

Corporation code: 600019

Corporation abbreviation: Baosteel

# Baoshan Iron & Steel Co., Ltd.

## 2017 Semi-annual Report

### Important Notice

**I. The Board of Directors and the Board of Supervisors of Baoshan Iron & Steel Co., Ltd. (hereinafter “the Company”), along with their directors, supervisors and senior executives, hereby guarantee that this Semi-annual Report (hereinafter “the Report”) is free from false statement, misleading information or grave material omission, and assume relevant separate and joint responsibilities in regard to the truth, accuracy and integrity of the contents of the Report.**

**II. Member of the Board of Directors Absent from the Board Meeting.**

Post of the Director absent	Name of the Director absent	Reason for absence	Name of the person commissioned
Director	Zhang Jingang	Work-related Reason	Zhao Changxu

**III. This semi-annual report is unaudited.**

**IV. Dai Zhihao, Chairman of the Company, Wu Kunzong, CFO in charge of the accounting affairs, and Wang Juan, Director of the Finance Department, attest to the truthfulness, correctness and completeness of the financial statements in the Report.**

**V. Proposed Profit Appropriation Plan and Capitalizing of Reverses Plan for the Reporting Period Reviewed by the Board of Directors**

None

**VI. Risk Disclosure on Proactive Statements**

Applicable  Not applicable

Proactive statements such as the future plans and development strategies in the Report do not constitute actual promises to investors. Investors are kindly reminded that investment involves risks.

**VII. Was Capital Found in the Company to be Occupied for Non-operating Purposes by the Controlling Shareholder and Its Related Parties?**

None

**VIII. Was Guarantee Found in the Company to be Provided in Manner that is against the Stipulated Decision-making Procedures?**

None

## IX. Notice on Major Risks

The Company is faced with immense challenges and pressure in its production and operation in 2017. First, oversupply in iron and steel industry will not be fundamentally reversed in the short term. With the price of steel picking up, the investments in iron and steel industry begin to increase, leading to the capacity of iron and steel being rapidly unleashed. Therefore, the objective of cutting hundreds of millions of tons of excessive steel capacity is still an arduous task. Second, with the founding of Baowu Group by way of Baosteel's stock exchange and absorption merger of WISCO, it is now in urgent need to give full play to the synergistic effect and scale effect as well as to enhance its ability to make sustained profits. Third, as national environmental protection requirements become increasingly strict, the urban steel company must place great emphasis on improving the environment of the Company and making various plans to coordinate and co-exist with the city and effectively cope with the potential rise in production organization difficulty and environmental protection costs.

## X. Others

Applicable  Not applicable

On 27 February, 2017, the Company finished its stock exchange and absorption merger with Wuhan Iron and Steel Co., Ltd (hereinafter referred to as "Wugang"; the merger of the two companies hereinafter referred to as "this Merger") and the new shares were listed on the same day. In accordance with the terms stipulated in the *Stock-exchange and Absorption Merger Agreement of Baoshan Iron and Steel Co., Ltd and Wuhan Iron and Steel Co., Ltd*, March 1, 2017 is the merger date of of this Merger. Since March 2017, Wugang has been incorporated into consolidated statements of the Company. This Merger is business merger involving enterprises under common control. As per accounting standard, the Company's consolidated statement of profit, consolidated statement of cash flow and consolidated statement of the changes in owner's equity include Wugang's statement of profit, statement of cash flow and statement of changes in owner's equity from the beginning of 2017 to the merger date. The Company has also restated the opening balance of the consolidated balance sheet, consolidated statement of profit, consolidated statement of cash flow and consolidated statement of the changes in owner's equity during the period of comparison.

Unless otherwise stated, the relevant statistics in this report are those after the restatement.

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## Section I Definitions

The following terms shall be defined as shown below in this report unless the context otherwise requires:

Commonly-used expressions		
CSRC	Refers to	China Securities Regulatory Commission
SSE	Refers to	Shanghai Stock Exchange
Baowu Group, Group Company	Refers to	China Baowu Steel Group Corporation Limited, formerly known as Baosteel Group Corporation Limited (abbreviated as “Baosteel Group”)
Carbon Steel	Refers to	An alloy of iron and carbon, whose carbon content is generally thought to be somewhere between 0.04% and 2%, but mostly below 1.4%. Steel consists of iron, carbon, silicon, manganese, sulphur and phosphorus, and there is no other alloying elements, with silicon content no more than 0.4% and manganese no more than 0.8%.
Oriented silicon steel	Refers to	A kind of silicon steel that has an obvious pattern and certain orientation in crystallization arrangement, and in which the content of Si is commonly around 3%. It has a low core loss and high magnetic induction, with nominal thickness being 0.20mm, 0.23mm, 0.27mm, 0.30mm or 0.35mm, etc. Oriented silicon steel is used in all kinds of transformer in the electric power industry, etc.
Four major manufacturing bases	Refer to	Baoshan Base, Meishan Base, Dongshan Base and Qingshan Base. Baoshan Base consists of factory headquarters directly under the Company, Tube, pipe and Bar Business Unit Headquarter and Baosteel-NSC Automotive Steel Sheets Co. Ltd. Meishan Base refers to Shanghai Meishan Iron & Steel Co., Ltd. Dongshan Base refers to Baosteel Zhanjiang Iron & Steel Co., Ltd. Qingshan Base refers to Wuhan Iron & Steel Ltd.

## Section II Company Profile and Key Financial Indicators

### I. Company profile

Chinese Name	宝山钢铁股份有限公司
Chinese Abbreviation	宝钢股份
English Name	Baoshan Iron & Steel Co., Ltd.
English Abbreviation	Baosteel
Legal Representative	Dai Zhihao

### II. Contact Information

	Secretary to Board of Directors	Representative of Securities Affairs
Name	Wu Yiming	Xia Zhilong
Address	Board of Directors' Secretary Office of Baoshan Iron & Steel Co., Ltd., Baosteel Administration Center, 885 Fujin Rd. Baoshan District, Shanghai	Board of Directors' Secretary Office of Baoshan Iron & Steel Co., Ltd., Baosteel Administration Center, 885 Fujin Rd. Baoshan District, Shanghai
Tel.	86-21-26647000	86-21-26647000
Fax	86-21-26646999	86-21-26646999
E-mail	ir@baosteel.com	ir@baosteel.com

### III. Basic Information Change

Registered Address	Baosteel Administration Center, 885 Fujin Rd. Baoshan District, Shanghai
Zip Code of Registered Address	201900
Office Address	Baosteel Administration Center, 885 Fujin Rd. Baoshan District, Shanghai
Zip Code of Office Address	201900
Internet website	<a href="http://www.baosteel.com">http://www.baosteel.com</a>
E-mail	ir@baosteel.com
Query index of changes during the reporting period	

### IV. Company Announcements or Disclosures & Copies of the Report Change

Company Announcements or Disclosures published in:	<i>China Securities News, Shanghai Securities News, and Securities Times</i>
Semi-annual Report Website Designated by China Securities Regulatory Commission	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a>
Copies of the Annual Report of the Company available at:	Baosteel Administration Center, 885 Fujin Road, Baoshan District, Shanghai
Query index of changes during the reporting period	

**V. Profiles of Stocks of the Company**

Stock Type	Stock listed at	Abbreviation of stock	Stock code	Abbreviation of stock before alteration
A-share	Shanghai Stock Exchange	Baosteel	600019	G Baosteel

**VI. Major Accounting Data and Financial Indicators of the Company****(I) Major Accounting Data**

Unit: RMB Million

Major accounting data	This reporting period (January- June)	Same period last year	Year-on-year change (%)
Business income	169,933	106,606	59.40
Net profit attributable to shareholders of listed company	6,170	3,741	64.91
Net profit attributable to shareholders of the listed Company less non-recurring gains and losses	6,201	3,682	68.43
Net cash flows from operating activities	6,541	11,382	-42.53
	At the end of this reporting period	At the end of last reporting period	Year-on-year change (%)
Net assets attributable to shareholders of listed company	151,430	149,778	1.10
Total assets	356,480	359,068	-0.72

**(II) Major Financial Data**

Major Financial Indicators	This reporting period (January- June)	Same period last year	Year-on-year change (%)
Basic earnings per share (Yuan/share)	0.28	0.17	65.03
Diluted earnings per share (Yuan/share)	0.28	0.17	65.03
Basic earnings per share net of non-recurring gains and losses (Yuan/share)	0.28	0.17	68.55
Weighted average return on equity (%)	4.06	2.62	Up by 1.44 pts
Weighted average return on equity net of non-recurring gains and losses (%)	4.08	2.58	Up by 1.50 pts

**VII. Accounting Data Difference between Accounting Standards Inside and Outside China**

□ Applicable √ Not applicable

**VIII. Non-recurring Gains and Losses Items and Amount**

√ Applicable □ Not applicable

Unit: RMB Million

Non-recurring Gains and Losses Items	Amount	Notes (if applicable)
Gains and losses from disposal of non-current assets	-440	
Government subsidy calculated in current gains and losses, but related to normal operating activities, except consecutive fixed government subsidy in lines with policies, rules and certain standards	88	
Gains and losses from change of fair value for holding held-for-trading financial assets and liabilities, investment income at the disposal of held-for-trading financial assets and liabilities, and available-for-sale financial assets, except effective hedging operations	267	
Net profit and loss of subsidiaries from the beginning of the period to the date of merger generated by business merger involving enterprises under common control.	60	
Other non-operating income and expenditure except above mentioned items	-18	
Effect of income tax	12	
Affected amount belonging to minority shareholders	-0.25	
Total	-31	

## Section III Corporate Business Summary

### I. Main business, business model and industry situation of the Company during the reporting period

#### 1. Main business, business model and industry situation of the Company during the reporting period

As world's leading super-large steel business group, the Company is the core enterprise of China Baowu Steel Group Corporation Limited (hereinafter referred to as "Baowu Group"), a Fortune 500. Dedicated to its mission of creation beyond vision, the Company is devoted to the vision of "becoming the leader in the iron & steel technology, the best driver of green industry and a corporate model for common development of staff and the Corporation", providing high-quality products and service for customers and creating best value for shareholders and the society for the joint development with stakeholders.

In November 2016, Zhanjiang project was fully put into operation. In February 2017, the Company absorbed Wuhan Iron and Steel. By now, the Company owns major production bases including Shanghai Baoshan, Nanjing Meishan, Zhanjiang Dongshan, Wuhan Qingshan etc. and owns world-renowned brands, world-class technology and service capabilities, becoming one of the world's iron and steel enterprises with the most complete carbon steel varieties.

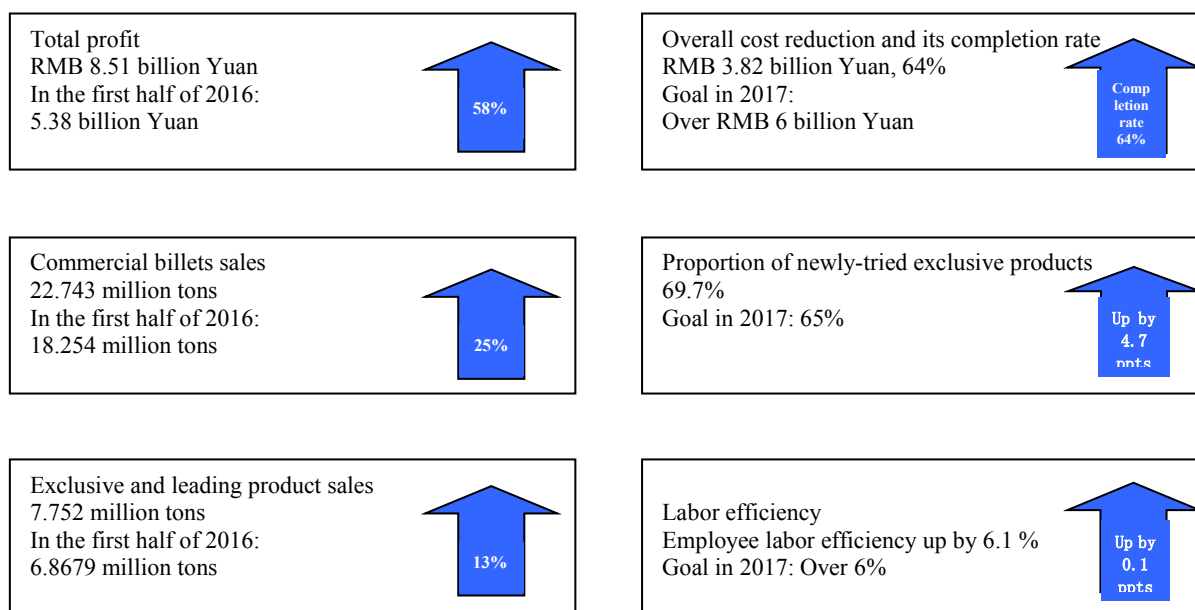
The Company continued the premium product development strategy characterized by technological leadership and paid close attention to the rapid growth of China's high-end manufacturing industry. The main products have been widely used in industries including automobile, home appliances, petrochemicals, machinery manufacturing, energy transportation etc. The Company has been in the leading position in the domestic market in six strategic product areas as automotive steel, silicon steel, tin plate, energy and pipeline steel, high-grade heavy plate, other high-grade sheet products. Based on the advanced technologies such as modern iron and steel smelting, hot and cold processing, hydraulic sensing, electronic control, computer and information communication, etc., the Company's overall technology and equipment is characterized by its large-scale, continuity and automation. Thus, the Company has been in a leading position in the world steel industry.

The Company always adheres to take the road of development of "innovation, coordination, green, opening, sharing", pays attention to the cultivation of innovative capability, fully grasps the core technology of steel manufacturing, actively develops and applies the advanced energy saving and environmental protection technology, establishes nationwide and worldwide marketing networks and processing centers, and actively seeks green development and low-carbon solutions of the whole industry chain. The high-end products independently developed by the Company such as new generation of automotive high-strength steel, oriented silicon steel, high-grade home appliance steel, oil and gas pipes, bridge steel, hot rolling heavy rail is in international advanced level. Since 2002, Baoshan Iron & Steel Co., Ltd. has been awarded the "National Science and Technology Progress Award" for 14 consecutive years, which is the only enterprise to receive this award in China.

The Company strengthens five capabilities in "cost innovation, leading technology, service first, wisdom manufacturing and urban steel mills", and strives to achieve the strategic objectives to become "the world's most competitive steel enterprise" and "the most valuable listed company".



## 2. Key Data



Note: Cost reduction does not include Dongshan Base and Qingshan Base. Sales of exclusive and leading products do not include Qingshan Base. Proportion of newly-tried exclusive products refers to corporate-caliber of Baosteel.

## 3. Highlights of the Company during the Reporting Period

- The Company has seized the opportunity of market recovery, strengthened production-marketing coordination, boosted the resources support capability for key varieties, and made continuous and great efforts to reform costs, increase work efficiency and promote reform and innovation. In the first half of 2017, the Company achieved total corporate profits of RMB 8.51 billion, an increase of 58.2% year on year. It has also achieved a cost reduction of RMB 3.82 billion compared with 2015, exceeding the pre-set annual goal.
- “Baowu Integration” represented by the “One Hundred-Day Plan” proceeds smoothly and the synergy has produced preliminary results.
- The project of “Development and application of plunger-type laminar cooling system of hot-rolled strip” has won the second prize of National Award for Science and Technology Progress. A new batch of products represented by “well-processed environment-friendly coated steel plate with excellent corrosion resistance” has been recognized as a Shanghai Municipal Innovation Product.
- Zhanjiang Steel has further strengthened its market competitiveness. The heavy plate unit achieved its monthly production goal in March. The cold rolling and continuous annealing unit began trial-run with cold load in June. 1# electric steel unit successfully finished trial-run with hot load in July.
- The Company has carried out the idea of green development. By holding the activity of “Green Baosteel • Creation Beyond Vision”, the Company sought to create an atmosphere of energy conservation and environmental protection. It was awarded the Shanghai Municipal Golden Key in 2016 for energy conservation, and won the title of “Best Energy Management Enterprise”.
- Global rating agencies Standard & Poor’s and Moody respectively upgraded the rating outlook of Baosteel from “negative watch” and “negative” to “stable”. Currently, three major credit rating agencies, Standard & Poor’s, Moody and Fitch honored the Company with a long-term enterprise credit rating of BBB+, Baa1 and A- respectively, the Company continued to enjoy the highest credit rating among comprehensive iron and steel enterprises around the world.

## II. Explanation of Significant Changes in the Company's Major Assets During the Reporting Period

√ Applicable □ Not applicable

### 1. Changes in Equity Assets

- 1) In terms of the merger of Baosteel and Wugang, in May 2017, Wuhan Baosteel Central China Trading Co., Ltd., a wholly-owned subsidiary of Shanghai Baosteel International Economic & Trading Co., Ltd. (hereinafter referred to as "Baosteel International") affiliated with the Company, acquired 100% of the equity of Wuhan Wugang Steel Processing Co., Ltd. held by Wuhan Iron & Steel Co., Ltd. After the acquisition, Wuhan Baosteel Central China Trading Co., Ltd. absorbed and merged Wuhan Wugang Steel Processing Co., Ltd. and inherited relevant business accordingly. In May 2017, Liuzhou Baosteel Auto Steel Parts Co., Ltd., a wholly-owned subsidiary of Baosteel International, acquired 100% of the equity of Liuzhou Wugang Steel Processing Co., Ltd. held by Wugang Group. After the acquisition, Liuzhou Baosteel Auto Steel Parts Co., Ltd. absorbed and merged Liuzhou Wugang Steel Processing Co., Ltd. and inherited relevant business accordingly.
- 2) In terms of the disposal of low-efficient and inefficient assets, in the first half of 2017, the Company has made greater efforts to integrate businesses and dispose low-efficient and inefficient assets. It has liquidated and canceled 3 subordinate companies including Wuhan Mental Resources Casting Technology Company, Shanghai Kuaiying Information Technology Co., Ltd and Shanghai Ouyeel Information E-commerce Co., Ltd. It has also absorbed and merged 5 companies including Shenyang Baosteel Northeast Trading Co., Ltd., Yantai Lubao Industrial and Trading Co., Ltd., Wuhan Wugang Steel Processing Co., Ltd., Wuhan Wugang Jinzi Urban Mineral Resources Co., Ltd. and Shanghai Baoxi Computer Technology Co., Ltd.

### 2. Changes in Fixed Assets and Construction in Progress

Fixed assets decreased by 4.73 billion Yuan compared with the beginning of the year, of which 4.74 billion Yuan was transferred from construction in progress and 8.88 billion Yuan from depreciation.

The construction in progress decreased by 3.04 billion Yuan compared with the beginning of the year mainly because of the completed projects transferred into the fixed assets

### 3. Situation of Foreign Assets

At the end of June 2017, the assets of overseas subsidiaries at all levels amounted to 254.5 (unit: 100 million Yuan Currency: RMB), accounting for 7.1% of the total assets.

#### (1) Development of Foreign State-owned Assets

In 2005, the Company acquired, through additional issuance, the equity held by Baowu Group in overseas marketing companies including Baosteel Europe, Baosteel America etc., and shipping companies including Bao-Trans and Bao-Island, and the preferred equity of BaoVale Mine Company, with consideration of 1.11 billion RMB. Since 2011, the Company, in order to expand the capacity of overseas manufacturing and processing services, has successively set up seven wholly-owned companies or joint ventures including BaoLi Steel Pipe, Baosteel India in foreign countries. On February 27<sup>th</sup>, 2017, Baosteel absorbed and merged Wugang in a stock-for-stock deal. Wugang has 14 overseas subsidiaries at all levels and 2 overseas joint-stock companies, whose main businesses include overseas marketing, shipping and steel processing.

As of the end of June 2017, the Company has 29 overseas subsidiaries at all levels and 8 overseas joint-stock companies set up in such countries and regions as the United States, Japan, Germany, Singapore, Thailand, Hong Kong, etc.

#### (2) Operation Status of Foreign State-owned Assets

Foreign trade subsidiaries mainly include: companies directly held by Baosteel such as Howa, Baosteel Europe,

Baosteel America, Baosteel Singapore and subsidiaries thereof; Wugang Australia, Wugang India, Wugang South Korea, Wugang Europe, Wugang America and Wugang Japan held by WISCO International Economic & Trading Co., Ltd. subordinate to Wugang; overseas shipping service subsidiaries include: Bao-Trans and Wugang (Hong Kong) Shipping Company; overseas iron & steel manufacturing and processing service subsidiaries mainly include: BaoLi Steel Pipe, BGM, Indian Shearing Center, Indonesian Steel Processing Center and Wugang International Laser Welding Company and subsidiaries thereof. Currently, Baosteel is vigorously integrating foreign assets after the merger of Baosteel and Wugang.

### (3) Overall Situation of Foreign State-owned Assets

As of the end of June 2017, the assets of the Company's overseas subsidiaries totalled 25.45 billion Yuan, operating income totalled 36.79 billion Yuan and owner's interests totalled 8.76 billion Yuan. In the first half of 2017, overseas subsidiaries have achieved a total profit of 140 million Yuan with a net profit of 50 million Yuan.

## III. Analysis of Core Competitiveness During the Reporting Period

√ Applicable □ Not applicable

Bearing in mind the vision of "becoming the most competitive steel company in the world and the most valuable listed company" and the mission of "Creation beyond Vision", in 2017 the Company focuses on strengthening its five key capabilities of "cost reform, leading technology, service first, intelligent manufacture and urban steel mill" while at the same time continuing to deepen reform and improve the efficiency of human resources.

During the reporting period, as Baosteel merged Wuhan Steel, the Company has set up five specialized promotion teams for marketing, purchasing, R&D, finance and informatization, and formulated coordinated quick win, hundred-day, one-year and three-year plans.

### 1. Fine Base Construction

**Baoshan Base:** The slab house auto-control system in the 1580 unit intelligent workshop of the hot rolling mill was put into operation on June 30, 2017. Basic designs of several projects including intelligent equipment reform, intelligent detection & diagnosis and intelligent visualization reform were completed.

**Meishan Base:** The reform of F3-F6 main transmission of 1422 hot rolling line was basically completed and equipment installation and linked trial-run are in progress.

**Dongshan Base:** 1500 cold rolling project sour rolling unit finished hot test. Non-oriented silicon steel continuous annealing coated unit finished threading cold test. Hot galvanizing unit finished melting zinc in zinc furnace, oven, joint equipment debugging and threading cold test. The main raw material wharf, the finished product wharf and the comprehensive wharf have got official approval for opening up, indicating that the self-owned wharves of Zhanjiang Steel are qualified for loading and unloading imported and exported cargoes.

**Qingshan Base:** The heavy rail full-length quenching line developed and constructed independently finished debugging in June and is now undergoing product type tests. 1700 cold and sour rolling unit finished reform and debugging on the pickling section and is now able to conduct volume production of pickling products.

### 2. Manufacturing Capability Improvement

The third-generation QP steel for auto has finished special steel hot rolling annealing tests and the authentication for major domestic clients was concluded. The low-noise oriented silicon steel has passed ABB headquarters authentication and test. The newly-launched product B27R080 was for the first time applied to power transformer by Baobian Electric. BS1100E for the first time passed the trial-manufacture and test of XCMG cargo boom samples and is basically able to be applied in bulk. The kiloton-level trial-manufacture of Sino-Russian east line  $\Phi 1422 \times 25.7/30.8\text{mm}$  X80 welded tube was finished and samples were sent to CNPC Tubular Goods Research Institute for third-party quality evaluation, with the result being "up to standard".

