thress sintering flue gas desulfurization	2	2	2
The control of rolling and temperature	1	1	1
Laser grooving	1		1
Scale remove by ultrasonic	1		1
Others		2	
Total	22	22	22

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(45) Investment income

Items	This period	Last period
Long-term equity investment income under the equity method	154	208
Investment income from derivative financial assets	19	21
Investment income from investments in equity instruments	9	
Total	182	229

(46) Gains and losses from changes in fair value

Sources	This period	Last period
Financial assets held for trade	(8)	
Gains or losses from the changes of fair value of derivative financial assets		6
Gains or losses from the changes of fair value of derivative financial liabilities		(1)
Total	(8)	5

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(47) Non-operating income

Items	This period	Last period	Recorded into extraordinary gains and losses
Total gains from disposal of non-current assets	4	2	4
Government grant (Disclosed in the below: Details of government grants)			
Others	5	4	5
Total	9	6	9

(48) Non-operating expenses

Items	This period	Last period	Recorded into extraordinary gains and losses
Total loss on disposal of non-current assets	45	15	45
Others	3	5	3
Total	48	20	48

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(49) 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	292	36
Changes on deferred income tax expenses	874	2
Total	1,166	38

- (b) The reconciliation between accounting profit and income tax expenses

Items	This period
Total profit	4,659
Income tax expenses calculated at statutory/applicable tax rates	1,165
Effect of different tax rates applied by subsidiary companies	
Effect of adjustments for income tax for prior periods	
Effect of income not subject to tax	(1)
Effect of costs, expenses and loss not deductible for tax purposes	
Effect of unrecognized deferred income tax assets in the previous periods which are deductible for loss	
Effect of current unrecognized deductible temporary difference or deductible loss arising from deferred tax income assets	2
The changes of the 31 December 2017 of deferred income tax assets/income tax liabilities due to the application of different tax rates	
Others	
Income tax expenses	1,166

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(50) Items on statements of cash flow

(a) Cash received from other operating activities

Items	This period	Last period
Government grants	7	
Rental income	1	1
Deposit income	14	6
Others	7	6
Total	29	13

(b) Cash paid for other operating activities

Items	This Period	Last period
Freight expenses	908	790
Salary for retired employees	67	64
Miscellaneous expenses for sales and purchases	90	96
Testing fee for energy saving	107	56
Pipeline transportation fee	33	32
Sewage fee	16	29
Insurance expenses	28	20
Storage expenses	23	19
Commission for processing products	298	120
Computer maintenance fees	48	3
Security and firefighting expense	9	5
Afforestation fees	9	13
Lease expenses	39	
Research and development expenses	16	6
Travel and lodge expenses	18	15
Inspection fees	12	9
Environment inspection fees	11	5
Agency fee	9	4
Allowance for retired employees who have difficulties	6	6
Others	99	38
Total	1,846	1,330

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(50) Items on statements of cash flow (Continued)

(c) Cash received from other investing activities

Items	This period	Last period
Income from test run	14	107
Gain from future contracts	44	30
Total	58	137

(d) Cash paid for other investment activities.

Items	This period	Last period
Losses from future contracts	31	9
Total	31	9

(e) Cash received for other financing activities.

Items	This period	Last period
Loan repayment from Guangzhou steel	180	
Total	180	

(f) Cash paid for other financing activities.

Items	This period	Last period
Intermediary fees for loans	1	2
Total	1	2

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(51) Supplement to cash flow statement

- (a) Reconciliation of net profit to cash flows from operating activities

Items	This period	Last period
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	3,493	1,831
Add: Provision for impairment	24	(10)
Depreciation of fixed assets	1,658	1,665
Amortization of intangible assets	83	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	41	13
Loss on the change of fair value	8	(5)
Financial expenses	662	550
Investment loss	(182)	(229)
Decrease in deferred tax assets (“-“ for increase)	872	2
Increase in deferred tax liabilities (“-“ for decrease)		

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(51) Supplement to cash flow statement (Continued)

- (a) Reconciliation of net profit to cash flows from operating activities (Continued)

Items	This period	Last period
Decrease in inventories ("-" for increase)	(894)	(818)
Decrease in operating receivables ("-" for increase)	(2,306)	524
Increase in operating payables ("-" for decrease)	(1,591)	(3,034)
Others	39	43
Net cash flow from operating activities	1,907	611
2. Change in cash and cash equivalents		
Cash at the end of the period	4,017	2,098
Less: cash at the beginning of the period	2,437	1,968
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	1,580	130

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(51) Supplement to cash flow statement (Continued)

(b) Composition of cash and cash equivalents

Items	30 June 2018	31 December 2017
1. Cash at bank and on hand	4,017	2,437
Of which: Cash		1
Bank deposits available	3,774	2,205
Other deposits available	243	231
2. Cash equivalents		
Of which: Bond due within 3 months		
3. 30 June 2018 of cash and cash equivalents	4,017	2,437

(52) Restricted assets of ownership or use rights

Items	30 June 2018	Reason
Notes receivable	2,143	Pledge Loans
Total	2,143	

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

7. CHANGES IN CONSOLIDATION SCOPE

The Parent Company set up two new subsidiaries this year: Angang Chemical Technology Co., Ltd. (hereinafter referred to as "chemical technology") which is a wholly-owned subsidiary; Angang Gas Co., Ltd. (hereinafter referred to as Angang gas) is acquired through business combination under common control.

