

IV. Medium- and Long-Term Planning

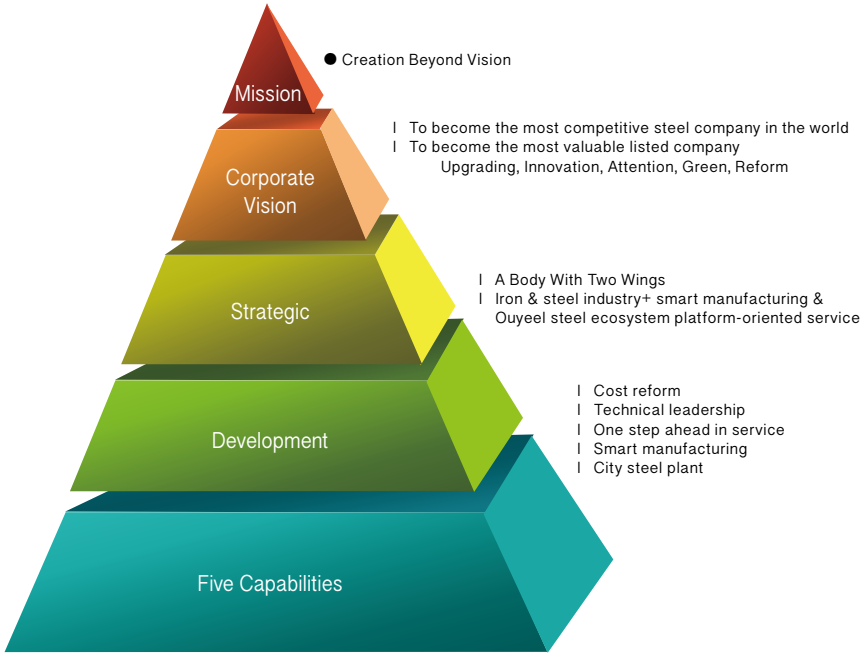
1. Business Environment

	<p>In 2017, weakness in global economic growth and recovery, growing trade protection, declining investment, interest rate raised by the Federal Reserve, "New Policy" by Donald Trump and the populism emerged in Europe all contributed to increasing uncertainty of global economy. Global GDP growth rate is expected at 3.4% for 2017, developed economy at 1.8% (USA at 2.2% and Euro Zone at 1.5%), and emerging market and developing economy at 4.6%.</p>
Macro economy trend	<p>2017 is a year for China to deepen supply-side structural reform and to tackle overcapacity. China is going to continue its efforts in deepening decapacity, destocking, deleveraging, cutting costs and overcoming weakness, to actively seek for new economic growth driving force and pay more attention to higher quality and efficiency in economic development. China's economy is expected to be smooth in 2017 overallly, its structure more balanced and GDP growth rate at around 6.5%.</p>
Changes in steel industry	<p>Global crude steel output is expected to grow to 1.622 billion tons, a year-on-year growth of 0.1% in 2017. Declines are expected in China output, while robust increase will continue in India and growth will maintain in USA and EU.</p> <p>In 2017, infrastructure construction and auto industry are expected to serve as major source to drive China's iron and steel demand. Iron ore market is expected to go upward with small shocks, coke price may remain high with shocks, support for steel cost still seems strong. Decapacity in iron and steel industry shall be further moving forward, indicating more ratio in total decapacity and with improved supply-demand relations. More trading conflicts will be seen while Chinese iron and steel export is dropping. China's domestic steel price will remain its frequent volatility.</p>

2. Business Philosophy

Corporate Vision	To become the most competitive steel company and the most valuable listed company in the world
Mission	Creation Beyond Vision
Core Value	Integrity, synergy

3. Development strategy



4. 2017 Annual Operation Objective & Plan

Operation Policy	A Body with Two Wings, Synergy Among Four Bases, Development Through Reform and Innovation. Differentiated Competition, Cost Reform, Better Performance Through Green Development and Lean Operation.
Operation Objective	Top 1 in Business Performance in China, Top 3 in Profit of Steel Per Ton in the World. More Than RMB 6 Billion in Cost Reduction. More Than RMB 1 Billion Profit from Bao-Wu Synergy. Overall Profit Earning of Zhanjiang Steel. Labor efficiency of formal employee increase by more than 6%.
Operation Plan	45.22 Million Tons of Iron Output, 46.19 Million Tons of Steel Output, 43.94 Million Tons of Steel Product Sales. RMB 338.5 Billion of Total Operating Revenue, RMB 310.2 Billion of Operating Cost.