### 3. Technological Innovation Progress

The project of “Development and application of plunger-type laminar cooling system of hot-rolled strip” won the second prize of the National Award for Science and Technology Progress. “Hot rolling rough rolling stripe shape auto-control and quality improvement technology” and “Applied technology to achieve high environmental protection and high efficiency of coke ovens” won the second and third prize of Shanghai Municipal Award for Science and Technology Progress respectively.

#### 4. Customer Recognition

Automobile: The Company has been given the “Excellent Supplier Award in 2016” by SAIC General Motors Corporation; the “Best Supplier Award in 2016” by FAW-VOLKSWAGEN Corporation, Changan Mazda Corporation, SGW Corporation, Yutong Corporation, German Borgward Corporation, Liuzhou Wuling Corporation and Lingyun Industrial Corporation Limited; the “Strategic Cooperation Award in 2016” by Changan Ford Corporation and Changan Suzuki Corporation, “Technical Cooperation Award in 2016” and “True Partner Award in 2016” by Great Wall Motor Company Limited.

Electric appliance: The Company has been awarded the title of “Outstanding Supplier in 2016” by TBEA Shenyang Transformer and Hisense Corporation and the “Best Cooperation Award” by Daikin Corporation. The Company becomes world’s fourth largest steel supplier in OA industry and the only supplier of electro-galvanized products in China.

Maritime engineering: The Company has passed the authentication of ABS, a world leading classification society, and obtained the world’s highest grade of certification for LPG (liquefied petroleum gas) hull low-temperature steel. The Company’s high-strength R5 mooring chain steel has been approved by factories of British classification societies and the Company thus becomes the world’s first steel company with the ability to produce in bulk and supply R5 mooring chain steel of extreme specifications.

Transportation: The Company’s super-wide and ultra-thick steel plate with heavy piece weight has been successfully applied to the national newly-launched project—high-speed train bump test platform. It was used as the mounting plate for force measuring wall and to resist the extreme impact of the train in bump test.

Energy: The Company’s exclusive product BPM690E has been successfully applied to the key equipment of the wind power installation platform with the biggest lift capacity in China.

#### 5. Implementation of Environmental Management

By holding the carnival of “2017 Green Baosteel • Creation beyond Vision”, the Company sought to encourage all staff to put into practice the idea of green development and further create an atmosphere of energy conservation and environmental protection, so as to promote the Company to develop in a green way and realize sustainable development.

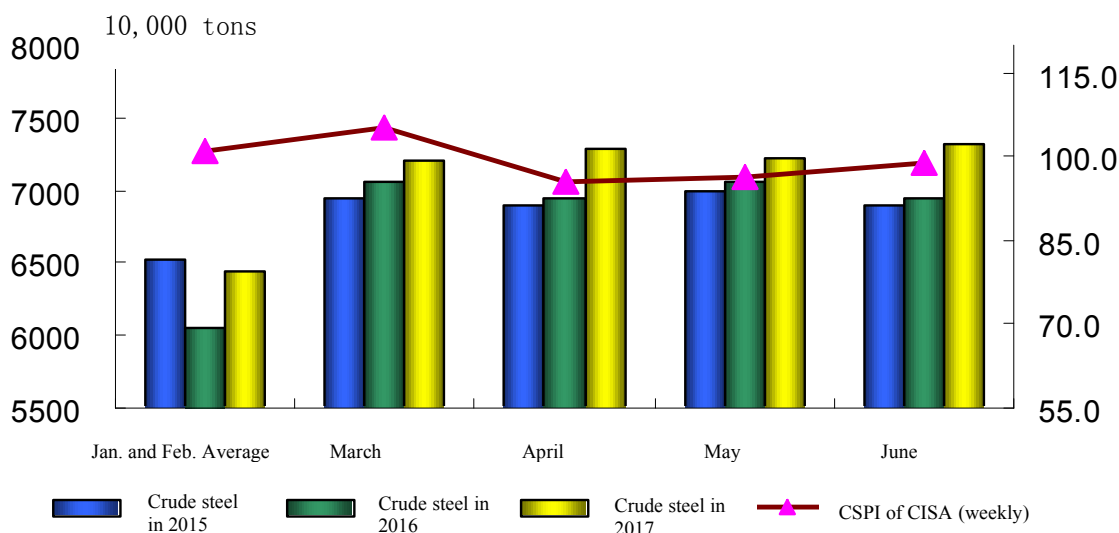
During the reporting period, the Company won the 2016 Shanghai Municipal Golden Key award for the energy conservation industry, and the title of “Best Energy Management Enterprise”.

## Section IV Discussion and Analysis about Operation

### I. Discussion and Analysis about Operation

With the advancement of supply-side reform and cutting overcapacity in iron and steel industry, there was notable improvement in the operating environment of the iron and steel industry. In the first half of 2017, nationwide crude steel production reached 420 million tons, an increase of 4.6% year on year. Domestic iron and steel market, though with shocks, went upward, with a sharp rise in long steel price and a slight fall in steel plate price. The production efficiency and business results of iron and steel companies improved notably. Meanwhile, the export of Chinese steel dropped significantly on a year-on-year basis while the import of steel picked up.

Currently, international and domestic iron & steel demand and raw material are fluctuating rapidly while the domestic environment for supply-side reform continues improving. The Company has entered the key stage of integrating operation, expanding advantages and comprehensively deepening reform. During the reporting period, the Company achieved iron production of 22.435 million tons, steel production of 23.329 tons and commodity blank sales of 22.743 tons, and a total consolidated profit of 8.51 billion Yuan.



Faced with challenges posed by uncertainties in both international and domestic markets, concentrated periodical repairs and the timing differences of costs and expenses, the Company, by strengthening the synergistic effect and benefits of the four major bases, speeding up the implementation of various reform measures, consolidating cost reduction measures and the like, seeks to further strengthen production-marketing coordination and purchase-sales linkage, striving to maintain stable business performance throughout the year.

### (I) Analysis of Principal Business

#### 1. Analysis of Changes to Financial Statements

Unit: RMB Million

Item	Current Period	Same Period Last Year	Change (%)
Operating revenue	169,933	106,606	59.40
Operating cost	152,789	93,421	63.55
Sales expenses	1,591	1,300	22.35

Administrative expenses	4,556	4,033	12.97
Financial expenses	1,990	2,047	-2.77
Net cash flow from operating activities	6,541	11,382	-42.53
Net cash flow from investment activities	-3,528	-29,269	87.94
Net cash flow from financing activities	1,626	22,692	-92.84

Reason for changes in operating revenue: mainly thanks to successful operation of Zhanjiang Steel, stability of manufacturing units and booming demand from downstream industries.

Reason for changes in operating cost: mainly due to sales increase.

Reason for changes in sales expenses: mainly due to sales increase.

Reason for changes in administrative expenses: mainly attributable to R&D expenses, welfare of dismissal, etc.

Reason for changes in financial expenses: small changes, slightly lower than the same period last year.

Reason for changes in net cash flow from operating activities: for details please see “3 Cash Flow Analysis” .

reason for changes in net cash flow from investment activities: for details please see “3 Cash Flow Analysis” .

Reason for changes in net cash flow from financial activities: for details please see “3 Cash Flow Analysis” .

## 2. Others

### (1) Detailed Explanation of Significant Changes in Composition or Source of the Company's Profits

Applicable  Not applicable

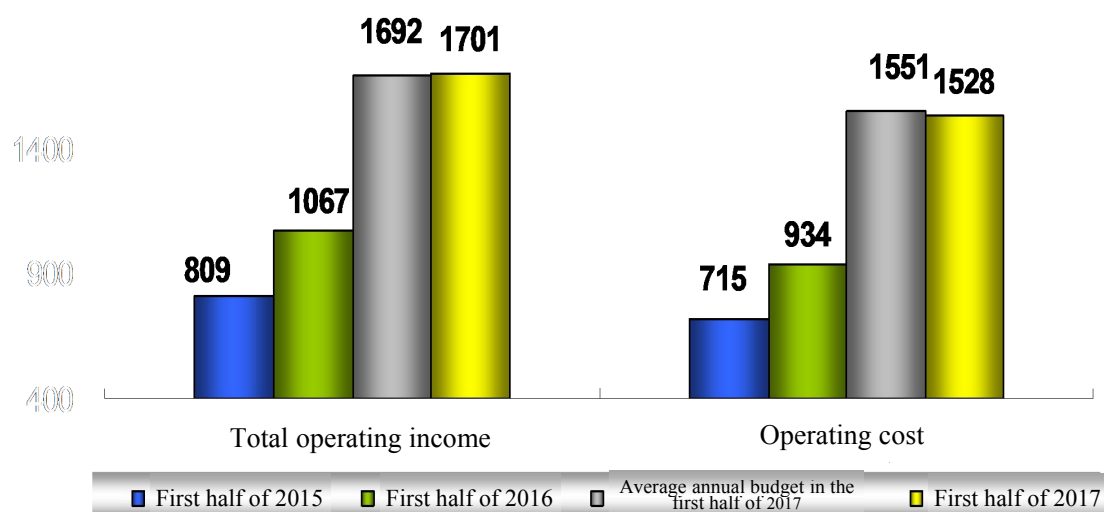
The Company has achieved a total consolidated profit of 8.51 billion Yuan in the first half of 2017, an increase of 3.12 billion Yuan compared with the same period last year, thanks mainly to booming demand from downstream steel market, continued cost reduction within the Company and market expansion.

### (2) Others

Applicable  Not applicable

#### Completion of Budgets and Plans

The Company's total operating revenue budget of 2017 is 338.46 billion Yuan and its actual operating revenue reached 170.15 billion Yuan in the first half of the year, representing 50.3% of the annual budget. Its operating cost budget is 310.15 billion Yuan and its actual operating cost reached 152.79 billion Yuan in the first half of the year, representing 49.3% of the annual budget. In the second half of the year, the Company will seize the favorable opportunity of market revival and continue to maintain and expand its competitive edge. Through speeding up the expansion of steel variety and cost reduction at Zhanjiang Steel, the Company will enhance cost reduction and personnel efficiency within the entire Company and speed up the integration of the four major bases as well as new product R&D, striving to keep leading operating performance in domestic iron & steel market and constantly improving comprehensive competitiveness.



### 3. Cash Flows Analysis

In the first half of 2017, net increase of cash and cash equivalents amounted to 4.69 billion Yuan, in which net cash flow from operating activities was 6.54 billion Yuan, net cash flow from investment activities was -3.53 billion Yuan, net cash flow from financing activities was 1.63 billion Yuan, and net cash flow influenced by fluctuations in exchange was 50 million Yuan. Without considering the impact of the Finance Co., net increase of cash and cash equivalents was 7.67 billion Yuan, in which net cash flow from operating activities was 10.38 billion Yuan, net cash flow from investment activities was -4.82 billion Yuan, net cash flow from financing activities was 2.05 billion Yuan, and net cash flow influenced by fluctuations in exchange was 60 million Yuan.

Unit: Million Yuan      Currency: RMB

Item	Fist half of 2017		First half of 2016		Year-on-year Change	
	Including Finance Co.	Excluding Finance Co.	Including Finance Co.	Excluding Finance Co.	Including Finance Co.	Excluding Finance Co.
Net cash flow from operating activities	6,541	10,383	11,382	14,403	-4,841	-4,020
Net cash flow from investment activities	-3,528	-4,820	-29,269	-28,987	25,741	24,167
Net cash flow from financing activities	1,626	2,052	22,692	22,147	-21,066	-20,095
Effect of fluctuations in exchange on cash	55	58	-167	-171	222	229
Net increase in cash and cash equivalents	4,694	7,672	4,638	7,392	56	280

#### (1) Cash flow from operating activities:

Without considering the impact of the Finance Co., the Company's net cash flow from operating activities in the first half of 2017 was 10.38 billion Yuan, a decrease of 4.02 billion Yuan from the 14.4 billion Yuan in the same period last year. Main reasons are as follows:

1) Net profit was 6.56 billion Yuan, an increase of 2.78 billion Yuan from the 3.78 billion Yuan in the same

period last year;

- 2) Depreciation and amortization was 9.18 billion Yuan, an increase of 1.45 billion Yuan from the 7.73 billion Yuan in the same period last year;
- 3) Assets impairment reserve was 740 million Yuan, an increase of 570 million Yuan from the 170 million Yuan in the same period last year;
- 4) Financial expense was 1.97 billion Yuan, a decrease of 100 million Yuan from the 2.07 billion Yuan in the same period last year;
- 5) Cash flow from such items as loss from disposal of assets, loss from fair value change, investment loss, deferred income tax assets and liabilities decreased by 1.01 billion Yuan, representing a decrease of 1.01 billion Yuan compared with the same period last year during which there had been basically no influence on the cash flow from operating activities.
- 6) The decrease of inventories increased the cash flow by 2.89 billion Yuan, representing an increase of 7.54 billion Yuan compared with the same period last year during which the increase of inventories decreased the cash flow by 4.65 billion Yuan.
- 7) The increase of operational receivables decreased the cash flow by 4.83 billion Yuan, representing a decrease of 3.07 billion Yuan compared with the same period last year during which the increase of operational receivables decreased the cash flow by 1.76 billion Yuan.
- 8) The decrease of operational payables decreased the cash flow by 5.11 billion Yuan, representing a decrease of 12.17 billion Yuan compared with the same period last year during which the increase of operational payables increased the cash flow by 7.06 billion Yuan.

(2) Net cash flow from investment activities

Without considering the impact of the Finance Co., the Company's net cash flow from investment activities was -4.82 billion Yuan, an increase of 24.17 billion Yuan from the -28.99 billion Yuan in the same period last year. Main reasons are as follows:

- 1) Net investment expenditure was 4.73 billion Yuan, a decrease of 21.4 billion Yuan from the 26.14 billion Yuan in the same period last year, mainly because there was less idle money in the period and thus less investment expenditure.
- 2) Cash paid for the purchase or construction of fixed assets, intangible assets and other long-term assets was 5.98 billion Yuan, decreasing cash outflow by 2.17 billion Yuan from the 8.14 billion Yuan in the same period last year, mainly because of the decrease of construction expenditure in Dongshan Base and Qingshan Base.
- 3) Income from investment increased cash flow by 1.08 billion Yuan, an increase of 670 million Yuan from the 410 million Yuan in the same period last year, mainly because of the increase of capital operation income and equity investment dividend in the first half of the year.
- 4) Cash retrieved from the disposal of fixed assets, intangible assets, other long-term assets and subsidiaries increased the cash flow by 90 million compared with the same period last year.
- 5) Other cash income and expenditure related to investment activities decreased by 160 million Yuan compared with the same period last year mainly because of the decrease of interest income from group asset transfer money receivable.

Item (Excluding Finance Co.)	unit: million Yuan		currency: RMB Change
	First half of 2017	First half of 2016	
Cash inflow from investment activities	36,179	24,289	11,890
Cash outflow from investment activities	40,999	53,276	-12,277
Net cash flow from investment activities	-4,820	-28,987	24,167



## (3) Net cash flow from financing activities

Without considering the impact of the Finance Co., the Company's net cash flow from financing activities amounted to 2.05 billion Yuan, a decrease of 20.1 billion Yuan from the 22.15 billion Yuan in the same period last year. Main reasons are as follows:

Unit: RMB Million

Item (Excluding Finance Co.)	Fist half of 2017	Fist half of 2016	Change
Influence of changes in financing scale on cash flow	8,582	24,570	-15,988
Cash paid for dividend distribution, profits or interests	-6,728	-3,029	-3,699
Cash received from investment absorption	198	606	-408
Net cash flow from financing activities	2,052	22,147	-20,095

## (II) Analysis of Business by Industry, by Product or by Region

## 1、Principal Business by Industry and Product

Unit: RMB Million

Principal Business by Industry						
Industry	Operating revenue	Operating cost	Gross margin (%)	YoY change in revenue (%)	YoY change in cost (%)	YoY Change in gross margin (%)
Iron & steel manufacturing	106,579	92,445	13.3	51.1	53.7	Down by 1.4 ppts
Processing & distribution	144,285	141,769	1.7	49.1	51.0	Down by 1.2 ppts
Information technology	2,045	1,458	28.7	19.1	21.1	Down by 1.2 ppts
E-commerce	32,876	32,706	0.5	174.3	173.6	Up by 0.3 ppts
Chemical	5,459	4,975	8.9	53.0	49.2	Up by 2.4 ppts
Finance	358	157	56.0	44.6	27.7	Up by 5.8 ppts
Offset between segments	-121,397	-120,629				
Total	170,204	152,881	10.2	59.4	63.5	Down by 2.2 ppts

Description of principal business in terms of different industries and products:

The Company is divided into six management divisions - steel manufacturing, processing and distribution, information technology, E-commerce, chemical industry and finance in accordance with the internal organization structure. The Steel Manufacturing Division covers steel manufacturing units, Processing and Distribution Division covers Baosteel International, overseas companies and other trading units of Wugang, Information Technology Division covers Baosight business, E-commerce Division covers Ouyeel etc., Chemical Division covers the business of Chemical Co., and Finance Division covers the business of Finance Co.

Unit: RMB Million

Principal Business by Product						
Product	Operating revenue	Operating cost	Gross margin	YoY change in revenue	YoY change in cost (%)	YoY Change in gross margin

			(%)	(%)		(%)
Cold-rolled carbon steel sheets and coils	43,857	36,352	17.1	54.7	62.5	Down by 4.0 ppts
Hot-rolled carbon steel sheets and coils	37,233	31,318	15.9	89.5	92.2	Down by 1.1 ppts
Steel tubes and pipes	4,869	4,739	2.7	66.2	62.3	Down by 2.3 ppts
Long products	3,493	2,968	15.0	20.7	26.4	Down by 3.8 ppts
Other steel products	5,816	5,762	0.9	66.1	71.6	Down by 3.1 ppts
Total	95,268	81,139	14.8	66.2	71.6	Down by 2.7 ppts

Note: Operating income and operating cost of steel products increased notably compared with previous year and gross profit decreased compared with the same period previous year mainly because the rise in the price of raw material was greater than that of steel products

### (III) Analysis of Assets and Liabilities

√ Applicable □ Not applicable

#### 1. Assets and Liabilities

Unit: RMB Million

Items	Amount at the end of the reporting period	Ratio against total assets (%)	Amount at the end of last reporting period	Ratio against total assets (%)	YoY ratio change (%)	Notes
Current assets	142,100	39.9	136,763	38.1	3.9	
Including: monetary capital	18,885	5.3	14,025	3.9	34.7	Prepared payment for the purchase of raw material and the ultra-short term financing bill due soon
Inventory	46,099	12.9	49,581	13.8	-7.0	
Notes payables	21,935	6.2	17,236	4.8	27.3	Rise in income
Receivables	14,883	4.2	15,472	4.3	-3.8	
Prepayments	12,560	3.5	11,159	3.1	12.6	
Non-current assets	214,380	60.1	222,305	61.9	-3.6	
Including: Fixed assets	159,151	44.6	163,882	45.6	-2.9	
Construction-in-progress	9,441	2.6	12,476	3.5	-24.3	Transferring of construction-in-progress into fixed assets
Long-term equity investment	10,989	3.1	10,484	2.9	4.8	
Total assets	356,480	100.0	359,068	100.0	-0.7	
Current liabilities	162,408	45.6	170,306	47.4	-4.6	
Including: Short-term	67,910	19.1	52,081	14.5	30.4	Replacement of 10 billion Yuan of ultra-short term

borrowings						financing bill due in the first half of the year
Notes payables	13,306	3.7	17,000	4.7	-21.7	
Payables	29,646	8.3	34,972	9.7	-15.2	
Deposit received	22,390	6.3	27,302	7.6	-18.0	
Non-current liabilities due within one year	2,084	0.6	1,987	0.6	4.9	
Other current liabilities	11,257	3.2	18,136	5.1	-37.9	New issuance of 3 billion Yuan of ultra-short term financing bill in the first half of the year and 10 billion Yuan of ultra-short term financing bill became due
Non-current liabilities	31,750	8.9	28,509	7.9	11.4	
Including: Long-term borrowings	570	0.2	959	0.3	-40.6	Adjustment of financing structure
bond payables	24,226	6.8	21,052	5.9	15.1	
Total liabilities	194,158	54.5	198,815	55.4	-2.3	
Shareholders' equity	162,323	45.5	160,252	44.6	1.3	
Total Liabilities and shareholders' equity	356,480	100.0	359,068	100.0	-0.7	

## 2. Limited cause of major assets at the end of reporting period

√ Applicable □ Not applicable

Unit: RMB Million

Items	Carrying value at the end of the year	Limited cause
Cash and cash equivalents	1,260	Including 1.17 billion Yuan of legal reserve deposited in the Central Bank by the Finance Co. and the rest is security deposit.
Notes receivables	1,170	Including 1.16 billion Yuan of notes pledged to the bank for affiliated companies opening notes payable and 6 million Yuan of notes for discount.
Fixed assets	5,583	Including 5 billion Yuan of leaseback, 580 million Yuan of mortgage loan and 4 million Yuan of operation lease.
Intangible assets	61	Mortgage loan
Total	8,074	

## 3. Other Explanations

√ Applicable □ Not applicable

#### (IV) Investment Analysis

##### 1. Overall Analysis of Outward Equity Investment

√ Applicable □ Not applicable

In the first half of 2017, the Company has completed equity investment projects of 350 million Yuan, a decrease of 30%, i.e. 220 million Yuan, compared with the same period last year.

Including significant equity investment

√ Applicable □ Not applicable

Unit: RMB Million

Name of Invested Company	Major Business	Proportion of Baosteel's equity in the investee	Capital Actually Contributed by Baosteel
Wuhan Wugang Steel Processing Co., Ltd (note 1)	Steel processing	100%	191.7
Wuhan Wugang Steel Processing Co., Ltd (note 2)	Steel processing	100%	80.5
Guangzhou Nansha Baosteel Logistics Co., Ltd	Processing and distribution	100%	50.0
Shanghai Baoneng Science & Technology Co., Ltd	Software	40%	10.0
Total			322.2

Note 1: After Baosteel merged Wugang in a stock-for-stock deal, Baosteel Central China Trading Co., Ltd based in Wuhan, the wholly-owned subsidiary of Baosteel International, acquired 100% equity of Wuhan Wugang Steel Processing Co., Ltd. and merged the latter in May, 2017.

Note 2: After Baosteel merged Wugang in a stock-for-stock deal, Liuzhou Baosteel Auto Steel Parts Co., Ltd, the wholly-owned subsidiary of Baosteel International, acquired 100% equity of Liuzhou Wugang Steel Processing Co., Ltd held by Wugang Group and merged the latter in May, 2017.

##### 2. Main non-equity investment

√ Applicable □ Not applicable

In the first half of 2017, the Company has completed the fixed-asset investment of 3.52 billion Yuan

###### (1) Raised fund project situation

None.

###### (2) Non-raised fund project

###### 1) Project in progress

Closed transformation of the first- and second-phase mixing material field BA、BB and by-material field OA、OB in Baoshan Base.To address the problem of flowing dust and losses of materials in the first- and second-phase mixing material field and by-material field as well as to reduce pollution to surrounding environment, closed transformation of mixing material field where materials are piled in the open air are in progress.The project was planned to put into operation at the end of June, 2017 and is currently in the final stage of transformation work.