1. Business combination under common control

(1) Business combination under common control during this period

The party to be combined	The equity percentage gained from the combination (%)	The basis to determine the combination under common control	Acquisition Date	The basis to determine the date as the acquisition date
Angang Gas Co., Ltd	60	Both parties are ultimately controlled by Angang Group	2018-6-30	Board Resolution

The party to be combined	The revenue of the combined party from the beginning of the period to the combination date (%)	The net income of the combined party from the beginning of the period to the combination date	Income of the combined party during the comparison period	Net income of the combined party during the comparison period
Angang Gas Co., Ltd	51	1	24	

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

7. CHANGES IN CONSOLIDATION SCOPE (CONTINUED)

1. Business combination under common control (Continued)

(2) Cost of the combination

Cost	Angang Gas Co., Ltd
– Cash	31
– Book value of non-cash assets	
– Book value of debts issued or assumed	
– Book value of equity securities issued	
– Contingent consideration	

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

7. CHANGES IN CONSOLIDATION SCOPE (CONTINUED)

1. Business combination under common control (Continued)

- (3) The book value of the combined party's assets and liabilities on acquisition date

Item	Angang Gas Co. Ltd Acquisition Date	Angang Gas Co. Ltd 31 December 2017
Assets:		
Cash and cash equivalents	42	
Note receivables	2	1
Account receivables	11	11
Prepayments	4	5
Inventories	2	3
Property, plant and equipment	6	6
Construction in progress	1	
Liabilities:		
Account payables	7	4
Cash in advance from customers	4	4
Tax payables	1	
Net asset	55	18
Minus: Minority interest		
Net assets gain from the acquisition	55	18

- (4) Please see note 15(1) regarding the details of funds used to form Angang Gas Co. Ltd.

2. Investments for Chemical Technology

The Group established Angang Chemical Technology Co. Ltd. through its own investments, please see note 15. 2 for more details.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

7. CHANGES IN CONSOLIDATION SCOPE (CONTINUED)

- (4) Please see note 15(1) regarding the details of funds used to form Angang Gas Co. Ltd.

8. INTERESTS IN OTHER ENTITIES

(1) Interest in the subsidiary

The constitution of the enterprise group is the followings:

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	Established
Angang Steel Distribution (Hefei) Co., Ltd. ("Angang Hefei")	Hefei	Hefei	Steel Processing and Distribution	100	Established
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 Interim Financial Statements (Continued)

For the period ended 30 June 2018 (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 is the followings: (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	Established
Ningbo Anshan Iron and Steel International Trade Co., Ltd. ("Ningbo Trade")	Ningbo	Ningbo	Steel trade	100	Established
Yantai Anshan Iron and Steel International Trade Co., Ltd. ("Yantai Trade")	Yantai	Yantai	Steel trade	100	Established
Zhengzhou Steel	Zhengzhou	Zhengzhou	Steel Processing and Distribution	100	Established
Anshan Iron and Steel Processing and Distribution (Guangzhou) Co., Ltd. ("Angang Guangzhou")	Guangzhou	Guangzhou	Steel Processing and Distribution	75	Established
Anshan Iron and Steel Processing and Distribution (Weifang) Co., Ltd. ("Angang Weifang")	Weifang	Weifang	Steel Processing and Distribution	51	Combination under common control

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (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 is the followings: (Continued)

Full Name of Subsidiaries	Principal place of business	Registry	Nature of the business	Direct stake (%)	Acquisition
Anshan Iron and Steel Processing and Distribution (shanghai) Co., Ltd. ("Angang Shanghai")	Shanghai	Shanghai	Steel Processing and Distribution	51	Combination under common control
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	Anshan	Anshan	Processing and sale of steel rolling	51	Established
ASPD-CC	Changchun	Changchun	Production, processing and steel products Sell products sales and distribution Technology research and development	100	Combination under different control
Anshan Iron and Steel Technology	Anshan	Anshan	Metallurgy and related materials, equipment Development and development	100	Established
Angang Chemical Technology Co., Ltd	Anshan	Anshan	Coking gas purification and production of coal products	100	Established
Angang Gas Co Ltd.	Anshan	Anshan	Production of dissolved acetylene; Sales of compressed gases. and liquefied gas	60	Combination under common control

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (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	Manufacturing Steel products	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
Guang Qi Bao Shang	Guangzhou	Guangzhou	Steel Processing and Distribution	30	Equity method
Meizhou Automobile	Meizhou	Meizhou	Automobile parts	25	Equity method

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

8. INTERESTS IN OTHER ENTITIES (CONTINUED)

(2) Interests in joint ventures or associates (Continued)

(b) The accounting information of the important joint ventures

Items	ANSC-TKS	
	30 June 2018/ the Date Occurred in this Period	31 December 2017/ the Date Occurred in last Period
Current assets	1,563	1,650
Cash and cash equivalents	202	387
Non-Current assets	612	685
Total Assets	2,175	2,335
Current liabilities	920	759
Non-Current liabilities	5	5
Total Liabilities	925	764
Minority interests		
Subtotal of Shareholders' equity attributable to shareholders of parent Parent Company	1,250	1,571
The net assets calculated by the share percentage held	625	786
Adjusting events		
– goodwill		
– unrealized profit resulting from intra-group trade	(63)	(49)
– others		
The book value of equity investments in joint ventures	562	737
The fair value of the equity investments in joint ventures which exist the public offer		
Operating revenue	2,735	2,706
Finance costs	5	3
Income tax expenses	26	51
Net profit	158	291
Net profit from discontinued operations		
Other comprehensive income		
The total of comprehensive income	158	291
Dividends received from joint ventures this year	240	226