###### 2) New projects under construction

The transformation of No.1 and No.2 sintering machine in Baoshan Base. To improve energy conservation and environment protection of sintering circuit, further increase the proportion of sinter ore into furnace and reduce production costs, it was decided to dismantle the existing No.1 and No.2 sintering machine and build a new one. Currently the dismantlement of the old sintering machines is basically finished and pile foundation of the new one is under construction.

Structural optimization project of oriented silicon steel products in Baoshan Base. To further raise the level of oriented silicon steel products of Baosteel, fill the supply gap and better meet the demand from ultrahigh voltage power transmission, transformation and distribution industry in China for high-end oriented silicon steel products. It was decided to optimize the structure of oriented silicon steel products. In accordance with the principle of planning as a whole and implementing step by step, the first step planned is to begin trail-run of the whole project on hot load at the end of December, 2018. Currently the construction is in process.

Structural optimization project of tin plate products in Baoshan Base. In order to create conditions for the closing down and relocation of the former cold rolled thin plate area, adjust the structure of tin plate products and realize the most competitive development strategy for package material. The first step is to construct 2 relocation transition units in the 1420 cold rolling area and the second step is to relocate part of the existing units of former cold rolled thin plate area. The first step planned is to begin trail-run on hot load at the end of October, 2018. Currently the construction is in process.

### 3. Financial Asset Measured at Fair Value

√ Applicable □ Not applicable

Unit: RMB Million

Item	At the end of 2016	At the end of June, 2017	Purchases in the reporting period	Sales in the reporting period	Change in fair value
Financial assets measured at fair value and its change recorded in the gains/losses in the reporting period	1,123	154	3,080	4,026	15
Available-for-sale financial assets	3,633	3,339	312	556	6
Total	4,756	3,493	3,392	4,582	21

### (V) Analysis of Major Holding and Joint-stock Companies

√ Applicable □ Not applicable

#### 1. Shanghai Meishan Iron & Steel Co., Ltd.

By the end of June, 2017, the Company had 77.0% shareholding of Shanghai Meishan Iron & Steel Co., Ltd. With a registered capital of RMB 7.08 billion, Meishan Steel specializes in black metal metallurgy, rolling, processing and sales. By June 30, 2017, it had a total asset of RMB 29.79 billion and a net asset of RMB 10.56 billion, and achieved a net profit of RMB 840 million for the first half of 2017.

#### 2. Baosteel Zhanjiang Iron & Steel Co., Ltd.

By June 30, 2017, the Company had 90% shareholding of Baosteel Zhanjiang Iron & Steel Co., Ltd. With a registered capital of RMB 20 billion, Zhanjiang Steel specializes in black metal metallurgy, rolling, processing and sales. By the end of June, 2017, it had a total asset of RMB 60.11 billion and a net asset of RMB 19.22 billion, and reported a net profit of RMB 1.35 billion for the first half of 2017.

#### 3. Wuhan Iron & Steel Co., Ltd.

After Baosteel merged Wugang in a stock-for-stock deal on February 27, 2017, the entire assets and businesses of

Wugang transferred into Wuhan Iron&Steel Ltd., its wholly-owned subsidiary. The company, with the registered capital of 500 million Yuan, focuses its business on the production of metallurgical products and by-products as well as extended products of iron and steel. As of the end of June, 2017, the company owned a total assets of 89.37 billion Yuan and net assets of 27.98 billion Yuan, and has achieved a net profit of -780 million Yuan in the first half of 2017.

#### **4. Baosteel-NSC Automotive Steel Sheets Co., Ltd.**

By the end of June, 2017, the Company owned 50% of Baosteel-NSC Automotive Steel Sheets Co., Ltd. (BNA). With a registered capital of RMB 3 billion, BNA is mainly engaged in the manufacturing and sales of cold-rolled steel sheets and hot-dip and electrolytic galvanized steel sheets for automobile and automotive parts and other services related to such businesses. By the end of June, 2017, BNA had a total asset of RMB 4.93 billion and a net asset of RMB 3.68 billion, and achieved a net profit of RMB 170 million for the first half of 2017.

#### **5. Yantai Lubao Steel Pipe Co., Ltd.**

By the end of June, 2017, the Company owned 100% of Yantai Lubao Steel Pipe Co., Ltd. With a registered capital of RMB 500 million, Lubao Steel Pipe is mainly engaged in the processing and sales of seamless steel pipe. Its major products include structural seamless steel pipe, low/medium pressure boiler seamless pipe, seamless pipelines for transportation of fluids, hydraulic seamless pipe, high pressure boiler seamless pipe, seamless pipe for oil pipelines, geological drillings, oil pipelines, oxygen canisters, and so on. By the end of June, 2017, the company had a total asset of RMB 930 million and a net asset of RMB 560 million, and reported a net profit of RMB 1.315 million for the first half of 2017.

#### **6. Baosteel Huangshi Coated and Galvanized Sheet Co., Ltd.**

By the end of June, 2017, the Company owned 50.63% of Baosteel Huangshi Coated and Galvanized Sheet Co., Ltd. (Huangshi). With a registered capital of RMB 170 million, Huangshi specializes in the production and sales of cold-rolled sheets, aluminum coated steel sheets, color-coated steel sheets and related coated steel products. By the end of June, 2017, Huangshi had a total asset of RMB 1.14 billion and a net asset of RMB 510 million, and achieved a net profit of RMB 20 million for the first half of 2017.

#### **7. Shanghai Baosteel International Economic & Trading Co., Ltd.**

By the end of June, 2017, the Company had a full shareholding of Shanghai Baosteel International Economic & Trading Co., Ltd. (Baosteel International). With a registered capital of RMB 2.25 billion, Baosteel International is mainly engaged in independent and agency imports and exports of goods and technology approved by the government, the imports of steel and scrap processing with imported materials and the "three-plus-one" trading-mix. By the end of June, 2017, Baosteel International had a total asset of RMB 47 billion and a net asset of RMB 15.41 billion, and achieved a net profit of RMB 860 million for the first half of 2017.

#### **8. Shanghai Baosight Software Co., Ltd.**

By the end of June, 2017, the Company owned 55.5% of Shanghai Baosight Software Co., Ltd. (Baosight). With a registered capital of RMB 0.78 billion, Baosight is mainly engaged in the research, design, development, manufacturing and integration of computer, automation, network communication systems and software & hardware products. By the end of June, 2017, Baosight had a total asset of RMB 7.05 billion and a net asset of RMB 4.36 billion, and achieved a net profit of RMB 220 million for the first half of 2017.

#### **9. Shanghai Baosteel Chemical Co., Ltd.**

By the end of June, 2017, the Company had a full shareholding of Shanghai Baosteel Chemical Co., Ltd. (Baosteel Chemical). With a registered capital of RMB 2.11 billion, Baosteel Chemical is mainly engaged in the production and sales of raw chemical materials and products, "four techniques" services in chemical industry, and import and export activities of self-manufactured products. By the end of June, 2017, Baosteel Chemical had a total asset of RMB 5.61 billion and a net asset of RMB 3.83 billion, and achieved a net profit of RMB 0.25 billion for the first half of 2017.

**10. Shanghai Baosteel Assets Management Co., Ltd**

By the end of June, 2017, the Company owned 100% of its equity. The company, with the registered capital of 1 billion Yuan, focuses its business on assets management, engineering machinery and metallurgical equipment maintenance, design, production, installation and maintenance of metallurgical equipment(excluding special equipment),import and export of commodities and services as well as technology development, technology transfer, technology consulting,technology service etc. in the field of metallurgical technology. By the end of June, 2017, the company owned a total assets of 1.04 billion Yuan and net assets of 1 billion Yuan, and has achieved a net profit of -958 thousand Yuan in the first half of 2017.

**11. Baosteel Group Finance Co., Ltd.**

By the end of June, 2017, the Company had 62.1% of Baosteel Group Finance Co., Ltd. (Finance Co.). With a registered capital of RMB 1.4 billion, Finance Co. is mainly engaged in absorbing deposits from member entities, providing loans to them, conducting internal financial transfers and relevant settlements between them, helping them in entrusted loan and investment, and engaged in deposits from or to other financial institutions. By the end of June, 2017, Finance Co. had a total asset of RMB 17.1 billion and a net asset of RMB 2.06 billion, and achieved a net profit of RMB 110 million for the first half of 2017.

**12. Yantai Baosteel Pipe Co., Ltd.**

By the end of June, 2017 the Company owned 80% of Yantai Baosteel Pipe Co., Ltd., with the rest 20% owned by Lubao Steel Pipe Co.. With a registered capital of RMB 4 billion, Yantai Baosteel Pipe is mainly engaged in manufacturing, processing and sales of steel pipe, accessory products and by-products, while providing technical consultation, storage, shipping, importing and exporting services of steel pipe rolling technology. By the end of June, 2017 Yantai Baosteel Pipe had a total asset of RMB 4.4 billion and a net asset of RMB 0.94 billion, and reported a net profit of RMB -100 million for the first half of 2017.

**13. Ouyeel Co., Ltd.**

In June, 2017, Ouyeel Co., Ltd.subordinate to the Company was listed publicly on Shanghai United Asset and Equity Exchange for augmented equity financing and strategic investors including Bxsteel Group, Shasteel Group, ProLogis, Mitsui & Co., Ltd., Shougang Fund, CCB Fund and Shanghai Ouji purchased 28% of the Company's shares. 933 million shares were issued and 1.055 billion Yuan was raised in this augmented equity financing, after which the registered capital of the company was 3.333 billion Yuan and the proportion of total shares held by Baosteel and Baosteel International was diluted from 51% to 36.72%. By the end of June, 2017, the company owned a total assets of 14.1 billion Yuan and net assets of 2.47 billion Yuan, and has achieved a net profit of -110 million Yuan in the first half of 2017.

**14. Overseas Companies**

By the end of June, 2017, the Company had overseas subsidiaries in the U.S.A., Japan, Germany, Singapore, and Hong Kong China. These overseas subsidiaries extended the Company's sales and purchase networks, and played a critical role in enhancing the Company's international competitiveness.

**(VI) Structured Entities under the Company's Control**

Applicable  Not applicable

**II. Other Disclosure Matters****(I) Warnings and Instructions of Forecasting that the Accumulative Net Profit from the Beginning of the Year to the End of Next Reporting Period may be Deficit or There is Substantial Change Compared with the Same Period Last Year**

Applicable  Not applicable

**(II) Potential Risks**

Applicable  Not applicable

After Baosteel finished merging Wugang in a stock-for-stock deal in 2017, the Company is in an urgent need to give full play to the synergistic effect and scale effect as well as enhance its ability to make sustained profits. The Company, in the integration of Baosteel and Wugang through integrating various businesses and managements, faces potential risks of failing to maximize cross-region synergy in various aspects including purchasing, production, marketing and human resources within the targeted period

**(III) Other Disclosure Events**

Applicable  Not applicable



## Section V Significant Events

### I. Introduction of Shareholders' General Meeting

Session	Date of convening	Query index of designated website published by resolution	Disclosure date published by resolution
1st Extraordinary Shareholders' Meeting of 2017	February 24, 2017	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a>	February 25, 2017
Annual Shareholders' General Meeting of 2016	May 23, 2017	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a>	May 24, 2017

Situation explanation of Shareholders' General Meeting

Applicable  Not applicable

### II. Profit Distribution Plan or Capital Reserve Capitalization Plan

#### (I) Proposed Profit Distribution Plan and Capital Reserves Capitalization Plan in the First Half of 2016

Distribute or capitalize	No
Send bonus shares every 10 shares(shares)	
Dividend /10 shares (Yuan) (tax included)	
Shares of transfer /10 shares ( shares )	
Situation explanation of Profit Distribution Plan or Capital Reserve Capitalization Plan	

### III. Commitments and Performance

#### (I) Commitments of related parties such as Actual Controllers, Shareholders, Affiliated parties, Purchaser and the Company in and Continuing to the Reporting Period

√ Applicable □ Not applicable

Shanghai Baosteel Group Corporation (abbreviated as “Baosteel”), predecessor of China Baowu Steel Group Corporation (abbreviated as “Baowu”).

Background	Type	Party	Commitment content	Date	If any duration	If strictly perform in time	Specific reasons for nonperformance in time	Notes for next plan if nonperformance in time
Baosteel exchanges stocks with Wuhan Iron&Steel and Related-party Transaction Report	Commitment to be fulfilled on stock exchange M&A and Related-party Transaction by Filling Returns	All directors, senior executives of Baosteel	1. I undertake not to send benefits to other units or individuals without gratuitous or unfair conditions, nor in any other way to damage the interests of the company; 2. I promise to restrict the consumer behavior; 3. I undertake not to use the company's assets to engage in investment or consumer activities unrelated to the performance of their duties; 4. I undertake that the remuneration system established by the board of directors or the remuneration and appraisal committee is in line with the company's implementation of the return measures; 5. I undertake that if the company subsequently launches the equity incentive plan, I will support the exercise of the company's equity incentive to be announced, and it will be linked to the implementation of the company's return measures; 6. I undertake to fulfill this commitment in good faith and be willing to take legal responsibility for breach of the above commitments. These commitments were published on <i>China Securities News</i> , <i>Shanghai Securities News</i> and <i>Securities Times</i> dated September 23, 2016 and the official website of Shanghai Stock Exchange ( <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> ) as well.	September 22, 2016	No	Yes		
	Commitment to maintain the independence of Baoshan Iron & Steel Co., Ltd	Baosteel Group, Wuhan Iron and Steel Group	I. To maintain the independence of Baosteel, the Company undertakes to be independent of Baosteel after the completion of this transaction. The senior managers of Baosteel such as general manager, vice-general manager, chief financial officer and secretary of the board of directors shall not hold positions in the Company or other enterprises controlled by the Company other than directors and supervisors, and will not be paid by the Company and other subordinate enterprises of the Company. Baosteel's financial officers will not take part in the part-time job in the Company and other enterprises controlled	o	No	Yes		

		<p>by the Company. II. Guarantee the independent and complete property of Baosteel 1. To ensure that Baosteel has independent and complete assets. 2. To ensure that no funds or assets of Baosteel occupied by the Company or other enterprises controlled by the Company. 3. To ensure that the residence of Baosteel is independent of the shareholders'. III. Guarantee the financial independence of Baosteel 1. To ensure that Baosteel will establish an independent financial department and an independent financial accounting system. 2. To ensure that Baosteel has a standard and independent financial accounting system. 3. To ensure that Baosteel independently opens an account in a bank and does not share a bank account with its shareholders. 4. To ensure that the financial staff of Baosteel will not take part in the part-time job in the Company or other enterprises under the control of the Company. 5. To ensure that Baosteel can independently make financial decisions and the Company and other enterprises under the control of the company do not interfere with the use of funds in Baosteel. IV. To ensure the independence of Baosteel and to ensure that Baosteel has an independent and complete organizational structure and is completely separate from the shareholders, especially those of the Company and other enterprises under the control of the Company. V. To ensure the independence of Baosteel. The Company undertakes to maintain its business with Baosteel after the completion of the transaction, and does not exist and does not have substantial horizontal competition or unfair transactions. Baosteel has guaranteed the assets, personnel, qualification and ability of independent business activities, and has the ability to operate independently oriented for the market. VI. The Company undertakes not to interfere in the operation and management of Baosteel and shall not encroach on the interests of the company. These commitments were published on <i>China Securities News</i>, <i>Shanghai Securities News</i> and <i>Securities Times</i> dated September 23, 2016 and the official website of Shanghai Stock Exchange (<a href="http://www.sse.com.cn">http://www.sse.com.cn</a>) as well.</p>					
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Commitment to avoid horizontal Competition with the new company after M&A	Baosteel Group	<p>1. After the completion of this transaction, the Company will not directly or indirectly (including but not limited to the sole proprietorship and holding etc.) participate in or carry out business activities which have substantial competition or may have substantial competition with the main business undertaken by Baosteel. 2. If the company or its subsidiaries wish to undertake new operations, investments and research activities that may compete with Baosteel, Baosteel will have the priority to development and the priority to purchase the project, and the company will do its utmost to make the relevant transaction price determined on a fair and reasonable basis and through the normal commercial transactions with the independent third party. 3. Upon completion of this transaction, the company will exercise its legitimate rights to promote the performance of the relevant commitments issued by the parties in this transaction regarding competition within the industry. 4. The above commitments are valid during the period as the controlling shareholder of Baosteel. In case of violation of the above commitments, the rights and interests of the Baosteel are damaged, and the company is willing to undertake the corresponding liability for damages. These commitments were published on <i>China Securities News</i>, <i>Shanghai Securities News</i> and <i>Securities Times</i> dated September 23, 2016 and the official website of Shanghai Stock Exchange (<a href="http://www.sse.com.cn">http://www.sse.com.cn</a>) as well.</p>	September 22, 2016	No	Yes		
Commitment to avoid horizontal Competition with the new company after M&A	Wuhan Iron and Steel Group	<p>1. The company promised, after 3 years after the Fangchenggang steel project fully putting in the operation since the date of completion of the transaction (the earlier date), no control of Guangxi Iron and Steel Group Co. Ltd. or leading the company's operations. 2. After the completion of this transaction, the Company will not directly or indirectly (including but not limited to the sole proprietorship and holding etc.) participate in or carry out business activities which have substantial competition or may have substantial competition with the main business undertaken by Baosteel. 3. If the company or its subsidiaries wish to undertake new</p>	September 22, 2016	No	Yes		

			<p>operations, investments and research activities that may compete with Baosteel, Baosteel will have the priority to development and the priority to purchase the project, and the company will do its utmost to make the relevant transaction price determined on a fair and reasonable basis and through the normal commercial transactions with the independent third party. 4. In addition to the Guangxi Iron and Steel Group Co. Ltd. in accordance with this commitment to resolve the way to perform and the performance of procedures to exempt from the commitments, transaction, and the effect of Baosteel. At present, the company's ongoing commitment to Wuhan Iron and Steel is related to competition in the industry, after the completion of the transaction to continue to perform, and valid for Baosteel. 5. The above commitments are valid during the period as the controlling shareholder of Baosteel. In case of violation of the above commitments, the rights and interests of the Baoshan Iron and steel company are damaged, and the company is willing to undertake the corresponding liability for damages. These commitments were published on <i>China Securities News</i>, <i>Shanghai Securities News</i> and <i>Securities Times</i> dated September 23, 2016 and the official website of Shanghai Stock Exchange (<a href="http://www.sse.com.cn">http://www.sse.com.cn</a>) as well.</p>					
	Commitment on Standardizing Related-party Transaction	Baosteel Group	<p>1.The company will ensure that Baosteel's business is independent and has complete asset with independent, complete production, supply and marketing, as well as other supporting systems. 2. The Company and other enterprises controlled by the Company will not seek preferential transactions with Baosteel and its affiliated enterprises using the identity of shareholders of Baosteel. 3. The company and other enterprises under the control of the company will avoid unnecessary transactions with Baosteel and its affiliated enterprises. In the event of a necessary and unavoidable transaction, the company and other enterprises under the control of the company will sign the agreement with Baosteel and its affiliated enterprises in accordance with the principles of fairness, justness, equivalence and compensation. The legal</p>	September 22, 2016	No	Yes		

			<p>procedures shall be fulfilled, and the provisions of the relevant laws, regulations and normative documents and the provisions of the <i>Constitution of Baoshan Iron&amp;Steel Company</i> shall be followed. To fulfill the obligations of information disclosure in accordance with the law, and perform relevant internal decision-making and approval procedures, and undertake not to make transactions with Baosteel and its subordinate enterprises without unfair conditions in comparison with market prices, and do not use such transactions to do any harm to the lawful rights and interests of Baoshan Iron and steel company and other shareholders. 4. In case of violation of the above commitments, the rights and interests of the Baoshan Iron and steel company are damaged, and the company is willing to undertake the corresponding liability for damages. These commitments were published on <i>China Securities News</i>, <i>Shanghai Securities News</i> and <i>Securities Times</i> dated September 23, 2016 and the official website of Shanghai Stock Exchange (<a href="http://www.sse.com.cn">http://www.sse.com.cn</a>) as well.</p>					
	Commitment on Standardizing Related-party Transaction	Wuhan Iron and Steel Group	<p>1. The Company and other enterprises controlled by the Company will not seek preferential transactions with Baosteel and its affiliated enterprises using the identity of shareholders of Baosteel. 2. The company and other enterprises under the control of the company will avoid unnecessary transactions with Baosteel and its affiliated enterprises. In the event of a necessary and unavoidable transaction, the company and other enterprises under the control of the company will sign the agreement with Baosteel and its affiliated enterprises in accordance with the principles of fairness, justness, equivalence and compensation. The legal procedures shall be fulfilled, and the provisions of the relevant laws, regulations and normative documents and the provisions of the <i>Constitution of Baoshan Iron&amp;Steel Company</i> shall be followed. To fulfill the obligations of information disclosure in accordance with the law, and perform relevant internal decision-making and approval procedures, and undertake not to make transactions with Baosteel and its subordinate</p>	September 22, 2016	No	Yes		

			enterprises without unfair conditions in comparison with market prices, and do not use such transactions to do any harm to the lawful rights and interests of Baoshan Iron and steel company and other shareholders. 3. In case of violation of the above commitments, the rights and interests of the Baoshan Iron and steel company are damaged, and the company is willing to undertake the corresponding liability for damages. These commitments were published on <i>China Securities News</i> , <i>Shanghai Securities News</i> and <i>Securities Times</i> dated September 23, 2016 and the official website of Shanghai Stock Exchange ( <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> ) as well.					
	Commitment on assuming dissenters cash option provider of Baoshan Iron&Steel Co., Ltd during Baowu exchanging stocks	Baosteel Group	1. For the exercise of cash option as provided for in this merger scheme, and according to the cash option issued by Baosteel, the relevant procedures stipulated in the relevant announcement shall be successfully applied to declare the opposition shareholders of the Baoshan Iron and steel company to exercise the cash option, the Company unconditionally agreed to pay the cash consideration to the relevant dissenting shareholders in accordance with the obligations stipulated in Article 3 of the "Consolidated Agreement", "Baosteel Shareholder's Cash Option", to fulfill the obligations of the provider of the cash option. 2. The Company confirms that after the completion of the exercise of the cash option of Baosteel's dissenting shareholders, if the shareholding ratio of the public of Baosteel is expected to meet the minimum requirements stipulated by laws and regulations, the company and / or the associated party of the company will immediately and in effect, transfer part of the shares of Baosteel to the independent third party, in a practicable manner so that the number of public shares held by Baosteel will meet the minimum requirements set by laws and regulations. 3. The company agrees that it will not receive any remuneration from Baosteel and / or Wuhan Iron & Steel Shares due to the cash option provider of Baosteel's dissenting shareholders and will not receive any remuneration from the dissenting shareholders of Baosteel, who exercise the cash	September 22, 2016	No	Yes, no dissenting shareholders declare cash option		

			option. 4. The company will comply with the relevant obligations of the cash claim provider in accordance with the relevant provisions of the laws, regulations and other regulatory documents. 5. The above commitments made by the company do not violate the provisions of the laws, regulations and the articles of association of the company, nor are there any conflicts with the obligations under other contracts undertaken by the company. These commitments were published on <i>China Securities News</i> , <i>Shanghai Securities News</i> and <i>Securities Times</i> dated September 23, 2016 and the official website of Shanghai Stock Exchange ( <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> ) as well.					
Commitment on assuming dissenters cash option provider of Baoshan Iron&Steel Co., Ltd during Baowu exchanging stocks	Wuhan Iron and Steel Group		1. For the exercise of cash option as provided for in this merger scheme, and according to the cash option issued by Baosteel, the relevant procedures stipulated in the relevant announcement shall be successfully applied to declare the opposition shareholders of the Baoshan Iron and steel company to exercise the cash option, the Company unconditionally agreed to pay the cash consideration to the relevant dissenting shareholders in accordance with the obligations stipulated in Article 4 of the "Consolidated Agreement", "Baosteel Shareholder's Cash Option", to fulfill the obligations of the provider of the cash option. 2. The Company confirms that after the completion of the exercise of the cash option of Baosteel's dissenting shareholders, if the shareholding ratio of the public of Baosteel is expected to meet the minimum requirements stipulated by laws and regulations, the company and / or the associated party of the company will immediately and in effect, transfer part of the shares of Baosteel to the independent third party, in a practicable manner so that the number of public shares held by Baosteel will meet the minimum requirements set by laws and regulations. 3. The company agrees that it will not receive any remuneration from Baosteel and / or Wuhan Iron & Steel Shares due to the cash option provider of Baosteel's dissenting shareholders and will not receive any remuneration from the	September 22, 2016	No	Yes, no dissenting shareholders declare cash option		