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

8. INTERESTS IN OTHER ENTITIES (CONTINUED)

(2) Interests in joint ventures or associates (Continued)

(c) The accounting information of the important association

Items	Angang Finance	
	30 June 2018/ the Date Occurred in this Period	31 December 2017/ the Date Occurred in last Period
Current assets	5,407	11,963
Cash and cash equivalents	5,052	11,915
Non-Current assets	18,228	15,119
Total Assets	23,635	27,082
Current liabilities	16,462	20,294
Non-Current liabilities	2	3
Total Liabilities	16,464	20,297
Minority interests	25	19
Subtotal of Shareholders' equity attributable to shareholders of parent Parent Company	7,146	6,766
The net assets calculated by the share percentage held	1,429	1,353
Adjusting events		
– goodwill		
– unrealized profit resulting from intra-group trade		
– others		
The book value of equity investments in associations	1,429	1,353
The fair value of the equity investments in associations which exist the public offer		
Operating revenue	522	514
Finance costs		
Income tax expenses	129	113
Net profit	383	335
Net profit from discontinued operations		
Other comprehensive income	3	(1)
The total of comprehensive income	386	334
Dividends received from associations this year		

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

8. INTERESTS IN OTHER ENTITIES (CONTINUED)

(2) Interests in joint ventures or associates (Continued)

- (d) The accounting information of the unimportant joint ventures and associations

Items	30 June 2018/ the Date Occurred in this Period	31 December 2017/ the Date Occurred in last Period
Associations:		
The book value of equity investments	614	638
The followings are calculated by shares		
– net profit	(16)	(7)
– Other comprehensive income		
– The total of comprehensive income	(16)	(7)
Joint ventures:		
The book value of equity investments	258	221
The followings are calculated by shares		
– net profit	16	4
– Other comprehensive income		
– The total of comprehensive income	16	4

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

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.

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 Interim Financial Statements (Continued)

For the period ended 30 June 2018 (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 June 30, 2018, other assets and liabilities of the Group are denominated in RMB balances.

Monetary unit: RMB

Items	30 June 2018	30 June 2017
Bank deposits (<i>dollar</i>)	202,793.87	32,938.34
Short-term loans (<i>dollar</i>)		150,000,000.00
Account receivables (<i>euro</i>)		134,835.71
Non-current liabilities due within one year (<i>euro</i>)		61,973.43
Long-term borrowings (<i>euro</i>)	1,512,449,000.00	

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 Interim Financial Statements (Continued)

For the period ended 30 June 2018 (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)

A. On June 30, 2018, the exchange risk's exposure of assets and liabilities listed in the original currency is in Note 6 (1 and 29).

B. the Group's main foreign exchange rates apply as follows:

Items	Average exchange rate		Middle exchange rate on the reporting date	
	This period	Last period	This period	Last period
U.S. dollar	6.5754	6.8607	6.6166	6.7744
Euro	7.7269	7.4920	7.6515	7.7496
H.K. dollar	0.8395		0.8431	

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (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 June 30, 2018, 1% increase in the foreign exchange rate would result in an increase (decrease) of RMB16 millions in net equity and profit or loss of the group's shareholders.

On June 30, 2017, 1% increase in the foreign exchange rate would result in an increase (decrease) of RMB13 millions in net equity and profit or loss of the group's shareholders.

As of June 30, 2018, 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.

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.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (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)

(ii) Interest rate risk

The Group's interest-bearing financial instruments on June 30, 2018 please refer to notes 6(1,18,26,27,28 and 29)

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.

As of June 30, 2018, 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 RMB169 million decrease (last period: RMB155 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. The analysis of last period is based on the same assumptions.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

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 transactions 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 June 30, 2018.

Due to the accounts receivables of the top five customers, which are accounted for 49% of the receivables and other receivables on the balance sheet date (last period: 60%), 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.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

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 49% of the receivables and other receivables on the balance sheet date (last period: 60%), 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.

The repayment date of the Group's long-term debts, please refer to Note 6(28).

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (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, 9, 11, 12 and 19).

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 on 30 June 2018			Total
	The fair value measured at first level	The fair value measured at second level	The fair value measured at third level	
Derivative financial assets				
Other investments in equity instruments			520	520
Other non-current financial assets	31			31

Item	The Fair Value on 31 December 2017			Total
	The fair value measured at first level	The fair value measured at second level	The fair value measured at third level	
Derivative financial assets	7			7
Financial assets held for trade	39			39
Derivative financial liabilities	13			13

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (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	58.31	58.31

Note: Angang Group Corporation is the ultimate controlling party.