			<p>dissenting shareholders of Baosteel, who exercise the cash option. 4. The company will comply with the relevant obligations of the cash claim provider in accordance with the relevant provisions of the laws, regulations and other regulatory documents. 5. The above commitments made by the company do not violate the provisions of the laws, regulations and the articles of association of the company, nor are there any conflicts with the obligations under other contracts undertaken by the company. These commitments were published on <i>China Securities News</i>, <i>Shanghai Securities News</i> and <i>Securities Times</i> dated September 23, 2016 and the official website of Shanghai Stock Exchange (<a href="http://www.sse.com.cn">http://www.sse.com.cn</a>) as well.</p>					
<p>Commitment on Baoshan Iron &amp; Steel Co., Ltd. Exchanging stocks and merging with Wuhan Iron &amp; Steel Co., Ltd. related to the transaction matters</p>	<p>Wuhan Iron and Steel Group</p>	<p>I. Description and commitment on land leasing matters 1. For 39 authorized operating places that have obtained the Authorization for the Management of State-owned Land Use Rights, the Company undertakes to complete the state-owned land in the land administration department within 3 years from the date of completion of this merger and acquisition, and the land rent the configuration for WISCO and its subsidiaries use matters for the relevant registration procedures for the registration, there is no substantial obstacles. 2. For two authorized operating leases that have not yet obtained the Power of Attestation of State-owned Land Use Rights, the company will obtain the "State-owned Land Use" of the two authorized operating places within 3 years from the date of completion of this merger and acquisition. And in accordance with the provisions of the land authorities in the completion of state-owned land use rights registration procedures, and the land to lease the way to the Wuhan Iron and Steel shares and its subsidiaries to handle the relevant registration procedures for the registration, there is no substantial obstacle to the procedure. 3. For the use of land in the second phase of the new shares of WuXin, the Company undertook to obtain the land use right within 3 years from the date of completion of the merger and acquisition in the event that the land</p>	<p>September 22, 2016</p>	<p>Yes</p>	<p>Yes</p>			

		<p>acquisition department of the relevant land was open to the auction, to obtain the land use certificate or ensure that the land use certificate is acquired by the new shares. Handling and obtaining the aforesaid land use right certificate does not have any material obstacles. If the land use right certificate is obtained from the new shares at that time, the company will terminate the "land lease agreement" with respect to the land. If the company does not acquire the land use right certificate or the new shares of WuXin, the company may not continue to use the land, and will take all reasonable and practicable measures to remove the relevant obstruction or influence and bear the relevant losses suffered by WuXin shares. 4. The company will ensure that Wuhan Iron and steel (or WISCO shares asset receiver according to the merger plan) and its subsidiaries sustainable and stable to continue to use the land, including the leasing of land; If due to the fact that the land leasing involves not authorized for the use right of state-owned land registration or leasing no registration in WISCO (or WISCO shares asset receiver according to the merger plan) and its subsidiaries can not continue to use the land, the company will take all reasonable measures without prejudice or affect, and bear the related losses of Wuhan Iron and Steel (or WISCO shares asset receiver according to the merger plan) or its subsidiaries. These commitments were published on <i>China Securities News</i>, <i>Shanghai Securities News</i> and <i>Securities Times</i> dated September 23, 2016 and the official website of Shanghai Stock Exchange (<a href="http://www.sse.com.cn">http://www.sse.com.cn</a>) as well.</p>					
		<p>II. Notes and commitments regarding property matters 1. For the property registered under Wuhan Iron and its subsidiary companies, but the right to use the land is the property of the company, the company confirms that the actual ownership of such property is Wuhan Iron and steel corporation or subsidiaries of Wuhan Iron and steel corporation, and Wuhan Steel shares (or WISCO shares asset receiver according to the merger plan) and its subsidiaries will continue to occupy and</p>	<p>September 22, 2016</p>	<p>Yes</p>	<p>Yes</p>		

		<p>use the house according to the present situation, and there is no property disputes, disputes or potential disputes about the house. For the real estate, the company promises to be in accordance with the merger plan in this merger before the completion of the transfer to the merger plan according to Wuhan Iron and steel assets transfer procedures for the recipient name, and there is no substantial obstacles. 2. For the property owned by Wuhan Iron and Steel Co., Ltd. and its subsidiaries of Wuhan Iron and Steel Co., but still registered in the name of the Company, the Company confirms that Wuhan Iron and Steel Company and its related subsidiaries have paid the relevant consideration to the Company in full or by its own funded construction and the actual owner of the above-mentioned property shall be Wuhan Iron and Steel and the relevant subsidiaries; The Company undertakes to ensure that Wuhan Iron &amp; Steel Co., Ltd.(or WISCO shares asset receiver according to the merger plan) and its related subsidiaries may use the aforesaid real estate for a long period of time and continue to use the aforesaid real estate directly in accordance with the instructions of Wuhan Iron &amp; Steel Co., Ltd.(or WISCO shares asset receiver according to the merger plan) and the relevant subsidiaries. In the event of any profit, the company shall enjoy the shares of Wuhan Iron and steel company (or WISCO shares asset receiver according to the merger plan) and its affiliated subsidiaries. For such real estate, the Company undertakes to the merger in accordance with the merger plan in the merger within 2 years after the completion of the transfer to the merger according to the merger plan to determine the Wuhan Iron and Steel shares under the name of the recipient or the relevant subsidiary of the name. The above transfer procedures do not exist substantive legal obstacles, the resulting transfer and other related costs borne by the Company. 4. The Company undertakes to indemnify the Company for any loss resulting from the Company's breach of the aforesaid commitment to Wuhan Iron &amp; Steel Company (or WISCO shares asset receiver according to the merger plan) and its related</p>					
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		<p>subsidiaries. These commitments were published on <i>China Securities News</i>, <i>Shanghai Securities News</i> and <i>Securities Times</i> dated September 23, 2016 and the official website of Shanghai Stock Exchange (<a href="http://www.sse.com.cn">http://www.sse.com.cn</a>) as well.</p>					
		<p>III. Notes and commitments on the land use of the Wuhan Weishike Steel Processing &amp; Distribution Co. Ltd. The company promises to ensure that the land use rights of the above-mentioned plots are obtained within 1 years after the completion of the merger and consolidation of Wuhan Weishike; If Wuhan Weishike is subject to administrative penalties or the order to demolish the buildings on the ground and to relocate from any government department before the actual use of the land prior to achieving the State-owned Land Use Certificate, or subsequently Wuhan Weishike will not obtain the State-owned Land Use Certificate of the above-mentioned plots in accordance with legal procedures. Wuhan Weishike therefore will compensate for the losses. These commitments were published on <i>China Securities News</i>, <i>Shanghai Securities News</i> and <i>Securities Times</i> dated September 23, 2016 and the official website of Shanghai Stock Exchange (<a href="http://www.sse.com.cn">http://www.sse.com.cn</a>) as well.</p>	September 22, 2016	Yes	Yes		
		<p>IV. Notes and commitments on Trademarks 1. The trademarks (hereinafter referred to as the "trademark") listed in annex two of this note and letter of commitment apply to the Company for registration, which are legal and valid, and their exclusive rights are protected by law and there is no dispute of ownership. The trademarks are currently used by WISCO and its subsidiaries free of charge. 2. The Company confirms that Wuhan Iron &amp; Steel Company and its subsidiaries are entitled to continue to use such trademarks free of charge and that the Company will continue to maintain the validity of such trademarks and guarantee the right to use of Wuhan Iron &amp; Steel Company. Without the consent of WISCO, the Company will not waive the renewal of the Trademarks and will not transfer to any third party. 3. After the merger is completed, the recipient of the assets of Wuhan Iron &amp; Steel Co., Ltd.</p>	September 22, 2016	No	Yes		

		<p>(hereinafter referred to as the "Wuhan Iron and Steel Company Asset Receiver") have the right to continue to use such trademarks for a long period of time within the validity period of such trademarks. And the Company undertakes to cooperate to transfer the trademarks to Wuhan Iron and Steel Company Asset Receiver if any of the laws, regulations or regulatory requires. These commitments were published on <i>China Securities News</i>, <i>Shanghai Securities News</i> and <i>Securities Times</i> dated September 23, 2016 and the official website of Shanghai Stock Exchange (<a href="http://www.sse.com.cn">http://www.sse.com.cn</a>) as well.</p>					
		<p>1. The patents (hereinafter referred to as the "patent") listed in the annex three of the note and commitment letter apply to the Company for registration, which are legal and valid, and their exclusive rights are protected by law and there is no dispute of ownership. The patent is currently used by WISCO and its subsidiaries free of charge. 2. The Company confirms that Wuhan Iron &amp; Steel Co., Ltd. and its subsidiaries are entitled to continue to use the patents without compensation, and the Company will continue to maintain the validity of such patents and guarantee the right to use Wuhan Iron &amp; Steel. Without the consent of WISCO, the Company will not waive the maintenance of such patents and will not transfer or license any third party to use. 3. After the merger is completed, the recipient of the assets (hereinafter referred to as the "Wuhan Iron and Steel Company Asset Receiver") of the Wuhan Iron and Steel shares determined by the merger plan shall have the right to continue to use the patents for a long period of time during the validity period of such patents. The Company undertakes that the Company will cooperate after the merger of the listed company and will transfer the relevant patent of the receiving shareholder and its subsidiaries of Wuhan Iron and Steel Company to Wuhan Iron and Steel shares assets receiver required by the listed company within 12 months. These commitments were published on <i>China Securities News</i>, <i>Shanghai Securities News</i> and <i>Securities Times</i> dated September 23, 2016 and the official website of Shanghai Stock</p>	<p>September 22, 2016</p>	<p>No</p>	<p>Yes</p>		

			Exchange ( <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> ) as well.					
			VI. Notes and commitment on litigation matters of Wuhan Iron and Steel Group International Economic and Trade Co. For the dispute, the Company confirmed: Wuhan Iron and Steel International Trade Company has no factual connection with the aforesaid borrowings due to third party suspected of forging Wuhan Iron and Steel International Trade Company's relevant seal, resulting in the fact that Ping An Bank filed a lawsuit to Wuhan Iron and Steel International Trade Company as the defendant. These commitments were published on <i>China Securities News</i> , <i>Shanghai Securities News</i> and <i>Securities Times</i> dated September 23, 2016 and the official website of Shanghai Stock Exchange ( <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> ) as well.	September 22, 2016	No	Yes		
			VII. Notes and commitments on other matters The Company undertakes that, in order to safeguard the interests of the listed company after the merger, if the legal defects existing in Wuhan Iron and Steel shares before the merger caused losses for the listed companies after the merger, Wuhan Iron and Steel Group will compensate for the listed companies to ensure that listed companies will not suffer the actual loss after the merger. These commitments were published on <i>China Securities News</i> , <i>Shanghai Securities News</i> and <i>Securities Times</i> dated September 23, 2016 and the official website of Shanghai Stock Exchange ( <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> ) as well.	September 22, 2016	No	Yes		
Commitments related with the initial public offering (IPO)	Solve horizontal Competition	Baosteel Group	Baosteel Group undertook the following two commitments as of the establishment of the Company: (1) All related transactions with the Company will be carried out in compliance with relevant laws, regulations and rules set by the authorities and will not damage the legitimate interest of the Company and its minority shareholders. (2) Baosteel Group promises it will not directly participate in any business activity or directly own interests in any business activity or entity that might pose competition to the Company's current operating business. However, Baosteel Group can maintain its existing shares in the Company, as well as manage and develop	February 3, 2000	No	Yes		

			existing business which is or may be in competition with the Company. If Baosteel Group and its subsidiaries are about to engage in any new business, investment or research that might be in competition with the products or services of the Company in the future, the Company has the priority to develop and acquire business said above. Commitments above will stay in force under two conditions: A. the Company is listed in Hong Kong Exchanges and Clearing Limited and domestic stock exchange of China and, B. Baosteel Group owns no less than 30% of the Company's issued shares. In addition, on June 13, 2001, and September 6, 2002, Baosteel Group further pledged to uphold these two commitments after the Company's acquisition of the assets related to construction of its phase three project and all remaining assets thereof. These commitments were published on <i>China Securities News</i> , <i>Shanghai Securities News</i> and <i>Securities Times</i> dated 21st June 2001 and 12th September 2002 and the official website of Shanghai Stock Exchange ( <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> ) as well.					
Commitments related with re-financing	Solve horizontal Competition	Baosteel Group	Commitments made in the Prospectus of additional public offering by Baosteel Group: (1) The Company has the right to acquire, at any time it thinks appropriate, Baosteel Group's assets and businesses which may be in competition with the Company. (2) The Company shall enjoy the priority of similar business opportunities acquired by Baosteel Group, who will not invest until the Company gives up the commercial opportunities. These commitments were publicly posted on official website of the Shanghai Stock Exchange ( <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> ) on April 15, 2005.	August 10, 2004	No	Yes		
Other commitments made by the company's small and medium	Others	Baosteel Group	Commitments Baosteel Group undertook about Luojing Land: Baosteel Group Shanghai Pudong Iron and Steel Co., Ltd. (hereafter, Pudong Steel), a wholly owned subsidiary of Baosteel Group, was offering its construction-in-progress and related fixed assets in Luojing (hereafter, Luojing Related Assets), which the Company intended to purchase. Luojing Related Assets covered an area of 3.228 million m <sup>2</sup> , for which	December 11, 2007	No	Yes		

shareholders			<p>Pudong Steel has paid some initial expenses, but not the land transfer expense. When the assets are to be purchased, RMB 2.8 billion of the unpaid land transfer expense and the Pudong Steel's initial expenses as on the asset-assessing day (30 September 2007), as preliminarily estimated, shall be paid by the Company.</p> <p>Baosteel Group promised:</p> <p>(1) If the Company intends to purchase the Luoqing Related Assets, Baosteel Group and/or Pudong Steel would help the Company to go through the transfer procedures and other matters as required by the Company.</p> <p>(2) In the event of the total actual expense exceeding RMB 2.8 billion for the procedures, Baosteel Group and/or Pudong Steel shall fully cover the exceeding amount in time, by means of paying the Company and/or the government (as it is required). The aforementioned commitments were published on China Securities News, Shanghai Securities News and Securities Times and the official website of Shanghai Stock Exchange (<a href="http://www.sse.com.cn">http://www.sse.com.cn</a>) of 12 December 2007.</p> <p>Land in commitments aforementioned involved with West Luoqing, East Luoqing and North Energy Gallery. By the end of this report, the Company has paid about RMB 2.34 billion for west land in Luoqing Project with land warrants, about RMB 20 million for north energy gallery land with land warrants. Relevant warrants for east land are in the process. And its land-transferring fees have not been paid yet.</p>					
	Others	Baosteel Group	<p>Baosteel Group advised if the Company would like to invest in the Desheng Nickel Project on December 16, 2010 in written form of <i>Solicit Letter about Investment on Desheng Nickel Project, Commitments about Desheng Nickel Project</i>. The Company agreed that Baosteel Group could invest in the project, but retained the right to purchase the equity of the project. Baosteel Group promised: When the Company wants to acquire the equity of the project, it would transfer its share of equity of the project at a fair price in line with relative laws, regulations, and other documents to the Company and on basis</p>	December 16, 2010	No	Yes		



			<p>of asset evaluation results as conducted by an individual assets evaluation agency.</p> <p>These commitments stay in force under two conditions: (a) the company is listed at a stock exchange and (b) Baosteel Group owns no less than 30% of the Company's issued shares.</p> <p>The aforementioned commitments were published on <i>China Securities News</i>, <i>Shanghai Securities News</i> and <i>Securities Times</i> and the official website of Shanghai Stock Exchange (<a href="http://www.sse.com.cn">http://www.sse.com.cn</a>) of December 23, 2010.</p>					
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**IV. Engagement and/or Termination of Accounting Firm**

Situation explanation of Engagement and/or Termination of Accounting Firm

Applicable  Not applicable

Situation explanation of Hiring of Accounting Firm during audit period

Applicable  Not applicable

Notes to the Company on the “non-standard audit’s report” of the accounting firm

Applicable  Not applicable

Notes to the Company on financial report in the annual report of the previous year was issued by the certified public accountant “non-standard audit’s report”

Applicable  Not applicable

**V. Related events on Bankruptcy Reorganization**

Applicable  Not applicable

**VI. Major litigation and arbitration matters**

There are major litigation and arbitration matters in the current reporting period  There are no major litigation and arbitration matters in the current reporting period

**(I) Legal Litigation and Arbitration disclosed in Temporary Announcement and without Subsequent Progress**

Applicable  Not applicable

**(II) Legal Litigation and Arbitration Undisclosed in Temporary Announcement or with Subsequent Progress**

Applicable  Not applicable

**(III) Other notes**

Applicable  Not applicable

USSC submitted application to ITC on April 26, 2016 for initiating 337 investigations against carbon steel and alloy steel products exported to USA by several Chinese steel companies. ITC officially filed on May 26. There are a total of more than 40 defendants of Chinese enterprises, covering almost all of China's large iron and steel enterprises. Baosteel involves three allegations: anti-monopoly, trade secret and false identification of origin, trade secrets.

Baosteel actively responded the first time. For antitrust litigation, ITC administrative judge terminated the investigation in the preliminary determination on November 14, 2016; On December 19, 2016, the Commission decided to review the preliminary determination; On April 20, 2017, the Commission organized an oral debate to hear the antitrust litigation, which is yet to produce the results of review. For False identification of the origin, ITC administrative judge terminated the investigation in the preliminary determination on January 11, 2017; On February 27, 2017, the Commission reviewed the preliminary determination, decided to revoke the preliminary determination, and sent back to retrial. After the resumption of the case, both sides continued the interrupted evidence to begin the work and both sides have completed witnesses forensics work. As of July 14, evidence discovery work of false identification of origin has been

completed. For trade secret, the plaintiff formally filed an application for withdrawal to the ITC on February 15, 2017, and the judge terminated the trial of the case of trade secret on February 22, 2017. The Commission had decided not to review. As a result, the litigation ended with nolle prosequi.

#### **VII. Punishment and Rectification of the Listed Company and Its Director, Supervisor, Senior Executives, Controlling Shareholders, Actual Controller and Acquirer**

Applicable  Not applicable

#### **VIII. Notes to the credibility and integrity of the Company and its controlling shareholders and actual controller during the reporting period**

Applicable  Not applicable

#### **IX. Impact of Equity Incentive, Employee Stock Option Plan or other incentives of the employees**

To establish and perfect the medium and long term incentive mechanism of Baoshan Iron & Steel, and to tightly combine the interest of executives of the Company and core technical personnel and management leaders who have direct impact on the Company's overall performance and sustainable development with the interest of the Company, the investor and all stockholders to better realize the performance goal of the Company and operating development, according to relevant laws and regulations and provisions of superior competent departments, the Company implemented the First Rewarding of Restricted Stock Plan in 2014. For relevant information please see the Company's annual report in 2014.

During the reporting period, the Company did not conduct the release and new granting of restricted stock. According to the national policy and the relevant provisions of the Company's restricted stock:

One incentive objects quitted from restricted stock plan according to the deliberation of the 14th meeting of the Sixth Session of Board of Directors on November 30, 2016. 253,400 restricted stocks failing to reach the release conditions were repurchased by the Company as per the granting price, and the cancellation was completed on February 7, 2017, decreasing the Company's share capital by 253,400 Yuan.

As approved by the 18<sup>th</sup> meeting of the Sixth Session of board of directors on May 23, 2017, the first phase of the restricted stock plan to unlock the second unlock period and unlock conditions of the incentive object have been achieved. According to the terms of the agreement, the incentive objects who meet the unlock conditions are 114 people. There are a total of 12,930,700 shares of unlocked restricted stock, accounting for 0.0585% of the company's total share capital. The date of going into market and circulation of unlocked restricted stock is June 19, 2017.

The above restricted stock plan to unlock the second unlock period and condition of going into market and circulation have been disclosed, and please visit the website of Shanghai Stock Exchange, <http://www.sse.com.cn>

#### **X. Significant Related Party Transactions**

##### **(I) Day-to-day Related Party Transactions**

The major related parties of the Company are the legal persons directly controlled by Baowu Group. In the reporting period, the Company had undertaken the following day-to-day related party transactions with its major related parties:

##### **1. Purchase and Sale of Products and Acceptance of Labor Services**

Unit: RMB Million

Related parties	Related transactions	Pricing policy	Amount
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Related parties	Related transactions	Pricing policy	Amount
Baosteel Special Steel Co., Ltd.	Sale of iron & steel products, raw ma fuels and auxiliary materials	Market price	922
Baosteel Metal Co., Ltd.	Sale of iron & steel products and energy media	Market price	11,050
Wuhan iron and steel (Group) Company	Sale of iron & steel products, raw auxiliary materials and energy	Market price	3,089
<b>Subtotal of product sales</b>			15,061
Baosteel Stainless Steel Co., Ltd.	Purchase of iron & steel products, etc.	Market price	3,061
Baosteel Special Steel Co., Ltd.	Purchase of iron & steel products, etc.	Market price	2,871
Ningbo Baoxin Stainless Steel Co., Ltd.	Purchase of iron & steel products, etc.	Market price	2,948
Baosteel Resources Co., Ltd.	Purchase of raw fuels	Market price	3,286
Guangdong Shaoguan	Iron & steel products, etc.	Market price	1,038
Wuhan iron and steel (Group) Company	Raw ma fuels and auxiliary materials, etc.	Market price	3,667
<b>Subtotal of products purchased</b>			16,870
Baosteel Engineering Technology Group Co., Ltd.	Receipt of services, e.g. testing, overhauling, engineering, etc.	Negotiated price	8,158
<b>Subtotal of services received</b>			8,158
Baosteel Special Steel Co., Ltd.	Sale of iron & steel products, raw ma fuels and auxiliary materials	Market price	922

Note: All of the companies listed above include their subsidiaries.

The product sales above accounted for 8.9% of the Company's operating revenue in the reporting period; while the purchase of products and acceptance of services accounted for 9.9% and 5.3% respectively of the Company's operating cost in the reporting period.

All of the above transactions were settled either by cash or by notes.

## 2. Financial Services

Baosteel Group Finance Co., Ltd. (hereafter referred to as Finance Co.), a national non-bank financial company jointly held by the Company (with 62.10% of the shares) and Baosteel Group (with 35.18% of the shares) etc., was established to enhance the central management of Group funds and increase the use efficiency of Group funds. It provides comprehensive financial services including internal accounting settlement, deposits and loans, financial management of short term capital, investment and financing, and so on for member entities.

In the reporting period, Finance Co. provided, at the RMB interest rate as set by the People's Bank of China, loans totaling RMB 5.13 billion to Baosteel Group's controlled subsidiaries, with a loan balance of RMB 330 million and a total interest income of RMB 6 million. At the same time, it absorbed deposits from Baosteel Group and its controlled subsidiaries, retaining a balance held on deposit of RMB 4.1 billion and paying a total interest of RMB 75 million at the end of the period.

The related party transactions between the Company and the related parties mentioned in above items (1) and (2) were conducted based on the principle of mutual maximum profits and optimal operation efficiency, where the Company and the related parties chose each other with a clear aim of making the best of each other's advantages via professional collaboration. All incurred amount are controlled within total annual estimated

amount. And the day-to-day related party transactions between the Company and the related parties will continue.

### 3. Entrusted Capital for Management

In order to effectively raise the use efficiency of phased-available funds and with maintenance and appreciation of capital value, Baosteel entrusted its financial subsidiary for capital management, including purchasing financial products like funds and trust. During the reporting period, trading volume was RMB 3.61 billion, with RMB 5.79 billion highest closing balance, RMB 100 million confirmed incomes.

## (II) Related Transactions Resulting From Assets Acquisition and Sales

Baosteel shares immediately carry out business integration after merging WISCO shares. In order to give full play to the synergy effect of marketing channels and implement the integration of cutting, processing and distribution business, the wholly-owned subsidiary of Liuzhou Baosteel Automotive Steel Parts Co., Ltd. Under Baosteel International absorbed 100% stake of Liuzhou Baosteel Processing Co., Ltd. held by Wuhan Iron and Steel Group. After the completion of the acquisition, the Liuzhou Baosteel Automotive Steel Parts Co., Ltd. absorbs Liuzhou Wugang Processing Co., Ltd. to implement the merger and absorption, the corresponding business inherited by Liuzhou Baosteel Automobile Parts Co., Ltd.

## (III) Significant Connected Transaction of Common Foreign Investment

### 1. Matters Disclosed in Temporary Announcement and Without Progress or Change in Subsequent Implementation

Applicable  Not applicable

### 2. Matters Disclosed in Temporary Announcement but With Progress or Change in Subsequent Implementation

Applicable  Not applicable

## (IV) Claims and Debts with Related Parties

### 1. Matters Disclosed in Temporary Announcement and Without Progress or Change in Subsequent Implementation

Applicable  Not applicable

### 2. Matters Disclosed in Temporary Announcement but With Progress or Change in Subsequent Implementation

Applicable  Not applicable

As approved by shareholders' meeting, the Company completed transfer of related assets of the subordinate stainless steel and special steel business units on April 1, 2012. The transfer payments of RMB 22.5 billion will be collected in equal installments over five years, or 20% each year. From 2013 onwards, principal and interest of the receivables will be collected on each April 1 until full payment on April 1, 2017.

## XI. Significant Contracts and Performance

### 1. Custody, Contract or Lease Matters

Applicable  Not applicable

### 2. Guarantees

Applicable  Not applicable

Unit: RMB Million

Current provision of guarantee of the Company( excluding guarantee for subsidiaries)													
Guarantor	Relation between guarantor and listed company	Secured party	Amount guaranteed	Guarantee date (Execution date of Agreement)	Duration	Expiry date	Guarantee type	If fully performed	If overdue	Overdue amount	If counter guarantee	If guaranteed by associated party	Association
Total guaranteed amount in the reporting period (excluding guarantees for subsidiaries)													
Total guarantee balance at the end of the reporting period (A) (excluding guarantees for subsidiaries)													
Guarantee for subsidiaries													
Total guaranteed amount for subsidiaries in the reporting period						7,000.00							
Total guarantee balance for subsidiaries at the end of the reporting period (B)						10,980.77							
Total guarantee (including guarantee for subsidiaries)													
Total guaranteed amount (A+B)						10,980.77							
Total guaranteed amount accounting for net asset of the Company (%)						6.76							
Incl:													
Guaranteed amount provided to shareholders, actual controller and its associated parties (C)													
Debt guaranteed amount provided to warrantee with direct or indirect asset-liability ratio over 70% (D)													
Guaranteed amount exceeding 50% of net assets (E)													
Total above guaranteed amount (C+D+E)													
Note for undue guarantee which would cause joint satisfaction liability						The Company bears joint liability for above guarantees, however, no event which cause the Company to actually perform its joint liability has occurred.							
Note for guarantee						As of the end of June in 2017, the company provided 2 joint liability performance guarantee for Baosteel Europe Trading Company: one of them was \$250 million from August 30, 2012 to August 30, 2017, with an additional \$281 million from October 21, 2014 to October 21, 2017; provided 2 joint liability performance guarantee for Baosteel Middle East Company: one of them was \$29 million from March 31, 2015 to June 29, 2018, with an additional \$19 million from November 28, 2016 to May 30, 2019; provided one joint liability performance guarantee for Baosteel Australia Trading Co., Ltd.: a total of \$9 million from December 10, 2015 to January 20, 2018; provided one joint liability guarantee system for the corporate bonds issued by Wuhan Iron and Steel Co., Ltd. The amount of the guarantee is RMB 7 billion Yuan and the interest, liquidated damages, damages							

	and reasonable expenses arising from the payment from March 1, 2017 to July 1, 2020; The total value of the above guarantee amount is RMB 10.981 billion Yuan, accounting for 6.76% of the net asset value of the company. There is no substantial risk on increasing in the performance guarantee, which is essentially different from the general guarantee. The above guarantees are not performance-oriented, and the risk can be controlled within the range.
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### 3. Other Significant Contracts

Applicable  Not applicable

## XII. Poverty Alleviation of Listed Companies

Applicable  Not applicable

### 1. Plans on take targeted measures in poverty alleviation

In February, 2016, the State-owned Assets Supervision and Administration Commission of the State Council held a meeting on poverty relief and development work of central enterprises and demanded various central enterprises become the hard core in the battle against poverty. In view of this, Baosteel will first implement steadfastly relevant requirements made by the State Council and the Group Company. On the basis of its continuous investments in several major aspects including poverty relief through industrial development, entire-village advancement and poverty relief through education, the Company will focus its attention on the specific goals of poverty relief in its targeted counties and carry out with high standard and strict requirement the systematic management of the projects it supports. It strives to make positive contributions in precise poverty relief work through its unremitting efforts.

### 2. Summary on taking targeted measures in poverty alleviation during the reporting period

In 2017, Baosteel adjusted the overall structure and the proportion of aid projects according to the central authorities to strengthen industry support to boost the poverty alleviation, namely: advancing Poverty Alleviation for a Whole Village, industrial development, education and training, and adjusted funds from the original ratio of 7:2:1 to 5:4:1. Baosteel gradually increase the intensity of helping the industry from the beginning of this year.

In 2017, Baosteel established a cooperation mechanism with the designated poverty alleviation counties and Pu'er City to have regular joint consultation exchanges, and gradually formed a "market-driven enterprise-linkage, multigrade-engine" work pattern, focusing on improving the production and living conditions of the poor. Baosteel took increasing development as the first goal, the project as a carrier, and actively promoted Yunnan's products into Baosteel, Baosteel's workers into Yunnan "double into activities. At the same time, Baosteel increased cooperation and exchanges between both sides, seeking to explore new ways of industrial poverty, poverty alleviation in electronic business, and actively supported the development of green industries such as Pu'er Tea, coffee, Dendrobium candidum, Ryan Gongmi and a number of featured industry with prominent superiority, moderate scale and strong market competitiveness. What's more, Baosteel assisted the designated poor counties through the Internet platform such as "Good Life" to promote ecological products and explore innovative industries to improve working mechanism.

### 3. Statement of poverty alleviation work for listed companies during the reporting period

Unit: RMB Million Yuan

Indicator	Quantity and development
I. Overall situation	Donate reconstruction funds 12.98 million Yuan to four counties and Pu'er City according to the plan involving 22 projects. Among them, 9.98 million Yuan is for the planned poverty alleviation funds, 3 million

	Yuan for additional special poverty alleviation funds. In the first half of 2017, there are 52 people in Baosteel who go on site inspection (including: Bureau-level 3 persons, division-level 34 persons, section and below 15 persons).
Including: 1.funds	1,298
II.Itemized investment	
1. poverty alleviation through industrial development	
Types of industrial poverty alleviation projects	<input checked="" type="checkbox"/> Poverty alleviation in agriculture and forestry industry <input type="checkbox"/> Poverty alleviation in tourism <input type="checkbox"/> Poverty alleviation in electronic business <input type="checkbox"/> Poverty alleviation in asset incomes <input type="checkbox"/> Poverty alleviation in technology <input type="checkbox"/> Others
1.2 Number of industrial poverty alleviation projects	9
1.3 Amounts invested of industrial poverty alleviation project	400
1.4 To help people out of poverty in the number of filing cards (person)	576
2. Poverty alleviation through transferring employment	
Including: 2.1 Amount of investment in vocational skills training	25
2.2 Number of person who attend vocational skills training (person / time)	280
3. Poverty alleviation through relocating the poor	
4.Poverty alleviation through education	
Including: 4.1 Funding for poor students	39
4.2Number of needy students (person)	220
4.3 Amount of investment in improving educational resources in poor areas	86
5. Health care for the poor	
6.Poverty alleviation through ecological protection	
7.Fallback protection	
8 Social poverty alleviation	
9. Other projects	
Including: 9.1.) Number of projects(number)	7



9.2.Amounts invested	675
9.3.) To help people out of poverty in the number of filing cards (person)	490
III. Awards received (content, grade)	

#### 4. Follow-up poverty alleviation plan

In the second half of the year, Baosteel will continue to conscientiously implement the precise poverty alleviation work spirit by Party Central Committee and the State Council. In the unified deployment of Baowu group and in strict accordance with the "2013-2017 year Baosteel's alleviation work plan on Yunnan", Baosteel will combine with poverty alleviation and development program in Yunnan province, relying on the poverty alleviation program of the local government, to integrate poverty alleviation of Baosteel into the local poverty alleviation system, to carefully organize the implementation of the project and strictly implement the project management. Under the joint efforts of local cadres and cadres of the poverty alleviation in Baosteel, Baosteel completed the goal of helping in 2017 successfully, had achievements on precise poverty alleviation action, which embodies the corporate social responsibility of Baosteel.

#### XIII. Convertible Corporation Bonds

Applicable  Not applicable

#### XIV. Environmental statement of key pollutant discharge unit and its subsidiaries published by environmental protection department

Applicable  Not applicable

During the reporting period, the Company issued the 2016 Sustainable Development Report. The report shows that the Company is "to create the best performance of the iron and steel enterprises, become the best environment-friendly practitioners, and become urban steel mills for a better life", which represents its sustainable development vision.

During the reporting period, the Company has developed a new round (2016 - 2021) urban steel mill development plan. The plan defines the objective "to create an upgraded green factory taking high-class steel products manufacturing as the core, and build demonstration city mills on the basis of urban ecological harmony" and the approach "hundreds of projects, tens of billions of investment", then fully docking with the local "13th Five-Year plan, achieving deep consensus in the resource sharing, urban industry convergence, co-construction of ecological environment, etc.

During the reporting period, the Company has made full use of potential on elimination of solid waste of iron and steel enterprises to promote urban steel construction. In the first half of 2017, the Company completed a total volume of 4,579 tons of paint buckets into the furnace, of which 1,109 tons were paint buckets in the factory, 3,470 tons were paint buckets outside the factory. The Company continued to settle by itself and achieved zero waste of solid waste resources through a series of initiatives.

#### XV. Notes to Other Significant Events

##### (I) Situation, reasons and effects on changes in accounting policies, accounting estimates and accounting methods compared to last accounting period

Applicable  Not applicable

**(II) During the reporting period, the correction of the important accounting errors shall be traced back to the restatement, the amount of corrections, the reasons and their effects**

Applicable  Not applicable

**(III) Others**

Applicable  Not applicable

**1. Absorb and merge of Wuhan Iron and Steel Co., Ltd**

According to the Company's "Notice on the Implementation of the Merger Exchange" of February 17, 2017, the Company's merger of Wuhan Steel have separately fulfilled the internal decision-making procedures of the Company and WISCO, approved by China Securities Regulatory Commission's Reply to the approval of the merger and acquisition of Wuhan Iron and Steel Co., Ltd by Baoshan Iron and Steel Co., Ltd (Commission license [2016]3199), and have obtained examination or approval from all other regulatory authorities that need to be obtained prior to the completion of the merger. The share registration date for the merger was February 14, 2017. After the closing date of the stock exchange registration, the shares of Wuhan Iron and Steel Co., Ltd held by the shareholders of the stock exchange of WISCO have been converted into shares of the company in accordance with the proportion of 1:0.56, that is, every 1 share of Wuhan Iron and Steel shares in exchange for 0.56 share of Baosteel shares. The registration process for the new shares of Baosteel mentioned in the merger was completed on February 17, 2017. The newly issued A shares of Baosteel are 5,652,516,701 shares due to the merger. The new shares are tradable shares and are listed on February 27, 2017.

According to the Merger and Absorption Agreement between Baoshan Iron and Steel Co., Ltd. and Wuhan Iron and Steel Co., Ltd, March 1, 2017 is the merger date. Wuhan Iron and Steel shares have been incorporated into the consolidated statements of the Company since March 2017.

**2. The Ouyeel's capital increase and core ESOP**

On February 8, 2017, the 15<sup>th</sup> Meeting of the Sixth Session of Board of Directors approved its subsidiary Ouyeel to increase their investment to attract outside investors and ESOP.

On May 31, 2017, Ouyeel holds the signing ceremony about the openness of equity and employee stock ownership in Shanghai Baowu Tower. This time, there are a total of six well-known enterprises at home and abroad becoming a shareholder of Ouyeel: Beijing Shougang Foundation Co., Ltd, Benxi Iron and Steel Group Co. Ltd., Jiangsu Shagang Group Co. Ltd., Papadopoulos investment (Shanghai) Co. Ltd., Beijing Jianxin Equity Investment Foundation (limited partnership) and Mitsui & Co. Totally 126 core employees subscribed 5% of the shares based on the completion of this equity openness. Shanghai Ouji Corporate Management Center( limited partnership) is the Ouyeel employees' shareholding platform.

According to the capital increase agreement, the above-mentioned 6 investors and Shanghai Ouji have completed the payment at the end of July 2017, Ouyeel has completed regulatory approval and industrial and commercial alternation registration.

After opening equity and increasing capital, the equity ratio held by Baosteel and its wholly-owned subsidiary Baosteel International diluted from 51% to 36.72%, and the Company no longer has control over it. According to the provisions of the accounting standards for enterprises, the Company will no longer incorporate Ouyeel into the scope of consolidated financial statements, as modified by equity method since August 2017.

The detailed information are in 2017-056 announcement of the Company published on *China Securities News*, *Shanghai Securities News* and *Securities Times* dated August 1, 2017 and the official website of Shanghai Stock Exchange (<http://www.sse.com.cn>) as well.

## Section VI Changes in shares of common stocks and shareholders

### I. Changes in Capital Stock

#### (I) List of Changes in Shares

##### 1. List of Changes in Shares

Unit: share

	Before the change		Changes in the period (+, -)					After the change	
	Shares	Ratio (%)	Shares newly issued	Share s dividend	Share dividend from accumulation fund	Others	Subtotal	Shares	Ratio (%)
I. Shares subject to conditional sales	26,114,800	0.159				-13,184,100	-13,184,100	12,930,700	0.059
1. State-owned shares									
2. State-owned legal person shares									
3. Other domestic shares									
Among which: domestic non-state-owned legal person shares									
Domestic natural person shares	26,114,800	0.159				-13,184,100	-13,184,100	12,930,700	0.059
4. Foreign shares									
Among which: foreign legal person shares									
foreign natural person shares									
II. Shares not subject to conditional sales	16,424,278,824	99.841	+5,652,516,701			+12,930,700	+5,665,447,401	22,089,726,225	99.941
1.RMB ordinary shares	16,424,278,824	99.841	+5,652,516,701			+12,930,700	+5,665,447,401	22,089,726,225	99.941
2.Domestic listed international investment shares									
3.Overseas listed international investment shares									
4. Others									
III. Total	16,450,393,624	100.000	+5,652,516,701			-253,400	+5,652,263,301	22,102,656,925	100.000

**2. Explanation of Changes in shares**√ Applicable  Not applicable

Proposal on *Adjusting Incentive Object of Restricted Stock Plan* was reviewed and approved at the 14th meeting of the sixth Session of Board of Directors held on November 30, 2016. The Company repurchased 253,400 shares of restricted stock failing to reach the unlocking conditions of the incentive object withdrawing from A Restricted Stock Plan on January 26, 2017, and completed cancellation on February 7, 2017.

The Company merged to acquire the shares of Wuhan Iron and Steel Co., Ltd. and issued 5,652,516,701 new shares not subject to conditional sales and listed on February 27, 2017. As of February 27, 2017, the Company's total capital stock has reached 22,102,656,925 shares, including 25,861,400 shares of restricted tradable shares and 22,076,795,525 shares of non-restricted tradable shares.

The Company held the 18<sup>th</sup> meeting of the Sixth Session of Board of Directors on May 23, 2017 to consider and approve the motion on the Second Unlocked Period of Baosteel's Restricted Stock Plan. On June 19, 2017, 12,930,700 shares of the Company's restricted stock circulated in the stock exchange, which were unlocked in the second unlocked period of restricted stock plan.

**3. Influence of Share Change upon the Earnings Per Share, Net Asset Per Share and Other Financial Indicators during the Period from the End Date of the Reporting Period to Disclosure Date of Semi-year Report (if any)** Applicable √ Not applicable**4. Other Contents Necessary for the Company or Required by Securities Regulatory Initiations to Disclose** Applicable √ Not applicable**(ii). Change of Shares Subject to Conditional Sales**√ Applicable  Not applicable

Unit:share

Name	Shares at the beginning of period	Shares released in the period	Shares added in the period	Shares at the end of the period	Reason	Releasing date
Stock incentive object	26,114,800	13,184,100		12,930,700	Stock incentive	
Total	26,114,800	13,184,100		12,930,700	/	/

**II. Shareholders****(I) Shareholders:**

Total number of shareholders at the end of the reporting period (persons)	510,439
Total preferred stock holders whose voting right restored as of the end of the reporting period (persons)	

**(II) Top 10 Shareholders, Top 10 Tradable Shareholder (or Holders of Shares not Subject to Conditional Sales) by the End of the Reporting Period**

Unit:share

Shareholding of top 10 shareholders							
Name (Full Name)	Increase or decrease during the period	Shares at the end of the reporting period	Ratio (%)	Shares subject to conditional sales	Pledge or frozen		Shareholder nature
					Status	Quantity	
China Baowu Iron & Steel Group Corporation Ltd.		11,523,385,833	52.14	0	None	0	State-own legal person
Wuhan iron and steel (Group) Corporation	2,982,172,472	2,982,172,472	13.49	0	None	0	State-own legal person
China National Petroleum Corporation	0	800,000,000	3.62	0	None	0	State-own legal person
China Securities Finance Co., Ltd.	177,600,669	633,249,556	2.87	0	None	0	State-own legal person
Beijing Chengtong Jinkong Investment Co., Ltd.	138,486,659	541,926,376	2.45	0	None	0	State-own legal person
Guoxin Investment Co., Ltd.	138,286,659	541,726,376	2.45	0	None	0	State-own legal person
China Cosco Shipping Corporation Ltd.	280,000,000	280,000,000	1.27	0	None	0	State-own legal person
Hong Kong Securities Clearing Company Ltd.	60,285,870	225,328,128	1.02	0	None	0	Unknown
Central Huijin Asset Management Co., Ltd.	71,993,880	194,224,180	0.88	0	None	0	State-own legal person
GIC PRIVATE LIMITED	74,200,129	78,165,696	0.35	0	None	0	Unknown
Shareholding of top 10 holders of shares not subject to conditional sales							
Name	Number of shares not subject to conditional sales	Type and number of shares					
		Type	Number				
China Baowu Iron & Steel Group Corporation Ltd.	11,523,385,833	RMB ordinary share	11,523,385,833				
Wuhan iron and steel (Group) Corporation	2,982,172,472	RMB ordinary share	2,982,172,472				
China National Petroleum Corporation	800,000,000	RMB ordinary share	800,000,000				
China Securities Finance Co., Ltd.	633,249,556	RMB ordinary share	633,249,556				
Beijing Chengtong Jinkong Investment Co., Ltd.	541,926,376	RMB ordinary share	541,926,376				
Guoxin Investment Co., Ltd.	541,726,376	RMB ordinary share	541,726,376				
China Baowu Iron & Steel Group Corporation Ltd.	280,000,000	RMB ordinary share	280,000,000				
Wuhan iron and steel (Group) Corporation	225,328,128	RMB ordinary share	225,328,128				
China National Petroleum Corporation	194,224,180	RMB ordinary share	194,224,180				
China Securities Finance Co., Ltd.	78,165,696	RMB ordinary share	78,165,696				
Remarks on affiliation, alliance or collusion among the aforementioned shareholders	Wuhan Iron & Steel (Group) Corporation is a wholly-owned subsidiary of China Baowu Iron & Steel Group Co Ltd. Besides, the Company is not aware of any connected relationship among other shareholders mentioned above or any parties acting in concert specified in <i>Measures for the Administration of Acquisitions by Listed Companies</i> .						