(2) Information on the subsidiaries of the Parent 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 Interim Financial Statements (Continued)

For the period ended 30 June 2018 (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 Parent Company
Guangzhou Automotive Steel	Joint venture
Changchun FAM	Joint venture
ANSC – TKS	Joint venture
ANSC – Dachuan	Joint venture
Anshan Jingu	Associate
Angang Finance	Associate
Falan Packing	Fellow subsidiary
Angang Cast Steel Co., Ltd.	Fellow subsidiary
Angang Mining Co	Fellow subsidiary
Angang Steel Rope Co., Ltd	Fellow subsidiary
Anshan Iron and Steel Group Co., Ltd. (Chaoyang)	Fellow subsidiary
Angang Harbour Co. Ltd (YingKou)	Fellow subsidiary
Angang Auto Transport Co., Ltd	Fellow subsidiary
Angang Refractory Co., Ltd	Fellow subsidiary
Angang Real Estate Development Group Co., Ltd	Fellow subsidiary
Angang Cold Rolled Steel Plate Co., Ltd. (Putian)	Fellow subsidiary
Angang Electric Co., Ltd	Fellow subsidiary
Iron Oxide Powder Company	Fellow subsidiary
Angang Trade	Fellow subsidiary
Angang Heavy Machine Co., Ltd	Fellow subsidiary
Angang Construction Group	Fellow subsidiary
Angang Lianzhong (Guangzhou) Stainless Steel Co., Ltd.	Fellow subsidiary
Angang Engineering Technology Co., Ltd	Fellow subsidiary
Angang Automatism Co	Fellow subsidiary
Angang Railway Transport Facilities Construction Co.	Fellow subsidiary

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(4) Related parties without control relationship (Continued)

Name of Enterprise	Relation with the Parent Company
Pangang Group Iron and Vanadium Titanium Resources Co., Ltd	Fellow subsidiary
Angang Property & Management Company	Fellow subsidiary
Angang Group Information Industry Co., Ltd	Fellow subsidiary
Angang Future Iron and Steel Research Institute Co., Ltd.	Fellow subsidiary
Angang Entity Group	Fellow subsidiary
Anshan Iron and Steel Group Engineering Technology Development Co., Ltd.	Fellow subsidiary
Angang Group Energy-saving Technology Service Co., Ltd	Fellow subsidiary
Angang Mining Construction Co., Ltd.	Fellow subsidiary
Pangang Trade	Fellow subsidiary
Panzhuhua Iron and Steel Group (Xichang) steel vanadium Co., Ltd.	Fellow subsidiary
Angang Vesuvius Refractory Co., Ltd	Joint venture of the parent Parent Company
Anshan Jidong Cement Co., Ltd	Joint venture of the parent Parent Company
Anshan Iron and Steel Group Integrated Industrial Development Co., Ltd.	Fellow subsidiary
Anshan Iron and Steel Group Automation Company	Fellow subsidiary
Panzhuhua Iron and Steel Group (Jiangyou) the Great Wall Special Steel Co., Ltd.	Fellow subsidiary
Chengdu Western Union Group Co., Ltd.	Fellow subsidiary
Yingkou Trade	Fellow subsidiary
Panzhuhua Iron and Steel Group Engineering Technology Co., Ltd.	Fellow subsidiary
Pangang Group (Panzhuhua)Steel Vanadium Co., LTD	Fellow subsidiary

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (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

Contents	Pricing Policy	This Year	Last Year
Raw materials	Note. 1	7,529	7,623
Steel products	Note. 2	109	6
Supplementary materials	Note. 2	1,250	769
Energy and power supplies	Note. 3	864	807
Support services	Note. 4	1,780	1,350
Total		11,532	10,555

(ii) Related-party transactions on Sales of Goods and Services

Contents	Pricing Policy	This Year	Last Year
Products	Note. 5	1,276	336
Scrap steel and materials	Note. 5	181	115
General services	Note. 6	512	492
Total		1,969	943

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (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

Contents	Pricing Policy	This period	Last period
Raw materials	Note. I	142	15
Total		142	15

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 Parent 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 Parent 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 of such product sold to independent third parties

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (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 (Continued)

Notes: (Continued)

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 of (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 Parent Company to third parties. The purchasing prices of ancillary materials are not higher than the average prices charged to independent customers.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (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 (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 Interim Financial Statements (Continued)

For the period ended 30 June 2018 (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	Warrantee	Amount			Whether fulfilled
		guaranteed	Starting date	Expiring date	
Ansteel Group	The Parent Company	20	February 10, 2015	February 9, 2018	Yes
Ansteel Group	The Parent Company	500	May 24,2018	May 23,2019	No
Ansteel Group	The Parent Company	500	May 28,2018	May 27,2019	No

(d) Other related-party transactions

(i) Service from sales agent

For the period, the amount of domestic and export sales agent service provided Angang Trade were 71 million tons respectively (83 million tons respectively for last period).

(ii) Related-party transactions with the joint ventures and the associates:

Name of enterprise	Sales in This Year	Sales in Last Year
ANSC-TKS	1,982	1,792
Changchun FAM	13	35
Anshan Jingu	198	207
Guangzhou Automotive Steel	108	

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (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	31		30 June	Terms of
	interest	December	Increment		
	rate	2017		2018	
Loans	4.75	20		20	Credit, Guarantee Loans
Deposit		1,885	88,495	88,733	1,645

For this period, the Group's interest income of deposit in Angang Finance was RMB5 million (for last period: RMB7 million) and the interest expenditure for loans from Angang finance was RMB28 million (for the last period: RMB2 million). The highest daily deposit in Angang Finance in this period was RMB1,990 million (for the last period: 1,995 million).

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (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

Items	2016	2015
Directors' fees		
Other remuneration:		
Salaries, allowances and non-cash amount of interest	1.05	2.45
Performance-related bonus		
Other insurance premium and benefits	0.20	0.29
Pension plan contributions	0.21	0.49
Other remuneration		
Total	1.46	3.23

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (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 period					Total
	Directors' fees	Salaries, allowances and non-cash amount of interest	Performance-related bonus	Equity-settled share option expenses	Pension plan contributions	
Executive directors:						
Wang Yidong						
Li Zhen		0.18		0.03	0.04	0.25
Ma Lianyong		0.15		0.03	0.03	0.21
Xie Junyong		0.15		0.03	0.03	0.21
Subtotal for executive directors		0.48		0.09	0.10	0.67
Supervisors:						
Lin Daqing						
Liu Xiaohui						
Yuan Peng		0.14		0.03	0.03	0.20
Subtotal for supervisors		0.14		0.03	0.03	0.20
Senior management:						
Xu Shishuai		0.21		0.04	0.04	0.29
Meng Jinsong		0.22		0.04	0.04	0.30
Subtotal for Senior management		0.43		0.08	0.08	0.59
Total		1.05		0.20	0.21	1.46

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (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 Period					Total
	Directors' fees	Salaries, allowances and non-cash amount of interest	Performance-related bonus	Equity-settled share option expenses	Pension plan contributions	
Executive directors:						
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
supervisors :						
Liu Xiaohui						
Lin Daqing						
Yuan Peng						
Subtotal for supervisors						
Senior management:						
Xu ShiShuai		0.45		0.05	0.09	0.59
Meng Jinsong		0.46		0.06	0.09	0.61
Subtotal for Senior management		0.91		0.11	0.18	1.20
Total		2.45		0.29	0.49	3.23

Note: None of the directors, supervisors or senior managers agrees to waive his/her remuneration agreement in this period.

Top five highest paid employees include three directors and two senior managers (three directors and two senior managers for the last period), and their payment are set out in detail above.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(6) Balances of related-party transactions

(a) Accounts receivable and prepayments

Items	30 June 2018	31 December 2017
Accounts receivable		
Angang Trade	712	647
Angang Cast Steel Co., Ltd	69	46
Angang Heavy Machine Co., Ltd	138	115
Angang Mining Co.	53	
Angang Steel Rope Co., Ltd.	45	46
Angang Real Estate Development Group Co., Ltd	35	1
ANSC-TKS	10	10
Anshan Iron and Steel Group Co., Ltd	7	62
Angang Construction Group Co., Ltd.	4	
Angang Lianzhong (Guangzhou) Stainless Steel Co., Ltd.	2	2
Angang Electric Co., Ltd	1	2
Anshan Iron and Steel Group Co., Ltd. (Chaoyang)	1	
Angang Group Engineering Technology Co., Ltd.	1	
Angang Automatism Co	1	
Angang Harbour Co. Ltd (YingKou)	1	
Angang Refractory Co., Ltd	1	
Panzhuhua Iron and Steel Group (Xichang) steel Vanadium Co., Ltd.	1	
Guangzhou Automotive Steel		10
Other Related Parties		1
Total	1,082	942

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (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	30 June 2018	31 December 2017
Prepayments		
Angang Trade	373	788
Angang Engineering Technology Co., Ltd	77	325
Angang Heavy Machine Co., Ltd	32	50
Angang Auto Transport Co., Ltd	8	4
Angang Automatism Co	60	60
Angang Construction Group	11	8
Angang Future Iron and Steel Research Institute Co., Ltd.		2
Angang Cold Rolled Steel Plate Co., Ltd. (Putian)	76	68
Angang Lianzhong (Guangzhou) Stainless Steel Co., Ltd.	52	
Guangzhou Automotive Steel	48	
Anshan Iron and Steel Group Co., Ltd. (Chaoyang)	22	
ANSC-TKS	1	
Other Related Parties	2	1
Total	762	1,306
Other receivables		
Guangzhou automotive steel	33	213
Angang Steel Rope Co., Ltd	1	2
Other Related Parties	1	1
Total	35	216

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (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, advance from customers and contract liabilities

Items	30 June 2018	31 December 2017
Account Payable		
Angang Engineering Technology Co., Ltd	4	1
Angang Group Energy-saving Technology Service Co., Ltd	10	
Angang Trade	1,191	3,359
Angang Mining Co	585	18
Angang Automatism Co	10	14
Angang Construction Group	41	83
Angang Mining Construction Co., Ltd.	7	16
Angang Auto Transport Co., Ltd	32	27
Angang Entity Group	42	60
Angang Harbour Co. Ltd (YingKou)	25	10
Angang Heavy Machine Co., Ltd	19	13
Anshan Iron and Steel Group Co., Ltd	18	121
Angang Electric Co., Ltd	6	25
Falan Packing	8	11
ANSC-TKS	122	134
Angang Vesuvius Refractory Co., Ltd	24	84
Angang Railway Transport Facilities Construction Co	5	3
Angang Steel Rope Co., Ltd	2	2
Angang Refractory Co., Ltd	3	1
Angang Cold Rolled Steel Plate Co., Ltd. (Putian)		
ANSC – Dachuan	29	46
Pangang Trade	15	12
Pangang Group (Panzhuhua)Steel Vanadium Co., LTD		10
Angang Cast Steel Co., Ltd.	10	6
Angang Property & Management Company		4
Anshan Iron and Steel Group Integrated Industrial Development Co., Ltd.		1
Angang Real Estate Development Group Co., Ltd	1	
Yingkou Trade	5	
Yingkou Xingang Ore Terminal Co., Ltd.	10	
China ordnance materials Group Co., Ltd.	29	
Other Related Parties	5	
Total	2,258	4,061

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (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, advance from customers and contract liabilities (Continued)