Top 10 holders of shares subject to conditional sales, their share and the conditions

√ Applicable □ Not applicable

Unit:share

No.	Name	Shares	Conditional sold shares available to be listed and traded		Conditions
			Date available to be listed and traded	Newly-added tradable shares	
1	Dai Zhihao	181,000	June 19, 2017	181,000	See notes
2	Zhu Junsheng	181,000	June 19, 2017	181,000	See notes
3	Chu Shuangjie	162,900	June 19, 2017	162,900	See notes
4	Zhou Jianfeng	162,900	June 19, 2017	162,900	See notes
5	Sheng Genghong	144,800	June 19, 2017	144,800	See notes
6	Wang Jing	162,900	June 19, 2017	162,900	See notes
7	Zhi Xiwei	162,900	June 19, 2017	162,900	See notes
8	Zhang Pijun	144,800	June 19, 2017	144,800	See notes
9	Yao Linlong	144,800	June 19, 2017	144,800	See notes
10	Xie Qi	144,800	June 19, 2017	144,800	See notes
11	Wang Qiangmin	144,800	June 19, 2017	144,800	See notes
12	Shi Bing	144,800	June 19, 2017	144,800	See notes
13	Zhong Yongqun	144,800	June 19, 2017	144,800	See notes
Notes on affiliation, alliance or collusion among the aforementioned shareholders		Above shareholders are incentive objectives of Baosteel 2014 First Awarding Scheme of A Share Restricted Share Plan. For the conditions, please refer to Baosteel First Awarding Scheme of A Share Restricted Share Plan on the website of Shanghai Stock Exchange <a href="http://www.sse.com.cn">http://www.sse.com.cn</a>			

**III. Change of Controlling Shareholders and Actual Controller**

□ Applicable √ Not applicable

## Section VII Preferred Stock

Applicable  Not applicable



## Section VIII Directors, Supervisors and Senior Executives

### I. Shareholding Change

#### (I) Shareholding of Directors, Supervisors and Senior Executives in Service or Leaving the Company during the Period:

Applicable  Not applicable

#### (II) Granted Equity Incentive of Directors, Supervisors and Senior Managements in the Reporting Period

Applicable  Not applicable

### II. Change of Directors, Supervisors and Senior Executives

Applicable  Not applicable

Name	Position	Change	Reason
Chen Derong	Chairman of the Board	Leave office	Resignation in February 2017
Dai Zhihao	General Manager	Leave office	Resignation in February 2017
Dai Zhihao	Chairman of the Board	Hired	Employment in February 2017
Zou Jixin	Director, General Manager	Hired	Employment in February 2017
Zhang Jingang	Director	Hired	Employment in February 2017
Zhao Changxu	Director	Hired	Employment in February 2017
Liu An	Director	Leave office	Resignation in February 2017
Zhang Kehua	Independent Director	Hired	Employment in February 2017
Zhou Zhuping	Chairman of Board of Supervisors	Leave office	Resignation in February 2017
Zhu Yonghong	Chairman of Board of Supervisors	Hired	Employment in February 2017
Yu Hansheng	Supervisor	Hired	Employment in February 2017
Ma Jiangsheng	Staff Supervisor	Hired	Employment in April 2017
Liu An	Vice-General Manager	Hired	Employment in February 2017
Wu Kunzong	Board Secretary	Leave office	Resignation in February 2017
Wu Yiming	Board Secretary	Hired	Employment in February 2017

Notes to changes of Directors, Supervisors and Senior Executives

Applicable  Not applicable

### III. Other Notes

Applicable  Not applicable

## Section IX Corporate bond

√ Applicable □ Not applicable

### I. Basic Information about Corporate bond

Unit:Yuan Currency:RMB

Bond name	Abbreviation	Code	Issuing date	Due date	Bond balance	Interest rate (%)	Ways of repaying principal with interests	Trading venue
Wuhan Iron & Steel Co., Ltd.,14 Corporate bond	14 Wugang bond	122366	July 1,2015	July 1,2018	6,983,410,349.86	4.38	Interests are paid by year. Principal and interests of the last term are paid at the end of the last term	Shanghai Stock Exchange

Interests payment and cashing of corporate bond

√ Applicable □ Not applicable

The registration date of the creditor's right bearing interest payment in 2017: June 30,2017. In accordance with the *Announcement of Wuhan Iron & Steel Co., Ltd.on Nominal Interest Rate of Its Publicly Issued Corporate bond in 2014*, the nominal interest rate of“14 Wugang bond”is 4.38%. The face value of 100 shares of “14 Wusteel bond” is 1,000 Yuan with an interest of 43.80 Yuan (including tax).

### II. Contact Information of Corporate Bond Trustee and Credit Rating Agency

Bond trustee	Name	West Securities Co., Ltd.
	Address	Trust Building, No. 232, Dongxin Street, Xincheng District, Xi'an City,Shaanxi Province
	Contact person	Gao Yuan
	Telephone number	029-87406130
Credit Rating Agency	Name	China Chengxin Securities Rating Co., Ltd.
	Address	Room 968, Building 1, No. 599, Xinye Street, Qingpu District, Shanghai

### III. Use of the Corporate Raised Capital from Bond

√ Applicable □ Not applicable

The issuer uses the capital in strict accordance to the resolution of shareholders' meeting and the capital uses disclosed in the Raising Prospectus.

### IV. Corporate Bond Rating

√ Applicable □ Not applicable

During the period of validity of the bond credit grade or the duration of the bond, China Chengxin Securities Rating Co., Ltd.constantly watches the changes in the bond issuer's external operating environment, business operation or

financial status as well as its ability to pay off the debts and keeps track of credit risks of the bond.

## **V. The Company's Bond Credit Enhancement Mechanism, Debt Repayment Plan and Other Relevant Information during the Reporting Period**

Applicable  Not applicable

### **(I) Debt repayment plan**

1. The value date is the first day of issuance of the Company's bond, i.e. July 1, 2015.
2. The interests of the bond are paid once every year since the value date and interests are paid along with principal in the last term. The date of interest payment is July 1 every year from 2016 to 2018 and will be postponed to the first work day following it if it falls on a legal holiday. No extra interests will be calculated during the postponement. The interests for the second term has been paid on June 30, 2017.
3. The principal of the bond are to be paid in full when it is due. The date of principal payment of the bond is July 1, 2018 and will be postponed to the first work day following it if it falls on a legal holiday. No extra interests will be calculated during the postponement.
4. The payment of principal and interests is to be settled through securities registration agencies and other agencies concerned in accordance with relevant laws and regulations and its details are to be explained by the issuer through relevant notices on presses specified by China Securities Regulatory Commission.

### **(II) Source of funds for debt repayment**

The issuer will, in accordance with the repayment conditions of principal and interests of the bond at due course, formulate plans for funds use, dispatch and distribute the funds reasonably and pay off the interests and principal on time. The funds of the issuer for paying off the principal and interests of the bond will mainly come from cash flow generated by business operations.

### **(III) Emergency guarantees for debt repayment**

#### **1. External financing channels**

As a super-larger iron & steel company, the issuer has established sound long-term partnership with various financial institutions including different commercial banks. It has a good credit record and obtained high credit line from banks

#### **2. Current asset liquidation**

As of June 30, 2017, the issuer has current assets on consolidated calibre totaling 34.77 billion Yuan. If necessary, the issuer will consider liquidating its current assets to supplement the funds for paying off the debts.

#### **3. The guarantor guarantees the bond on a full, unconditional and irrevocable joint liability basis**

The Company, i.e. Baoshan Iron & Steel Co., Ltd, guarantees the bond on a full, unconditional and irrevocable joint liability basis. Provided the issuer is unable to pay off the principal and interests of the bond on time due to unforeseeable factors, the Company will bear the liability of guarantee in conformity with the letter of guarantee and relevant laws and regulations. The guarantee covers all the principal and interests of the bond, liquidated damages, damage awards and reasonable expenses for realizing creditors' rights.

## **VI. Meeting of Corporate bond Holders**

Applicable  Not applicable

No meeting of bond holders is held during the reporting period.

## **VII. Corporate bond Trustee's Execution of Duty**

Applicable  Not applicable

The issuer has made the Agreement on Entrusted Management of Bond and during the duration of the bond, the

bond trustee supervises the Company on behalf of bond holders.

### VIII. Accounting data and financial indicators as of the end of the reporting period and last year(or during the reporting period and the same period last year)

Applicable  Not applicable

Unit: Yuan Currency: RMB

Main indicator	End of the reporting period	End of last year	Changes in the end of the reporting period compared with the end of last year	Reason for the change
current ratio	0.87	0.80	8.78	
quick ratio	0.59	0.51	15.52	
asset-liability ratio	54.47%	55.37%	down by 0.9ppts	
loan repayment ratio	100%	100%	-	
	the reporting period (January-June)	the same period last year	Changes in the reporting period compared with the same period last year	Reason for the change
EBITDA times interest earned	10.0	7.0	42.9	increase in profit
interest coverage ratio	100%	100%	-	

### IX. Explanation of Overdue Debt

Applicable  Not applicable

### X. Interest Payment and Cashing of Other bond and Financing Instruments of the Company

Applicable  Not applicable

As of the end of the period, the Group has no overdue debt financing instruments including overseas or domestic bond, borrowings and finance lease.

### XI. Bank Credit of the Company during the Reporting Period

Applicable  Not applicable

As of June 30, 2017, various commercial banks has given the Company total credit of 242.7 million Yuan, of which 160.8 Million Yuan remains unused.

### XII. The Company's Execution of Relevant Agreements and Commitments in Bond Prospectus during the Reporting Period.

Applicable  Not applicable

The Company has executed according to relevant agreements and commitments in bond prospectus during the reporting period and no unfavorable influence was exerted on bond holders

### XIII. Significant Events to the Company and Their Influence on Its Business Operation and Ability of Debt Payment

Applicable  Not applicable

## Section X Financial Statements

### I. Audit Report

Applicable  Not applicable

### II. Financial Statements

#### Consolidated Balance Sheet

June 30, 2017

Name of enterprise: Baoshan Iron & Steel Co., Ltd.

Unit: RMB Yuan

Item	Note	Ending Balance	Beginning Balance(after restatement)
<b>Current assets:</b>			
Monetary fund	(VII)1	18,884,953,871.42	14,024,805,944.83
Financial assets measured at fair value and the change included in current gains and losses	(VII)2	153,523,893.13	1,122,863,784.67
Bill receivable	(VII)3	21,934,743,007.31	17,235,979,103.83
Accounts receivable	(VII)4	14,882,903,324.03	15,471,714,554.88
Prepayments	(VII)5	12,560,434,601.63	11,159,353,405.18
Interest receivable	(VII)6	6,404,292.42	140,829,540.88
Dividends receivable	(VII)7	53,852,647.00	71,118,863.52
Other receivables	(VII)8	2,306,877,173.38	2,043,769,027.24
Stock	(VII)9	46,098,521,185.73	49,581,451,453.12
Non-current assets due within one year	(VII)10	655,237,475.05	4,825,441,243.86
Other current assets	(VII)11	24,562,595,879.82	21,085,793,243.96
<b>Total current assets</b>		<b>142,100,047,350.92</b>	<b>136,763,120,165.97</b>
<b>Non-current assets:</b>			
Loans and advances	(VII)12	3,052,740,537.81	3,317,691,941.16
Available-for-sale financial assets	(VII)13	12,964,051,460.01	13,257,729,870.02
Long-term receivables	(VII)14	345,238,943.40	264,498,082.98
Long-term equity investment	(VII)15	10,988,587,032.06	10,484,309,260.12
Investment property	(VII)16	452,155,811.20	364,312,763.81
Fixed assets	(VII)17	159,150,868,193.68	163,881,839,658.51
Construction in progress	(VII)18	9,440,981,147.38	12,476,133,837.70
Engineering materials	(VII)19	68,386,696.89	62,704,746.86
Intangible assets	(VII)20	12,388,389,424.23	12,423,485,433.69
Goodwill	(VII)21	510,923,448.20	487,784,475.38

Long-term prepaid expenses	(VII)22	1,233,763,601.11	1,170,189,826.33
Deferred income tax assets	(VII)23	2,375,422,270.11	2,281,734,440.98
Other non-current assets	(VII)24	1,408,640,302.21	1,832,212,670.38
<b>Total non-current assets</b>		<b>214,380,148,868.29</b>	<b>222,304,627,007.92</b>
<b>Total assets</b>		<b>356,480,196,219.21</b>	<b>359,067,747,173.89</b>
<b>Current liabilities:</b>			
Short-term loan	(VII)25	67,910,455,069.09	52,080,729,189.64
Deposits-taking and due to banks	(VII)26	4,655,891,575.17	9,315,966,149.03
Borrowing money	(VII)27	600,000,000.00	
Financial liabilities measured at fair value and the change included in current gains and losses	(VII)28	18,966,805.98	35,161,856.12
Notes payable	(VII)29	13,305,569,035.62	17,000,213,928.98
Accounts payable	(VII)30	29,645,634,897.20	34,972,464,907.92
Advances from customers	(VII)31	22,389,758,639.27	27,301,573,846.83
Financial Assets Sold for Repurchase		97,106,622.39	152,321,609.86
Employee benefits payable	(VII)32	2,948,174,058.99	1,877,043,492.01
Taxes payable	(VII)33	3,200,429,928.68	3,563,913,854.97
Interest payable	(VII)34	510,688,443.87	559,358,021.09
Dividends payable	(VII)35	106,783,114.74	35,178,314.61
Other payables	(VII)36	3,677,020,294.55	3,289,271,659.82
Non-current liabilities due within one year	(VII)37	2,083,983,355.46	1,986,830,219.31
Other current liabilities	(VII)38	11,257,422,521.70	18,136,460,229.17
<b>Total current liabilities</b>		<b>162,407,884,362.71</b>	<b>170,306,487,279.36</b>
<b>Non-current liabilities:</b>			
Long term loan	(VII)39	569,740,941.30	958,693,159.16
Bonds payable	(VII)40	24,225,937,142.71	21,052,403,274.32
Long-term payables	(VII)41	4,027,207,840.22	4,017,988,251.65
Long-term employee benefits payables	(VII)42	720,576,294.51	363,334,743.38
Special payables	(VII)43	261,860,000.00	261,860,000.00
Estimated liability	(VII)44	4,387,691.45	4,196,289.17
Deferred gains	(VII)45	1,272,384,914.65	1,156,751,257.72
Deferred income tax liabilities	(VII)23	667,631,449.72	693,446,314.92
Other non-current liabilities	(VII)46		315,720.00
<b>Total non-current liabilities</b>		<b>31,749,726,274.56</b>	<b>28,508,989,010.32</b>
<b>Total Liabilities</b>		<b>194,157,610,637.27</b>	<b>198,815,476,289.68</b>
<b>Owner's equity</b>			
Share capital	(VII)47	22,102,656,925.00	22,102,910,325.00

Capital reserve	(VII)48	48,194,751,975.19	48,139,815,213.27
Less: treasury stock	(VII)49	49,395,274.00	49,879,268.00
Other comprehensive income	(VII)50	-238,315,699.64	-282,951,207.59
Special reserves	(VII)51	76,511,288.85	52,525,505.43
Surplus reserve	(VII)52	27,894,484,385.08	27,894,484,385.08
Undistributed profit	(VII)53	53,449,106,644.47	51,921,089,401.65
<b>Total owners' equity attributable to parent company</b>		<b>151,429,800,244.95</b>	<b>149,777,994,354.84</b>
Minority interests		10,892,785,336.99	10,474,276,529.37
<b>Total owner's equity</b>		<b>162,322,585,581.94</b>	<b>160,252,270,884.21</b>
<b>Total Liabilities and owner's equity</b>		<b>356,480,196,219.21</b>	<b>359,067,747,173.89</b>

Legal Representative: Dai Zhihao CFO: Wu Kunzong Director of Operation Finance Department: Wang Juan

**Balance Sheet of Parent Company**

June 30, 2017

Name of enterprise: Baoshan Iron &amp; Steel Co., Ltd.

Unit: RMB Yuan

Item	Note	Ending Balance	Beginning Balance(after restatement)
<b>Current assets:</b>			
Monetary fund		11,616,968,659.53	3,761,841,278.83
Financial assets measured at fair value and the change included in current gains and losses			111,528,367.77
Bill receivable		14,447,522,788.43	10,341,730,083.20
Accounts receivable	(XVII)1	12,881,740,227.15	20,617,169,797.24
Prepayments		2,260,086,123.72	1,531,948,904.01
Interest receivable		41,270,167.62	213,628,945.02
Other receivables	(XVII)2	388,345,594.77	340,757,761.05
Stock		13,094,540,914.42	14,142,651,284.18
Non-current assets due within one year			4,500,000,000.00
Other current assets		42,015,181,074.33	33,645,877,265.96
<b>Total current assets</b>		<b>96,745,655,549.97</b>	<b>89,207,133,687.26</b>
<b>Non-current assets:</b>			
Available-for-sale financial assets		9,121,377,096.20	8,844,897,096.20
Long-term receivables		2,217,875,880.96	2,208,708,380.96
Long-term equity investment	(XVII)3	75,401,197,501.85	46,689,645,811.87
Fixed assets		44,839,730,300.25	46,576,088,776.26
Construction in progress		2,529,136,553.29	3,013,269,894.17
Engineering material		22,416,606.71	19,373,852.82
Intangible assets		3,584,364,349.26	3,625,448,341.08
Long-term prepaid expenses		39,063,767.76	47,056,557.98
Deferred income tax assets		558,340,812.61	489,718,868.66
Other non-current assets		124,781,551.08	125,118,672.15
<b>Total non-current assets</b>		<b>138,438,284,419.97</b>	<b>111,639,326,252.15</b>
<b>Total assets</b>		<b>235,183,939,969.94</b>	<b>200,846,459,939.41</b>
<b>Current liabilities:</b>			
Short-term loan		30,730,320,000.00	20,400,629,890.54
Financial liabilities measured at fair value and the change included in current gains and losses		17,617,912.24	
Notes payable		3,170,699,338.17	3,767,731,007.95



Accounts payable		16,674,582,736.24	16,847,203,968.42
Advances from customers		13,355,391,041.07	12,988,920,288.71
Employee benefits payable		1,459,023,476.22	1,194,628,714.45
Taxes payable		1,931,302,633.57	2,975,857,730.40
Interest payable		219,445,377.03	175,076,419.87
Other payables		379,094,817.69	446,847,349.07
Other current liabilities		10,984,514,125.82	18,052,896,712.32
<b>Total current liabilities</b>		<b>78,921,991,458.05</b>	<b>76,849,792,081.73</b>
<b>Non-current liabilities:</b>			
Bonds payable		10,000,000,000.00	7,000,000,000.00
Long-term payables		49,395,274.00	49,879,268.00
Long-term employee benefits payables		497,528,919.50	145,728,919.50
Special payables		242,580,000.00	242,580,000.00
Deferred gains		523,268,646.41	375,007,686.29
Deferred income tax liabilities		540,509,102.73	566,984,366.40
<b>Other non-current liabilities</b>		<b>11,853,281,942.64</b>	<b>8,380,180,240.19</b>
<b>Total Liabilities</b>		<b>90,775,273,400.69</b>	<b>85,229,972,321.92</b>
<b>Owner's equity:</b>			
Share capital		22,102,656,925.00	16,450,393,624.00
Capital reserve		55,900,063,984.32	32,912,011,944.13
Less: treasury stock		49,395,274.00	49,879,268.00
Other comprehensive income		-35,013,569.55	-26,995,259.25
Special reserves		455,522.93	
Surplus reserve		27,894,484,385.08	27,894,484,385.08
Undistributed profit		38,595,414,595.47	38,436,472,191.53
<b>Total owners' equity</b>		<b>144,408,666,569.25</b>	<b>115,616,487,617.49</b>
<b>Total Liabilities and owner's equity</b>		<b>235,183,939,969.94</b>	<b>200,846,459,939.41</b>

Legal Representative: Dai Zhihao CFO: Wu Kunzong Director of Operation Finance Department: Wang Juan

**Consolidated Income Statement**

January-June 2017

Unit: RMB Yuan

Item	Notes	Beginning Balance(after restatement)	Beginning Balance(after restatement)
I. Total operating income		170,147,111,839.26	106,724,666,938.35
Of which: Operating income	(VII)54	169,932,508,668.39	106,606,154,699.49
Interest income		208,642,992.75	112,521,381.10
Fee and commission income		5,960,178.12	5,990,857.76
II. Total operating cost		162,651,584,716.13	101,375,013,160.07
Of which: Operating costs	(VII)54	152,788,966,758.64	93,420,629,038.66
Interest expense		90,315,267.36	102,378,949.81
Fee and commission expense		1,837,876.25	557,596.82
Tax and surcharges	(VII)55	934,471,616.75	362,141,463.12
Sales expense	(VII)56	1,590,504,272.18	1,299,973,387.88
Administrative fees	(VII)57	4,556,027,300.65	4,033,116,884.92
Financial expenses	(VII)58	1,989,905,250.08	2,046,698,643.42
Assets impairment loss	(VII)59	699,556,374.22	109,517,195.44
Plus: Gains form changes in fair value ("-" For loss)	(VII)60	-7,548,213.39	-47,254,658.58
Investment income ("-" For loss)	(VII)61	1,395,768,296.68	149,297,751.91
Including: Investment income from associates and joint ventures		415,778,663.50	-95,568,992.18
Other income	(VII)62	87,895,448.39	132,678,954.61
III. Operating profit ('-' for loss)		8,971,642,654.81	5,584,375,826.22
Plus: Non-operating income	(VII)63	152,106,771.81	57,773,713.06
Of which: Profit from disposal of non-current assets		119,538,432.35	20,157,355.66
Less: Non-operating expenses	(VII)64	609,783,064.66	260,411,615.01
Of which: Loss from disposal of non-current assets		559,350,613.74	228,639,142.88
IV. Total profit ("-" For total loss )		8,513,966,361.96	5,381,737,924.27
Less: Income tax expense	(VII)65	1,774,878,191.13	1,487,071,928.44
V. Net profit ('-' for net loss)		6,739,088,170.83	3,894,665,995.83
Net profit attributable to the owner of parent company		6,169,575,197.07	3,741,244,976.65
Therein: net profit attributable to the parent company before merge under the same control		60,384,848.04	272,762,179.90

Net profit attributable to the parent company's shareholders except net profit before merge under the same control		6,109,190,349.03	3,468,482,796.75
Minority gains and losses		569,512,973.76	153,421,019.18
Therein: Minority gains and losses before merge under the same control		10,889,015.85	495,030.42
Minority gains and losses except minority gains and losses before merge under the same control		558,623,957.91	152,925,988.76
VI. Net of tax of other comprehensive income	(VII)66	45,581,890.59	400,420,463.62
Net of tax of other comprehensive income attributable to the owner of parent company		44,635,507.95	389,511,963.03
(i) Other comprehensive income which cannot be reclassified in gains and losses in subsequent period		-223,213.79	-1,078,777.29
1. Changes in net liabilities and net assets resulting from re-measuring defined benefit plan		-223,213.79	-1,078,777.29
2. Shares enjoyed under equity method in investee's other comprehensive income which cannot be reclassified in gains and losses in subsequent period			
(ii) Other comprehensive income which will be reclassified in gains and losses in subsequent period		44,858,721.74	390,590,740.32
1. Shares enjoyed under equity method in investee's other comprehensive income which can be reclassified in gains and losses in subsequent period		-3,568,787.73	13,438,470.45
2. Gains and losses from change in fair value of financial asset available for sale		5,897,399.89	33,248,400.27
3. Gains and losses from held-to-maturity investment reclassified as financial asset available for sale			
4. Effective part of gains and losses from cash flow hedging			
5. Translation difference of foreign currency financial statements		42,530,109.58	343,903,869.60
6. Others			
Net of tax of other comprehensive income attributable to minority		946,382.64	10,908,500.59
VII. Total comprehensive income		6,784,670,061.42	4,295,086,459.45

Total comprehensive income attributable to the owner of the parent company		6,214,210,705.02	4,130,756,939.68
Total comprehensive income attributable to minority		570,459,356.40	164,329,519.77
VIII. Earnings per share			
(i) Basic earnings per share (Yuan/share)		0.28	0.17
(ii) Diluted earnings per share (Yuan/share)		0.28	0.17

Legal Representative: Dai Zhihao CFO: Wu Kunzong Director of Operation Finance Department: Wang Juan

**Income Statement of Parent Company**

January-June 2017

Unit: RMB Yuan

Item	Notes	Current Amount	Amount in previous period
<b>I. Operating income</b>	(XVII)4	62,814,845,456.72	43,790,531,505.42
Less: Operating costs	(VII)4	54,321,702,403.85	35,764,237,275.51
Tax and surcharges		306,255,732.94	186,730,845.03
Sales expense		304,203,892.27	303,245,838.57
Administrative fees		2,290,198,112.15	2,066,467,523.15
Financial expenses		-53,990,964.12	582,365,534.85
Assets impairment loss		-58,647,097.24	2,539,576,428.19
Plus: Gains form changes in fair value ("-" For loss)		-129,146,280.01	-57,873,954.55
Investment income ("-" For loss)	(XVII)5	990,556,701.20	164,730,167.58
Including: Investment income from associates and joint enterprises		89,409,103.36	63,852,271.11
Other incomes		26,199,296.49	22,996,401.33
II. Operating profit ('-' for loss)		6,592,733,094.55	2,477,760,674.48
Plus: Non-operating income		40,137,022.15	10,675,806.98
Including: Profit from disposal of non-current assets		36,075,050.91	34,701.85
Less: Non-operating expenses		469,943,630.55	207,613,501.21
Including: Loss from disposal of non-current assets		462,659,347.26	196,724,001.21
III. Total profit ("-" For total loss )		6,162,926,486.15	2,280,822,980.25
Less: Income tax expense		1,362,426,127.96	577,526,449.17
IV. Net profit ('-' for net loss)		4,800,500,358.19	1,703,296,531.08
V. Net amount of other comprehensive income after tax		-8,018,310.30	12,117,950.40
(i) Other comprehensive income which cannot be reclassified in gains and losses in subsequent period			
1. Changes in net liabilities and net assets resulting from re-measuring defined benefit plan			
2. Shares enjoyed under equity method in investee's other comprehensive income which cannot be reclassified in gains and losses in			

subsequent period			
(ii) Other comprehensive income which will be reclassified in gains and losses in subsequent period		-8,018,310.30	12,117,950.40
1. Shares enjoyed under equity method in investee's other comprehensive income which can be reclassified in gains and losses in subsequent period		-14,498,310.30	12,117,950.40
2. Gains and losses from change in fair value of financial asset available for sale		6,480,000.00	
3. Gains and losses from held-to-maturity investment reclassified as financial asset available for sale			
4. Effective part of gains and losses from cash flow hedging			
5. Translation difference of foreign currency financial statements			
6. Others			
VI. Total comprehensive income		4,792,482,047.89	1,715,414,481.48

Legal Representative: Dai Zhihao CFO: Wu Kunzong Director of Operation Finance Department: Wang Juan

**Consolidated Cash Flow Statement**

January-June 2017

Unit: RMB

Item	Notes	Current Amount	Amount in previous period (after reatatement)
<b>I. Cash flows from operating activities:</b>			
Cash received from sales of goods and rendering services		187,250,279,631.80	125,887,329,083.29
Net increase in borrowings from the central bank			51,078,372.30
Net decrease in loans and advances to customers		325,134,270.38	293,023,720.22
Net increase in borrowing funds from other financial institutions		600,000,000.00	
Net decrease in deposits in central bank and due to bank			46,045,232.52
Cash received from interest, fees and commissions		222,302,593.74	120,557,581.84
Tax refund		327,479,099.76	223,239,626.21
Other cash received relating to operating activities	(VII)67	1,183,898,994.73	872,444,207.84
<b>Subtotal of cash inflows from operating activities</b>		<b>189,909,094,590.41</b>	<b>127,493,717,824.22</b>
Cash paid for purchase of goods and acceptance of services		160,936,971,708.08	100,583,987,374.61
Net increase in deposits in the central bank and due from banks		164,564,534.17	
Net decrease in customer deposits and due to banks		4,660,187,148.65	3,359,950,118.39
Cash payment of interest, fees and commissions		77,845,464.60	109,126,371.03
Cash paid to and on behalf of employees		6,387,175,393.70	6,150,694,798.97
Payments of taxes		7,592,671,082.41	4,398,881,332.54
Net decrease in sales of repurchased financial assets		55,214,987.47	
Other cash paid relating to operating activities	(VII)67	3,493,073,702.45	1,508,775,217.60
<b>Subtotal of cash outflows from operating activities</b>		<b>183,367,704,021.53</b>	<b>116,111,415,213.14</b>
<b>Net cash flow from operating</b>		<b>6,541,390,568.88</b>	<b>11,382,302,611.08</b>

<b>activities</b>			
<b>II. Cash flow from investing activities:</b>			
Cash received from investment retrieving		35,515,702,349.60	21,369,644,604.51
Cash received from investment income		1,134,512,176.85	446,399,810.49
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		153,890,492.10	17,952,417.88
Net cash received from disposal of subsidiaries and other business units		-42,773,291.00	
Other cash received relating to investing activities	(VII)67	4,731,834,993.61	4,978,915,457.97
<b>Subtotal of cash inflows from investing activities</b>		<b>41,493,166,721.16</b>	<b>26,812,912,290.85</b>
Cash paid for acquisition and construction of fixed assets, intangible assets and other long-term assets		5,982,139,139.74	8,143,834,470.25
Cash paid for Investment		38,957,590,497.78	47,813,692,256.28
Other cash paid relating to investing activities	(VII)67	81,860,000.00	124,379,777.46
<b>Subtotal of cash outflows from investing activities</b>		<b>45,021,589,637.52</b>	<b>56,081,906,503.99</b>
<b>Net cash flows from investing activities</b>		<b>-3,528,422,916.36</b>	<b>-29,268,994,213.14</b>
<b>III. Cash flow from financing activities:</b>			
Cash received from investors		197,793,735.20	606,179,874.00
Including: Cash of subsidiaries received from minority shareholders' investment		197,793,735.20	606,179,874.00
Cash received from borrowings		57,993,750,014.05	56,771,801,028.69
Cash received from issuing bonds		6,000,000,000.00	15,000,000,000.00
Other cash received relating to financing activities	(VII)67		1,000,000,000.00
<b>Subtotal of cash inflows from financing activities</b>		<b>64,191,543,749.25</b>	<b>73,377,980,902.69</b>
Cash paid for debt repayment		55,674,409,835.64	47,710,425,142.55
Cash for distribution of dividends, profits or interest payments		6,641,453,092.79	2,975,654,634.85
Where: Dividends, profits paid by subsidiaries to minority shareholders		118,520,360.97	88,368,990.22
Other cash paid for financing activities	(VII)67	250,000,000.00	
<b>Subtotal of cash outflows from financing activities</b>		<b>62,565,862,928.43</b>	<b>50,686,079,777.40</b>



<b>Net cash flow from financing activities</b>		<b>1,625,680,820.82</b>	<b>22,691,901,125.29</b>
<b>IV. Effect of fluctuations in exchange on cash and cash equivalents</b>		54,946,094.08	-167,257,913.44
<b>V. Net increase in cash and cash equivalents</b>		4,693,594,567.42	4,637,951,609.79
Plus: opening balance of cash and cash equivalents		12,931,144,089.49	13,576,548,713.14
<b>VI. Ending balance of cash and cash equivalents</b>		<b>17,624,738,656.91</b>	<b>18,214,500,322.93</b>

Legal Representative: Dai Zhihao CFO: Wu Kunzong Director of Operation Finance Department: Wang Juan

**Cash Flow Statement of Parent Company**

January-June 2017

Unit: RMB Yuan

Item	Notes	Current Amount	Amount in previous period
<b>I. Cash flows from operating activities:</b>			
Cash received from sales of goods and rendering services		75,644,257,341.52	46,015,827,932.52
Tax refund			76,901,697.11
Other cash received relating to operating activities		518,090,747.61	149,524,335.93
<b>Subtotal of cash inflows from operating activities</b>		<b>76,162,348,089.13</b>	<b>46,242,253,965.56</b>
Cash paid for purchase of goods and acceptance of services		56,629,138,046.03	37,009,097,912.81
Cash paid to and on behalf of employees		2,614,147,185.34	2,514,623,685.03
Payments of taxes		4,556,335,444.12	2,275,643,586.44
Other cash paid relating to operating activities		549,228,242.85	155,059,362.38
<b>Subtotal of cash outflows from operating activities</b>		<b>64,348,848,918.34</b>	<b>41,954,424,546.66</b>
<b>Net cash flow from operating activities</b>	(XVII)7	<b>11,813,499,170.79</b>	<b>4,287,829,418.90</b>
<b>II. Cash flow from investing activities:</b>			
Cash received from investment retrieving		13,540,000,000.00	8,800,000,000.00
Cash received from investment income		900,368,058.58	174,686,896.47
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		55,675,464.67	12,998,427.72
Other cash received relating to investing activities		4,816,421,640.36	4,982,830,585.25
<b>Subtotal of cash inflows from investing activities</b>		<b>19,312,465,163.61</b>	<b>13,970,515,909.44</b>
Cash paid for acquisition and construction of fixed assets, intangible assets and other long-term assets		2,288,333,827.85	2,268,044,664.47
Cash paid for Investment		17,720,000,000.00	32,126,553,024.00
Other cash paid relating to investing activities		10,600,000.00	121,954,777.46
<b>Subtotal of cash outflows from investing activities</b>		<b>20,018,933,827.85</b>	<b>34,516,552,465.93</b>
<b>Net cash flows from investing</b>		<b>-706,468,664.24</b>	<b>-20,546,036,556.49</b>

<b>activities</b>			
<b>III. Cash flow from financing activities:</b>			
Cash received from borrowings		34,851,374,300.00	29,538,407,383.99
Cash received from issuing bonds		6,000,000,000.00	15,000,000,000.00
Other cash received relating to financing activities		730,901,363.49	2,331,076,896.39
<b>Subtotal of cash inflows from financing activities</b>		<b>41,582,275,663.49</b>	<b>46,869,484,280.38</b>
Cash paid for debt repayment		34,500,205,306.03	24,112,122,605.02
Cash for distribution of dividends, profits or interest payments		5,376,281,224.63	1,433,881,878.22
Other cash paid for financing activities		4,977,036,082.77	58,390,700.58
<b>Subtotal of cash outflows from financing activities</b>		<b>44,853,522,613.43</b>	<b>25,604,395,183.82</b>
<b>Net cash flow from financing activities</b>		<b>-3,271,246,949.94</b>	<b>21,265,089,096.56</b>
<b>IV. Effect of fluctuations in exchange on cash and cash equivalents</b>		19,343,824.09	-29,928,493.36
<b>V. Net increase in cash and cash equivalents</b>		7,855,127,380.70	4,976,953,465.61
Plus: opening balance of cash and cash equivalents		3,761,841,278.83	2,609,809,152.05
<b>VI. Ending balance of cash and cash equivalents</b>		11,616,968,659.53	7,586,762,617.66

Legal Representative: Dai Zhihao CFO: Wu Kunzong Director of Operation Finance Department: Wang Juan

**Consolidated Statement of Changes in Owners' Equity**  
January-June 2017

Unit: RMB Yuan

Item	In the period								
	Owners' Equity Attributable to Parent Company							Minority shareholders' equity	Total owners' equity
	Capital stock	Capital reserve	Less: Treasury share	Other comprehensive income	Special reserves	Surplus reserves	Generic Risk Reserve		
I. Ending balance of previous year	16,450,393,624.00	33,769,068,132.18	49,879,268.00	-60,089,825.59	25,654,384.62	27,894,484,385.08	43,236,393,452.96	10,155,160,014.52	131,421,184,899.77
Plus: Changes in accounting policies									
Error corrections of the last period									
Corporate merge under the same control	5,652,516,701.00	14,370,747,081.09		-222,861,382.00	26,871,120.81		8,684,695,948.69	319,116,514.85	28,831,085,984.44
Others									
II. Beginning balance of current period	22,102,910,325.00	48,139,815,213.27	49,879,268.00	-282,951,207.59	52,525,505.43	27,894,484,385.08	51,921,089,401.65	10,474,276,529.37	160,252,270,884.21
III. Amount changes of current period ("-" for loss)	-253,400.00	54,936,761.92	-483,994.00	44,635,507.95	23,985,783.42		1,528,017,242.82	418,508,807.62	2,070,314,697.73
(i) Total comprehensive income				44,635,507.95			6,169,575,197.07	570,459,356.40	6,784,670,061.42
(ii) Shareholders' contribution and reduction in capital	-253,400.00	19,210,391.61	-483,994.00					72,883,817.36	92,324,802.97
1. Common shares from shareholders	-253,400.00	12,228,097.47						197,793,735.20	209,768,432.67
2. Capital from holders of other equity instruments									
3. Amount of share payment calculated in owners' equity		5,218,938.27							5,218,938.27
4. Others		1,763,355.87	-483,994.00					-124,909,917.84	-122,662,567.97
(III) Profit distribution							-4,641,557,954.25	-224,831,620.90	-4,866,389,575.15
1. Withdrawal of surplus reserves									
2. Withdrawal of general risk reserves									
3. Distribution to owners (or shareholders)							-4,641,557,954.25	-224,831,620.90	-4,866,389,575.15
4. Others									
(IV). Internal carry-over of owners' equity									
1. Capital reserves capitalization (or capital stock)									
2. Surplus reserves capitalization (or capital stock)									
3. Remedying loss with surplus reserves									
4. Others									
(V). Special reserves					23,985,783.42			-2,745.24	23,983,038.18
1. Current withdrawal					189,369,040.89			3,692,335.20	193,061,376.09
2. Current use					165,383,257.47			3,695,080.44	169,078,337.91
(VI). Others		35,726,370.31							35,726,370.31
IV. Current ending balance	22,102,656,925.00	48,194,751,975.19	49,395,274.00	-238,315,699.64	76,511,288.85	27,894,484,385.00	53,449,106,644.40	10,892,785,336.99	162,322,585,581.90

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Item	Last period (after restatement)								
	Owners' equity attributable to the parent company							Minority shareholders' equity	Total owners' equity
	Capital stock	Capital reserve	Less: Treasury share	Other Comprehensive Income	Special reserves	Surplus reserves	Undistributed profit		
I. Ending balance of previous year	16,467,517,524.00	33,739,882,090.6 <sub>2</sub>	82,585,917.00	-997,587,960.09	10,915,599.63	26,516,654,926.34	37,148,447,581.69	9,343,181,076.15	122,146,424,921.3 <sub>4</sub>
Plus: Changes in accounting policies									
Corrections of the last period errors									
Corporate merge under the same control									
Others				511,723,127.41			-511,723,127.41		
II. Beginning balance of current period	16,467,517,524.00	33,739,882,090.6 <sub>2</sub>	82,585,917.00	-485,864,832.68	10,915,599.63	26,516,654,926.34	36,636,724,454.28	9,343,181,076.15	122,146,424,921.3 <sub>4</sub>
III. Amount changes of current period ("-" for loss)	-17,123,900.00	29,186,041.56	-32,706,649.00	425,775,007.09	14,738,784.99	1,377,829,458.74	6,599,668,998.68	811,978,938.37	9,274,759,978.43
(i) Total Comprehensive income				425,775,007.09			8,965,514,090.86	254,395,307.90	9,645,684,405.85
(ii) Shareholders' contribution and reduction in capital	-17,123,900.00	-1,421,300.28	-32,706,649.00					710,993,874.00	725,155,322.72
1. Common shares from shareholders	-17,123,900.00	-12,187,333.55						720,273,874.00	690,962,640.45
2. Capital from holders of other equity instruments									
3. Amount of share payment calculated in owners' equity		9,485,805.45							9,485,805.45
4. Others		1,280,227.82	-32,706,649.00					-9,280,000.00	24,706,876.82
(III) Profit distribution						1,377,829,458.74	-2,365,845,092.18	-160,557,397.19	-1,148,573,030.63
1. Withdrawal of surplus reserves						1,377,829,458.74	-1,377,829,458.74		
2. Withdrawal of general risk reserves									
3. Distribution to owners (or shareholders)							-988,015,633.44	-160,557,397.19	-1,148,573,030.63
4. Others									
(IV) Internal carry-over of owners' equity									
1. Capital reserves capitalization (or capital stock)									
2. Surplus reserves capitalization (or capital stock)									
3. Remedying loss with surplus reserves									
4. Others									
(V) Special reserves					14,738,784.99			7,147,153.66	21,885,938.65
1. Current withdrawal					388,573,640.97			10,821,812.23	399,395,453.20
2. Current use					373,834,855.98			3,674,658.57	377,509,514.55
(VI) Others		30,607,341.84							30,607,341.84
IV. Current ending balance	16,450,393,624.00	33,769,068,132.1 <sub>8</sub>	49,879,268.00	-60,089,825.59	25,654,384.62	27,894,484,385.08	43,236,393,452.96	10,155,160,014.52	131,421,184,899.7 <sub>7</sub>

Legal Representative: Dai Zhihao CFO: Wu Kunzong Director of Operation Finance Department: Wang Juan



## Statement of Changes in Owners' Equity of Parent Company

January-June 2017

Unit: RMB Yuan

Item	Current period							Total owners' equity
	Capital stock	Capital reserve	Less: Treasury share	Other Comprehensive Income	Special reserves	Surplus reserves	Undistributed profit	
I. Ending balance of previous year	16,450,393,624.00	32,912,011,944.13	49,879,268.00	-26,995,259.25		27,894,484,385.08	38,436,472,191.53	115,616,487,617.49
Plus: Changes in accounting policies								
Error corrections of the last period								
Others								
II. Beginning balance of current period	16,450,393,624.00	32,912,011,944.13	49,879,268.00	-26,995,259.25		27,894,484,385.08	38,436,472,191.53	115,616,487,617.49
III. Amount changes of current period ("-" for loss)	5,652,263,301.00	22,988,052,040.19	-483,994.00	-8,018,310.30	455,522.93		158,942,403.94	28,792,178,951.76
(j) Total Comprehensive Income				-8,018,310.30			4,800,500,358.19	4,792,482,047.89
(ii) Shareholders' contribution and reduction in capital	5,652,263,301.00	22,988,052,040.19	-483,994.00					28,640,799,335.19
1. Common shares from shareholders	5,652,263,301.00	22,982,106,935.72						28,634,370,236.72
2. Capital from holders of other equity instruments								
3. Amount of share payment calculated in owners' equity		5,218,938.27						5,218,938.27
4. Others		726,166.20	-483,994.00					1,210,160.20
(III) Profit distribution							-4,641,557,954.25	-4,641,557,954.25
1. Withdrawal of surplus reserves								
2. Distribution to owners (or shareholders)							-4,641,557,954.25	-4,641,557,954.25
3. Others								
(IV) Internal carry-over of owners' equity								
1. Capital reserves capitalization (or capital stock)								
2. Surplus reserves capitalization (or capital stock)								
3. Remedying loss with surplus reserves								
4. Others								
(V) Special reserves					455,522.93			455,522.93
1. Current withdrawal					101,323,052.75			101,323,052.75
2. Current use					100,867,529.82			100,867,529.82
(VI) Others								
IV. Current ending balance	22,102,656,925.00	55,900,063,984.32	49,395,274.00	-35,013,569.55	455,522.93	27,894,484,385.08	38,595,414,595.47	144,408,666,569.25

Item	Previous period							
	Capital stock	Capital reserve	Less: Treasury share	Other Comprehensive Income	Special reserves	Surplus reserves	Undistributed profit	Total owners' equity
I. Ending balance of previous year	16,467,517,524.00	32,919,701,968.51	82,585,917.00	-66,043,945.35		26,516,654,926.34	33,913,169,990.02	109,668,414,546.52
Plus: Changes in accounting policies								
Error corrections of the last period								
Others								
II. Beginning balance of current period	16,467,517,524.00	32,919,701,968.51	82,585,917.00	-66,043,945.35		26,516,654,926.34	33,913,169,990.02	109,668,414,546.52
III. Amount changes of current period ("-" for loss)	-17,123,900.00	-7,690,024.38	-32,706,649.00	39,048,686.10		1,377,829,458.74	4,523,302,201.51	5,948,073,070.97
(i) Total comprehensive income				39,048,686.10			6,889,147,293.69	6,928,195,979.79
(ii) Shareholders' contribution and reduction in capital	-17,123,900.00	-6,190,024.38	-32,706,649.00					9,392,724.62
1. Common shares from shareholders	-17,123,900.00	-15,582,749.00						-32,706,649.00
2. Capital from holders of other equity instruments								
3. Amount of share payment calculated in owners' equity		9,485,805.45						9,485,805.45
4. Others		-93,080.83	-32,706,649.00					32,613,568.17
(III) Profit distribution						1,377,829,458.74	-2,365,845,092.18	-988,015,633.44
1. Withdrawal of surplus reserves						1,377,829,458.74	-1,377,829,458.74	-
2. Distribution to owners (or shareholders)							-988,015,633.44	-988,015,633.44
3. Others								
(IV). Internal carry-over of owners' equity								
1. Capital reserves capitalization (or capital stock)								
2. Surplus reserves capitalization (or capital stock)								
3. Remedying loss with surplus reserves								
4. Others								
(V). Special reserves								
1. Current withdrawal					246,948,681.82			246,948,681.82
2. Current use					246,948,681.82			246,948,681.82
(VI). Others		-1,500,000.00						-1,500,000.00
IV. Current ending balance	16,450,393,624.00	32,912,011,944.13	49,879,268.00	-26,995,259.25		27,894,484,385.08	38,436,472,191.53	115,616,487,617.49

Legal Representative: Dai Zhihao CFO: Wu Kunzong Director of Operation Finance Department: Wang Juan



### III. Company Profile

#### 1. Company Profile

√Applicable □Not applicable

Baoshan Iron & Steel Co., Ltd. (hereinafter referred to as “the Company”) is a limited liability company registered in the territory of China in accordance with the laws of the People’s Republic of China (hereinafter referred to as “China”). As per the GJMQG [1999] No. 1266 document issued by the State Economic and Trade Commission of China, the Company was founded solely by Baosteel Group Corporation (originally called “Shanghai Baosteel Group Corporation” and hereinafter referred to as “Baosteel Group”), and was officially registered in Shanghai on February 3, 2000, with Unified Social Credit Code of 91310000132200821H.

The Company took over related businesses, assets and liabilities from Baosteel Group by means of issuing 10,635,000,000 ordinary shares to Baosteel Group with a par value of RMB 1 each on the date of establishment.

The Company issued 1,877,000,000 ordinary shares (A shares) to the general public with a par value of RMB 1 each and an offer price of RMB 4.18 by means of on-line stock exchange listing coupled with off-line rationed subscription, from November 6 to 24, 2000, in compliance with the approval document No. [2000] 140 issued by China Securities Regulatory Commission (the “CSRC”).

Following the approval provided in the approval document No. [2005]15 issued by the CSRC on April 13, 2005, April during 21 to 26, 2005, the Company issued five billion shares (A-shares) with a par value of RMB 1 each and an offer price of RMB 5.12 per share, including three billion state-owned shares to Baosteel Group and two billion to the general public, with the latter on a combinatory basis of preferential claiming, pro-rata and on-line and off-line bidding inquiry.

As per the Doc. No.[2008] 739 by the CSRC on May 17, 2008, the Company issued RMB 10 billion 6-year convertible loan notes featuring the separation between liability and conversion option components on June 20, 2008. In this issuance, the original circulating shareholders for unlimited sale (of shares) conditions were given the priority for placing, and the rest of the notes were sold to institutional investors through price inquiry and to on-line applicants. The notes were issued based on the face value, which was RMB 100 per share. The dividend was paid once a year and the principal was returned once and for all when it is expired. The annual contract interest rate was 0.8%. The purchaser of the note was able to obtain 16 copies of stock purchase components issued by the issuer, the duration of the component was 24 months from the day when it was listed, and the exercising period was the last 5 trading days of the duration. The exercise proportion was 2:1 and the initial exercise price was RMB 12.50 per stock. The liability and conversion option components were listed and traded on Shanghai Stock Exchange on 4 July 2008. Dividends were paid on May 24, 2010. The exercise price was then adjusted to RMB 11.80 per stock due to dividend. The exercising period was the trading days from June 28 to July 3, 2010. A total of 113,785 components were successfully exercised before the stock market closed on July 2, 2010, the last effective exercise date for “Baosteel CWB1”, increasing 48,088 shares of the Company.