Items	30 June 2018	31 December 2017
Contract liabilities and Prepayments		
Angang Auto Transport Co., Ltd	177	168
Angang Trade	93	25
Angang Construction Group	40	26
Angang Entity Group	44	24
ANSC-TKS	27	56
Anshan Jingu	15	16
Falan Packing	5	10
Anshan Iron and Steel Group Co., Ltd	5	
Angang Mining Co	3	6
Panzhihua Iron and Steel Group (Jiangyou) the Great Wall Special Steel Co., Ltd.	3	
Pangang Trade	2	1
Iron Oxide Powder Company	1	
Anshan Iron and Steel Group Integrated Industrial Development Co., Ltd.		20
Anshan Jidong Cement Co., Ltd		5
Chengdu Western Union Group Co., Ltd.		2
Pangang Group (Panzhihua)Steel Vanadium Co., Ltd.		1
Other Related Parties	1	1
Total	416	361

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (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, advance from customers and contract liabilities (Continued)

Items	30 June 2018	31 December 2017
Other payables		
Angang Engineering Technology Co., Ltd	41	34
Angang Real Estate Development Group Co., Ltd		1
Angang Trade	11	5
Angang Group Information Industry Co., Ltd	14	14
Angang Automatism Co.	15	24
Angang Construction Group	13	14
Angang Mining Construction Co., Ltd.	2	2
Angang Auto Transport Co., Ltd	3	3
Angang Entity Group	13	13
Angang Heavy Machine Co., Ltd	8	10
Angang Electric Co., Ltd	5	4
Panzhuhua Iron and Steel Group Engineering Technology Co., Ltd.		3
Angang Railway Transport Facilities Construction Co.		1
Angang Vesuvius Refractory Co., Ltd	4	2
Angang Automatism Co	4	
Other Related Parties	6	1
Total	139	131

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (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, advance from customers and contract liabilities (Continued)

Items	30 June 2018	31 December 2017
Other non-current assets		
Angang Trade	291	
Angang Heavy Machine Co., Ltd	82	
Angang Group Information Industry Co., Ltd	69	
Angang Engineering Technology Co., Ltd	75	
Angang Construction Group	21	
Angang Future Iron and Steel Research Institute Co., Ltd.	3	
Angang Automatism Co	1	
Total	542	

12. SHARE-BASED PAYMENT

As of June 30, 2018, there is no share based payment transaction need to be disclosed.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

13. COMMITMENTS

(1) Significant commitment

Items	Ended by 30 June 2018	Ended by 31 December 2017
Investment contracts entered but not yet performed or performed partially		18
Construction and renovation contracts entered but not yet performed or performed partially	2,279	1,121
Total	2,279	1,139

(2) Contingencies

As of June 30, 2018, there were no contingencies need to be disclosed.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

14. SUBSEQUENT EVENTS

1. On July 4, 2018, the Angang Steel Company Limited received a notice from Angang Group Co., Ltd. (鞍鋼集團有限公司) regarding the transfer of state-owned shares of Angang Steel Company Limited without compensation (《鞍鋼集團有限公司關於無償劃轉鞍鋼股份有限公司國有股份的通知》). In order to strengthen the strategic cooperation between Angang Group Co. Ltd. and China Electric Power Construction Group Co., Ltd.(中國電力建設集團有限公司) and optimize the stock ownership structure of Angang Steel Company Limited, 360,000,000 A shares (approximately 4.98% of the total share capital of the Angang Steel Company Limited) held by Anshan Iron and Steel Group Co., Ltd., a wholly owned subsidiary of Angang Group Co., Ltd., are transferred to China Electric power Construction Group Co. Ltd. without compensation. Before the transfer, Anshan Iron and Steel Group Co. Ltd. held 4,218,547,330 A shares of the company, accounting for 58.31% of the company's total equity and China Electric Power Construction Group did not hold any shares of the company. After the transfer, Anshan Iron and Steel Group holds 3,858,547,330 A shares of the company, accounting for 53.33% of the company's total capital stock, while Electric Construction Group holds 360,000,000 A shares of the company, accounting for 4.98% of the company's total capital stock. This transfer does not result in the change in the controlling shareholders of the company. The transaction of this share transfer still needs the approval from the Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會).

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

14. SUBSEQUENT EVENTS (CONTINUED)

2. At the 38th meeting of the 7th session of the board on July 12, 2018, the board of directors evaluated and approved the bill on purchasing the shares of An Shi Tai International Limited. The company will buy 10 shares in cash of RMB86.961 million. After the purchase, the total number of shares issued by An Shi Tai International Limited is 11, of which 10 were held by Angang Steel Company Limited, accounting for 90.91% of the total number of shares issued. The rest of 1 share of An Shi Tai International Limited is held by Angang Hong Kong Co. Ltd., accounting for 9.09% of the total number of shares issued. The purchase transaction is under way now.

3. At the 39th meeting of the 7th session of the board on July 17, 2018, the board of directors evaluated and approved the bill on the acquisition of 100% shares of Angang Iron and Steel Co., Ltd (Chaoyang) (鞍鋼集團朝陽鋼鐵有限公司) held by Anshan Iron and Steel Group Co., Ltd. The Company intends to purchase 100% of Angang Iron and Steel Co., Ltd. (Chaoyang) at a transaction price of RMB5,903.85 million according to the share valuation issued by China United Asset Assessment Group Co., Ltd (中聯資產評估集團有限公司). The transaction is under way now.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

15. OTHER SIGNIFICANT INSTRUCTIONS

1. Purchasing the Capital of Angang Gas Co. Limited

On June 25, 2018, at the 36th meeting of the 7th session of the Board, the Company evaluated and approved the agreement, signed with Angang Engineering Technology Development Co., Ltd. and Angang Gas Co., of the increase of the capital and stock of Angang Gas Company Limited (《鞍鋼氣體有限公司增資擴股協議》).

According to the agreement, Angang Steel Company Limited increased Angang Gas Co.'s capital by cash of RMB31.39 million, equivalent to RMB30 million of the registered capital and accounting for 60% of the total registered capital of Angang Gas Co. Ltd; Angang Construction Co., Ltd. increased its capital to Angang Gas Co. in two ways- cash and undistributed profit. A total of RMB20.92 million, equivalent to RMB20 million of registered capital, was contributed to the target company, accounting for 40% of the total registered capital of Angang Gas Co. Ltd.

2. Forming Anshan Iron and Steel Chemical Technology Co., Ltd

On December 1, 2017, at the 22nd meeting of the 7th session of the Board, the board of directors evaluated and approved the bill on establishing Anshan Iron and Steel Chemical Technology Co., Ltd. In April 26, 2018, Anshan Iron and Steel Chemical Technology Co. Ltd was established and registered capital of RMB100 million is funded by cash.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

15. OTHER SIGNIFICANT INSTRUCTIONS (CONTINUED)

3. On October 10, 2017, at the 18th meeting of the 7th session of the Board, the board of directors evaluated and approved the bill on the issue of H-share convertible bonds: in order to meet the company's daily operational needs, adjust the debt structure, increase liquidity funds, the company is expected to issue convertible bonds whose total value are no more than \$300 million or other equivalent currencies. Convertible bonds have a maturity of 5 years with a 3-year repurchase. The convertible price is determined by the closing price on the conversion day or by the average price near the conversion day plus a certain premium. The final convertible price is determined by the board of directors of the company according to the convertible bond market condition at the time of issue. The board of directors has been authorized in accordance with the Bill on General Authorization granted by the shareholders' general meeting to the board of directors of Angang Steel Company Limited to issue additional H shares and other transferable rights (《關於股東大會授予鞍鋼股份董事會增發H股股份及其他可轉讓權利的一般性授權的議案》). The convertible bond was successfully released in May 25th 2018.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

16. NOTES TO PARENT'S FINANCIAL STATEMENTS

1. Note receivables and account receivables

Items	30 June 2018	31 December 2017
Note receivables	12,590	9,632
Account receivables	3,699	3,121
Total	16,289	12,753

(1) Note receivables

(a) Note receivable by category

Items	30 June 2018	31 December 2017
Bank Acceptance Notes	11,305	8,649
Commercial Acceptance Notes	1,283	983
Total	12,590	9,632

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

Items	Pledged Notes by the End of 30 June 2018
Bank Acceptance Notes	2,143
Total	2,143

Note: The group has pledged notes receivable whose values 2,143 million yuan to the bank to gain the short-term loan of 1,900 million yuan. The period of the pledge is 25 June 2018 to 31 January 2019.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

16. NOTES TO PARENT'S FINANCIAL STATEMENTS (CONTINUED)

1. Note receivables and account receivables (Continued)

(1) Note receivables (Continued)

(c) Notes receivable that have been endorsed or discounted at the end of the period and have not expired on the balance sheet date

Items	Amount of Termination Confirmation	Amount of Non-termination Confirmation
Bank Acceptance Notes	11,560	
Commercial Acceptance Notes	123	
Total	11,683	

(d) No notes receivable were transferred to accounts receivable due to insolvency of the issuer as of 30 June 2018.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

16. NOTES TO PARENT'S FINANCIAL STATEMENTS (CONTINUED)

1. Note receivables and account receivables (Continued)

(2) Account receivables

(a) Classification of Account Receivables

Type	30 June 2018			
	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	3,437	91	66	99
Accounts receivable with amounts that are individually insignificant and subject to separate assessment for bad debts provision	329	9	1	1
Total	3,766	100	67	100

Item	31 December 2017			
	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	3,054	96	66	99
Accounts receivable with amounts that are individually insignificant and subject to separate assessment for bad debts provision	134	4	1	1
Total	3,188	100	67	100

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

16. NOTES TO PARENT'S FINANCIAL STATEMENTS (CONTINUED)

1. Note receivables and account receivables (Continued)

(2) Accounts receivable (Continued)

(b) Account receivables classified by aging

Aging	30 June 2018			
	Book Value		Bad Debt Provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	3,625	96		
1 to 2 years	109	4	66	99
2 to 3 years	17			
Over 3 years	15		1	1
Total	3,766	100	67	100

Aging	31 December 2017			
	Book Value		Bad Debt Provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	3,076	96	66	99
1 to 2 years	17	1		
2 to 3 years	17	1		
Over 3 years	78	2	1	1
Total	3,188	100	67	100

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

16. NOTES TO PARENT'S FINANCIAL STATEMENTS (CONTINUED)

1. Note receivables and account receivables (Continued)

(2) Accounts receivable (Continued)

(c) Bad debt provision at 30 June 2018

Account Receivables (By company)	30 June 2018			
	Account Receivables	Bad Debt Provision	Percentage (%)	Reason
Anshan Zhongyou Tianbao Steel Tube Co., Ltd.	67	66	99	Business operation is discontinued and not able to make payments
Total	67	66		

(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 30 June 2018 of debtors of the Group for the period was RMB2,039 million, which accounted for 54% of the 30 June 2018 of the total accounts receivable. The 30 June 2018 of corresponding bad debt provision amounted to 0.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

16. NOTES TO PARENT'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables

(a) Nature of other receivables

Type	30 June 2018			
	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	33	58		
Other receivables with amounts that are individually insignificant and subject to separate assessment for bad debts provision	24	42		
Total	57	100		

Type	31 December 2017			
	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	233	90		
Other receivables with amounts that are individually insignificant and subject to separate assessment for bad debts provision	25	10		
Total	258	100		

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

16. NOTES TO PARENT'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (Continued)

(b) Classification of other receivable according to the nature

Other Account Receivables	30 June 2018	31 December 2017
Petty cash	18	18
Loan for Guangzhou Automotive Steel	33	213
Export rebates		21
Other	6	6
Total	57	258

(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.

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

16. NOTES TO PARENT'S FINANCIAL STATEMENTS (CONTINUED)

3. Long-term equity investment

(a) Types of long-term equity investments

Items	30 June 2018			31 December 2017		
	Book Balance	Provision for Impairment	Book Value	Book Balance	Provision for Impairment	Book Value
Investments in subsidiaries	2,168		2,168	2,035		2,035
Investments in joint ventures and associates	2,864		2,864	2,949		2,949
Total	5,032		5,032	4,984		4,984

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (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 Parent Company	Opening Date	Increment	Decrement	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	121			121		
Shanghai Trading	103			103		
Tianjin Trading	103			103		
Guangzhou Trading	115			115		
Angang Shenyang	98			98		
Angang Weifang						
Angang Shanghai	19			19		
Angang Tianjin	27			27		
Angang Dalian	200			200		
Ningbo Trading	6			6		
Yantai Trading	100			100		
Anshan Iron and Steel Kobelco	357			357		
Angang Changchun	244			244		
Angang Technology	50			50		
Zhengzhou Steel	123			123		
Chemical Technology		100		100		
Angang Gas		33		33		
Total	2,035	133		2,168		

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (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

Please see note 6(9).

4. Operating revenue and operating cost

- (1) Revenue classified based on the nature of business

Items	This Period		Last Period	
	Revenue	Cost	Revenue	Cost
Operating income from main business line	46,925	39,204	38,997	34,625
Operating income from other business line	98	81	31	28
Total	47,023	39,285	39,028	34,653

- (2) Revenue classified based on the geographic region

Items	This Period	Last Period
Revenue from Mainland China	46,925	39,204
Revenue from outside of Mainland China	98	81
Total	47,023	39,285

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

16. NOTES TO PARENT'S FINANCIAL STATEMENTS (CONTINUED)

4. Operating revenue and operating cost (Continued)

- (3) Revenue recognized at a certain period of time or at a certain point of time

Items	This Period	Last period
Revenue recognized at a certain point of time	47,023	39,028
Total	47,023	39,028

5. Investment income

Items	This period	Last period
Long-term equity investment income measured at equity method	154	208
Long-term equity investment income measured at cost method		
Investment income from disposal of long-term equity investments		
The investment income from the financial assets held for trade	19	21
Other investments income in other equity instruments during the holding period	9	
Total	182	229

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

17. NET CURRENT ASSETS

Items	30 June 2018	31 December 2017
Current assets	33,527	28,591
Less: current liabilities	34,257	33,101
Net current assets/(liabilities)	(730)	(4,510)

18. TOTAL ASSETS LESS CURRENT LIABILITIES

Items	30 June 2018	31 December 2017
Total assets	92,686	89,225
Less: current liabilities	34,257	33,101
Total assets less current liabilities	58,429	56,124

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

19. SUPPLEMENTARY DOCUMENTS

(1) Details for non-recurring gains and losses

Items	This period	Last period
Gains/losses from disposal of non-current assets	(41)	(13)
Government grant recorded into profit/loss for current period except that relevant to enterprise operation and in compliance with government policies	22	
Gain or loss from the combination under common control during the period from the January 1 2018 to a the acquisition date	1	
Gain or loss from the changes of fair value of financial assets held for trade	(8)	
Other non-operating income/loss not listed above	2	(1)
Subtotal	(24)	(14)
Effect on taxation	6	3
Effect on minority interest (after tax)		
Total	(18)	(11)

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).

Notes to the Interim Financial Statements (Continued)

For the period ended 30 June 2018 (Expressed in million RMB unless otherwise indicated)

19. SUPPLEMENTARY DOCUMENTS (CONTINUED)

(2) Return on equity (ROE) and Earnings per Share (EPS)

Profit in this period	Weighted average (ROE) (%)	EPS (Yuan per share)	
		Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders	6.79	0.484	0.481
Net profit (exclusive of non-operating profit) attributable to ordinary shareholders	6.82	0.486	0.484

Note: The 31 December 2017 for the net asset used to calculate ROE is adjusted due to the application of new financial instrument standards. The effect of the application of new accounting standards on net asset refers to Note 4(23).

Documents Available for Inspection

1. 2018 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 Directors of Angang Steel Company Limited*, at Production Area of Angang Steel, Tiexi District, Anshan City, Liaoning Province, the PRC.

The Board of Directors of
Angang Steel Company Limited*

27 August 2018

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*