According to “The Board’s Resolution on the Motion for Repurchasing Shares of the Company Through Centralized Bidding”, “The Creditors’ Notice About Repurchasing Shares of Baoshan Iron & Steel Co., Ltd.”, “The Resolution of the Second Temporary Shareholders’ Meeting of Baoshan Iron & Steel Co., Ltd. in 2012” and the Company’s revised Articles of Association, the Company repurchased A-shares on Shanghai Stock Exchange through centralized bidding with a price no more than RMB 5 per share and an amount no more than RMB 5 billion in total. The first repurchase began on September 21, 2012, and the Company has repurchased 414,055,508 shares by the end of 2012. According to the resolution and the Company’s revised Articles of Association, the Company applied for reduction of share capital by RMB 0.39 billion and finished all procedures with China Securities Depository and Clearing Corporation Limited., Shanghai Branch on

December 20, 2012. The Company renewed all commercial registration on December 31, 2012, and the updated registered share capital is RMB 17,122,048,088.00 as of December 31, 2012.

In 2013 the Company has repurchased 626,267,656 shares, and completed the implementation of the repurchase scheme. In accordance with the resolution of the general shareholders' meeting of the Company and the regulations of the revised Articles of Association, the Company has applied for the decrease of the capital by RMB 650,323,164, and completed the cancellation of 650,323,164 shares with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited (CSDC) on May 23, 2013. The Company completed the procedure on the industrial and commercial registration on June 24, 2013, and the updated registered share capital is RMB 16,471,724,924.

The Company's shares have been decreased by 21,331,300 in total in 2014, 2015 and 2016 due to repurchasing restricted stock failing to reach the release conditions, and 698,900, 3,508,500 and 17,123,900 shares respectively in 2014, 2015 and 2016.

The Company convened the fourteenth conference of the sixth Session of Boards of Directors on November 30, 2016, and the Proposals on Adjustments of Incentive Objects of Restricted Shares Plan have been deliberated and adopted. The Company repurchased 253,400 shares of restricted stock failing to reach the release conditions which were incentive objects withdrew from A restricted stock plan.

The Company acquired Wuhan Steel Stock by stock-exchange merger and the newly issued unrestricted circulating stock of 5,652,516,701 shares will go public on February 27, 2017. Until February 27, 2017, the total stock of the Company is 22,102,656,925 shares, of which restricted circulating stock is 25,861,400 shares and unrestricted circulating stock is 22,076,795,525 shares.

The Company convened the eighteenth conference of the sixth Boards of Directors on May 23, 2017 and the Proposals on Releasing the Second Release Term of Restricted Stock Plan of BaoSteel Stock. On June 19, 2017, the restricted stock of 12,930,700 shares of the second release term of the Company's restricted stock plan will go into market and circulate.

By the end of reporting period, the Company's registered capital and share capital have reached 22,102,656,925 Yuan. Among which, there are 22,076,795,525 RMB common shares without restricted conditions for sale, and Baowu Group holds 11,523,385,833 shares, with shareholding ratio of 52.14%; Wugang Group holds 2,982,172,472 shares, with shareholding ratio of 13.49%; Baowu Group holds 14,505,558,305 shares, with shareholding ratio of 65.63%.

The business scope of the Company: iron and steel smelting and processing, power generation, coal, industrial gas production, port terminals, warehousing, transportation and other business relating to iron & steel, as well as technology development, technology transfer, technical service, technical management consultation service, automobile maintenance/repair, exporting self-made products and technologies, importing raw/auxiliary materials, instruments, mechanical equipment, fittings and technologies necessary for production and scientific research of the Company (other than those commodities and technologies permitted to be solely dealt by the companies designated by the State, and those prohibited by the State for import/export), processing imported materials, processing and assembly with supplied materials and parts or compensation trade. The Company is mainly engaged in the manufacture and sales of iron & steel products, as well as sales and service of by-products arising from the production and sales of iron & steel products.

The parent company of the Company is Baowu Group which is a state-owned enterprise supervised by the State-owned Assets Supervision and Administration Commission of the State Council.

The Company and its subsidiaries are hereinafter referred to as "the Group".

The Company's consolidated financial statement has been approved by the Company's Board of Directors on August 24, 2017.

**2. Scope of Consolidated Financial Statement**

Applicable Not applicable

For details of the scope of consolidated financial statement this year please see Note (IX) "Rights and interests in other subjects".

**IV. Basis for Preparation of Financial Statements****1. Basis for Preparation**

The Group implements the Accounting Standards for Business Enterprises ("ASBE") promulgated by the Ministry of Finance and the relevant regulations. In addition, the Group has disclosed relevant financial information in accordance with Information Disclosure and Presentation Rules for Companies Offering Securities to the Public No. 15-General Provisions on Financial Statement (Revised in 2014).

**2. Going-concern**

Applicable Not applicable

The group conducts the evaluation on the going-concern ability of 12 months from June 30, 2017, and does not find matters and situations producing significant doubt about the going-concern ability. Therefore, the financial statement is prepared based on the going-concern assumption.

**V. Important Accounting Policies and Accounting Estimates**

The specific accounting policies and accounting estimates tip:

Applicable Not applicable

The following disclosure content has covered the specific accounting policies and accounting estimates made by the Company according to the actual production and operation characteristics.

**1. Statement of Compliance with the ASBE**

The financial statements of the Company have been prepared in accordance with ASBE, and present truly and completely, the Company's financial position, results of operations, changes in equity of shareholders and cash flows.

**2. Accounting Period**

The Group has adopted the calendar year as its accounting year, i.e. from 1 January to 31 December of each year.

**3. Operating Cycle**

Applicable Not applicable

Operating cycle refers to the period from the enterprise's purchase of the assets for processing to the realization of cash or cash equivalents. The operating cycle of the Company is 12 months.

**4. Basis of Accounting and Principle of Measurement**

The Group adopts the accrual basis of accounting. Except for certain financial instruments which are measured at fair value, the Group adopts the historical cost as the principle of measurement in the financial statements. Where assets are impaired, provisions for asset impairment are made in accordance with relevant requirements.

Under the historical cost measurement, assets are measured in accordance with the amount of cash or cash equivalent paid during the purchase or the fair value of the consideration paid. Liabilities are measured in accordance with the amount of money or assets received actually for bearing the current obligation, or contract amount for bearing the current obligation, or amount of cash or cash equivalent paid for repaying estimated liabilities during the daily activities.

Fair value is the price market participants selling the asset or paid for transferring the liability during the

orderly transaction occurring on the measurement date. Whether the fair value is observable or estimated by adopting the valuation technique, the fair value measured and disclosed in the financial statement shall be determined on this basis. Fair value measurement is divided into three layers based on the observable degree of the input value of fair value and the importance of such input value for the overall fair value measurement:

·First level input refers to the offer of same assets or liabilities achieved on the measurement date and without adjustment in the active market;

·Second level input refers to the directly or indirectly observable input value of relevant assets or liabilities except for the input value of the first level

·Third level input refers to the non-observable value of relevant assets and liabilities.

## 5. Bookkeeping Base Currency

Renminbi ("RMB") is the currency of the primary economic environment in which the Company and its domestic subsidiaries operate. Therefore, the Company and its domestic subsidiaries choose RMB as their bookkeeping base currency. The Company's foreign subsidiaries choose their bookkeeping base currency on the basis of the primary economic environment in which they operate. The Group adopts RMB to prepare its financial statements.

## 6. Accounting Treatment Methods Concerning Business Combination Involving Enterprises Under Common Control and not Under Common Control

Applicable Not applicable

Business combinations are classified into the business combinations under common control and the business combinations not under common control.

### 6.1 Business combinations under common control

Business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or the same parties both before and after the business combination and on which the control is not temporary.

The assets and liabilities that the combining party obtains in a business combination shall be measured on the basis of their book value in the combined party on the combining date. As for the balance between the book value of the net assets obtained by the combining party and the book value of the consideration paid by it (or the total par value of the shares issued), the share premium of the capital reserve shall be adjusted. If the share premium is not sufficient to be offset, the retained earnings shall be adjusted.

The direct cost for the business combination of the combining party shall be recorded into the profits and losses for the current period.

### 6.2 Business Combinations not Under Common Control

A business combination not involving enterprises under common control is a business combination in which the combining enterprises are not ultimately controlled by the same party or the same parties both before and after the business combination.

The combination costs shall be the fair values of the assets paid, the liabilities incurred or assumed and the equity securities issued by the acquirer in exchange for the control on the acquisition. For a business combination not involving enterprises under common control realized by two or more transactions of exchange, the combination costs shall be the summation of the consideration paid on the acquisition date and the fair values, on the acquisition date, of the equity of the acquired held before the acquisition date. The intermediary costs for audit, legal services, and evaluation and other related overhead costs shall be recorded into the profits and losses for the current period.

The identifiable assets, liabilities and contingent liabilities which meet the recognition conditions and are obtained by the acquirer from the acquired party shall be measured in light of the fair values.

The acquirer shall recognize the positive balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquired party as business reputation and conduct initial measurement on a cost basis. When there is a negative balance between the combination costs and the fair value of various identifiable net assets it obtains from the acquire, and the acquirer shall reexamine the measurement of the fair values of the identifiable assets, liabilities and contingent liabilities it obtains from the acquired party as well as the combination costs. If, after the reexamination, the combination costs are still less than the fair value of the identifiable net assets it obtains from the acquire, it shall record the balance into the profits and losses of the current period.

## 7. Preparation Method of Consolidated Financial Statements

Applicable Not applicable

### 7.1 Preparation Method of Consolidated Financial Statements

Consolidation scope of consolidated financial statements shall be determined on the basis of control. Control refers to that the investor has power over the investee, enjoys the variable returns by participating in the relevant activities of the investee, and has the ability to use the power over investee to influence its return amount. Once the changes of relevant facts and circumstances lead to the change of relevant factors involved in the control definition, the Group will conduct the reappraisal.

Subsidiary merger begins from the Group gaining the control of the subsidiary and ends at the Group losing the control of the subsidiary. For the subsidiaries disposed by the Group, operating results and cash flow before the disposal date (date of losing the control) have been properly included in the consolidated income statement and consolidated cash flow statement.

Where a subsidiary has been acquired through a business combination not involving enterprises under common control, the subsidiary's operating results and cash flows after the acquisition date (the date the control is obtained) are appropriately included in the consolidated income statement and the consolidated cash flow statement

For the subsidiary obtained by business combination under the same control or the combined party under the absorption merger, no matter when the business combination occurs at any time point during the reporting period, it shall be deemed as that the subsidiary or the combined party will be included into the consolidation scope of the Group since the date when both are controlled by the final controlling party, and operating results and cash flow obtained from the beginning of the earliest stage of reporting period or from the date of both being controlled by the final controlling party have been properly included in the consolidated income statement and consolidated cash flow statement.

Major accounting policies and accounting periods adopted by the subsidiaries are defined according to the standardized accounting policies and accounting periods established by the Company.

The internal transactions' impact on consolidated financial statements which is between the Company and its subsidiaries or between subsidiaries shall be eliminated on consolidation. The portion of the subsidiary owners' equity that is not attributable to the parent company is treated as minority interests and presented as "minority interests" in the consolidated balance sheet within shareholders' equity. The portion of net profits or losses of subsidiaries for the period attributable to minority interests is presented in the consolidated income statement below the "net profit" line item as "minority interests". When the amount of loss attributable to the minority shareholders of a subsidiary exceeds the minority shareholders portion of the beginning balance of owners' equity of the subsidiary, the excess amount is still allocated against minority interests.

Changes in a parent company's ownership interest in a subsidiary caused by purchase of minority interests or disposal of part of the investment that do not result in the loss of control are accounted for within equity, and the book value of owners' equity attributable to equity holders of the parent company and minority interests should be adjusted to reflect the changes. The difference between the adjustment of minority interests and the fair value of the consideration paid or received is adjusted to capital reserve. If the capital reserve is

insufficient to offset, the adjustment shall be made to the retained earnings.

If the stock equity is obtained from the acquiree by multiple transactions step by step, and business combination not under the same control is finally formed, the handling shall be conducted according to whether it belongs to “package deal”. If so, all the transactions shall go through the accounting treatment as the transaction obtaining the control. If not, the transaction shall go through the accounting treatment as the transaction obtaining the control on the purchase date. The stock equity of the acquiree held before the purchase date shall be measured again according to the fair value on the purchase date, and the difference between the fair value and book value shall be included in the current profits and losses. If the stock equity of the acquiree held before the purchase date involves the change of other comprehensive income and other owners’ equity under the equity method accounting, these shall be included into the current profit of the purchase date.

If the control of the original subsidiary was lost due to the disposal of part of the equity investment or other reasons, the remaining stock equity shall be measured again according to its fair value on the date of losing control. The difference of the sum of the consideration obtained from the stock equity disposal and fair value of remaining stock equity subtracting the net asset under the continuous calculation of the original subsidiary with the original shareholding ratio since the purchase date shall be included into the current investment income of losing the control and used to offset the goodwill. Other comprehensive income related to the equity investment of the original subsidiary shall be converted as current investment income when the control is lost.

Through two or more transactions until loss of control of the subsidiary, such transactions are a package of transactions if the terms and conditions of such transactions as well as their economic effects meet one or more of the following conditions: (1) such transactions were concluded at the same time or were concluded taking into consideration their mutual impacts; (2) such transactions could not form a complete business result unless taken as a whole; (3) the occurrence of one transaction depended on the occurrence of at least one other transaction; (4) one transaction, when viewed independently, is not economic, but is economic when considered together with other transactions. Where all the transactions intended for disposal of equity investment in a subsidiary until loss of control of the subsidiary are a package of transactions, each transaction will be treated as one intended for disposal of the equity investment in and resulting in loss of control of the subsidiary. The difference between the price of each disposal and the share of the net assets of the subsidiary corresponding to the disposed investment prior to the loss of control is recognized as “Other comprehensive income” and, after loss of the control, will be recorded into the gains and losses for the period in which the control is lost. When all the transactions intended for disposal of equity investment in a subsidiary until loss of control of the subsidiary are not a package of transactions, each transaction will be recorded as an independent transaction.

#### **8. Joint Venture Arrangement Classification and Joint Operation Accounting Treatment Methods**

Applicable Not applicable

The joint venture arrangement is classified into joint operation and joint venture. Such classification is determined by considering the arrangement structure, legal form and terms of the contract according to the rights enjoyed and obligations borne by the jointly operated party in the joint venture arrangement. Joint operation is the joint venture arrangement of the jointly operated party enjoying the relevant assets and bearing the relevant liabilities of the arrangement. Joint venture is the joint venture arrangement of the jointly operated party only enjoying the rights of net assets of the arrangement. The Group adopts the equity method accounting for the investment of joint venture, and for details please see the Note (V) “14.3.2. Long-term equity investment under equity method accounting”.

#### **9. Criteria for Determining Cash and Cash Equivalents**

Cash equivalent refers to the investment held by the group (which generally refers to cash equivalents due within 3 months after the purchase date) , with short term, strong liquidity, easy conversion into cash with

known amount, and small risk in value change.

## 10. Foreign Currency Transactions and Translation of Foreign Currency Financial Statements

√Applicable Not applicable

### 10.1 Foreign Currency Transactions

At the time of initial recognition, a foreign currency transaction is translated by applying the spot exchange rate at the date of the transaction.

At the balance sheet date, foreign currency monetary items are translated to RMB using the spot exchange rate at that date. Exchange differences arising from the differences between the spot exchange rate prevailing at the balance sheet date and those spot rates used on initial recognition or at the previous balance sheet date are recognized in profit or loss for the current period, except for: (1) exchange differences arising from specific-purpose borrowings in foreign currencies that are eligible for capitalization, which are capitalized during the capitalization period and included in the cost of related assets; and (2) exchange differences arising from hedging instruments for foreign currency risk, which are treated under hedge accounting (3) exchange differences arising from foreign currency non-monetary available-for-sale items i.e. stocks and changes in book value of available-for-sale monetary items other than its unamortized cost, which are treated as other comprehensive income.

Where the Consolidated Financial Statements involve overseas businesses, the exchange differences resulting from fluctuation in exchange rates will be listed into “differences from foreign currency translation” under owner’s equities in case of substantial foreign currency monetary items of net overseas investments. And the foreign currency monetary items shall be recorded into current profits and losses when the overseas businesses are disposed.

Foreign currency non-monetary items carried at historical cost continue to be measured at the amounts in functional currency translated using the spot exchange rates at the dates of the transactions; foreign currency non-monetary items carried at fair value are translated using the spot exchange rates at the date when the fair value was determined. Differences between the translated amount and the original amount of functional currency are accounted for as changes in fair value (including changes in foreign exchange rates) and included in profit or loss for the period or capital reserve of shareholders' equity.

### 10.2 Translation of Financial Statements Denominated in Foreign Currencies

For the purpose of preparing the consolidated financial statements, financial statements of a foreign operation are translated from the foreign currency into RMB using the following method: assets and liabilities on the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date; shareholders' equity items are translated at the spot exchange rates at the dates on which such items arose; all items in the income statement as well as items reflecting the distribution of profits are translated at the average exchange rate of the transaction period; The difference between the translated assets and the aggregate of liabilities and shareholders' equity items is confirmed as other comprehensive income and included in the shareholders' equity.

Cash flows arising from a transaction in foreign currency and the cash flows of an overseas subsidiary are translated at the similar exchange rate in the period of the cash flows. The effect of fluctuations in exchange on cash and cash equivalents is regarded as a reconciling item and presented separately in the cash flow statement as "Effect of fluctuations in exchange on cash and cash equivalents".

The opening balances and the comparative figures of previous period are presented at the translated amounts in the previous period's financial statements.

## 11. Financial Instruments

√Applicable Not applicable

The Group shall recognize a financial asset or a financial liability when the Group becomes a party to a

financial instrument contract. When a financial asset or financial liability is recognized initially, the Group shall measure it at its fair value. In the case of a financial asset or financial liability at fair value through profit or loss, transaction costs shall be charged to the profit or loss for the period. For other financial assets or financial liabilities, transaction costs shall be included in their initially recognized amounts.

#### 11.1 Effective Interest Method

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or liabilities) and of allocating the interest income or interest expense over the relevant period, using the effective interest rate. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net book value of the financial asset or financial liability.

When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial asset or financial liability (without considering any future credit loss). Meanwhile, the calculation of the effective interest rate also considers all fees paid or received between the parties to the contract giving rise to the financial asset and financial liability that are an integral part of the effective interest rate, transaction costs, and premiums or discounts etc.

#### 11.2 Classification, Recognition and Measurement of Financial Assets

On initial recognition, financial assets are classified into the following categories: financial assets at fair value through profit or loss (FVTPL), held-to-maturity investments, loans and receivables and available-for-sale (AFS) financial assets. Financial assets are initially recognized at fair value. All regular purchases or sales of financial assets are recognized and derecognized on a settlement date basis.

##### 11.2.1 Financial Assets at FVTPL

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if: (1) it has been acquired principally for the purpose of selling in the near future; or (2) it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or (3) it is a derivative, except for a derivative that is a designated and effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price from an active market) whose fair value cannot be reliably measured.

The financial assets meeting any of the following requirements can be designated, when they are initially recognized, as financial assets or financial liabilities as measured at its fair value and of which the variation is included in the current profits and losses: (1) The designation is able to eliminate or significantly reduce the discrepancies in the recognition or measurement of relevant gains or losses arising from the different basis of measurement of the financial assets or financial liabilities; (2) The official written documents on risk management or investment strategies of the Group have recorded that the combination of said financial assets, the combination of said financial liabilities, or the combination of said financial assets and financial liabilities will be managed and evaluated on the basis of their fair values and be reported to the key management personnel; (3) Qualified mixed instruments, including embedded derivative instruments.

Financial assets at FVTPL are subsequently measured at fair value, with gains or losses arising from changes in fair value as well as dividends and interest income related to such financial assets recognized in profit or loss for the current period.

##### 11.2.2 Held-to-maturity Investments

The term "held-to-maturity investment" refers to a non-derivative financial asset with a fixed date of maturity, a fixed or determinable amount of recoverable price and which the enterprise holds for a definite purpose or the enterprise is able to hold until its maturity.



Investments held until their maturities are subsequently measured at amortized cost using the effective interest method. Gains or losses arising from derecognizing, impairment or amortization are recognized in profit or loss for the current period.

#### 11.2.3 Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The notes receivable, accounts receivable, interests receivable, dividends receivable, other receivables, loans and advances and long-term receivables are included in this category.

Loans and receivables are subsequently measured at amortized cost using the effective interest method. Gains or losses arising from derecognizing, impairment or amortization are recognized in profit or loss for the current period.

#### 11.2.4 AFS financial assets

AFS financial assets are those non-derivative financial assets that are designated as available-for-sale, or the financial assets other than the financial assets at FVTPL, loans and receivables and held-to-maturity investments.

AFS financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value (other than impairment losses and foreign exchange gains and losses resulting from foreign currency monetary assets and amortized costs which are recognized in profit or loss for the current period) are recognized as the other comprehensive incomes, transferred out and included in profit or loss for the period when such financial assets are derecognized.

Interest received during the period in which the Group holds the AFS financial assets and cash dividends declared by the invested are recognized as the current profits and losses.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivative financial assets which are linked to and must be settled by delivery of such unquoted equity instruments, which shall be measured at cost.

### 11.3 Impairment of Financial Assets

The Group assesses the book value of all financial assets other than the financial assets which are measured at their fair values and whose variations are recorded into the current profits and losses, at each balance sheet date. If there is objective evidence that financial assets are impaired the Group determines the amount of any impairment loss. Objective evidence that a financial asset is impaired is evidence arising from one or more events that occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset which can be reliably estimated.

Objective evidences that a financial asset is impaired include evidences that might be observed from the following events:

- (1) Significant financial difficulty of the issuer or obligor;
- (2) A breach of contract, such as a default or delinquency in interest or principal payments;
- (3) The Group, for economic or legal or other reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Group would not otherwise consider;
- (4) It is likely that the borrower will go bankrupt or undergo any other financial restructuring;
- (5) It is impossible to continue trading the financial assets of an issuer in an active market due to its serious financial difficulties;
- (6) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
  - Deteriorating solvency of the debtor of the group of financial assets;

- Economic conditions in the country or region in which the debtor operates may result in nonpayment of the group of financial assets;
- (7) Significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;
- (8) A significant or prolonged decline in the fair value of an investment in an equity instrument;
- (9) Other objective evidences indicating impairment of a financial asset.

**- Impairment of financial assets measured at amortized cost**

If a financial asset measured at amortized cost is impaired, the book value of the financial asset shall be reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The written-down amount shall be recognized as an impairment loss in profit or loss.

If, subsequent to the recognition of an impairment loss on a financial asset measured at amortized cost, there is objective evidence of a recovery in value of the financial asset which can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed and recognized in profit or loss. However, the reversal shall not result in a book value of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed.

The Group will separately perform an impairment test on any financial asset with a significant single amount. With regard to the financial assets with insignificant single amounts, a separate impairment test may be carried out, or they may be included in a combination of financial assets with similar credit risk features so as to carry out an impairment-related test. Where, upon the separate test, the financial asset (including those financial assets with significant single amounts and those with insignificant amounts) has not been impaired, it shall be included in a combination of financial assets with similar risk features so as to conduct another impairment test. The financial assets which have suffered from an impairment loss in any single amount shall not be included in any combination of financial assets with similar risk features for any impairment test.

**- Impairment of AFS financial assets**

For an investment in an AFS equity instrument, objective evidences of impairment include significant or pro-longed decline of the fair value of the said investment. If the fair value is below the cost of the said investment, it is insufficient to indicate an impairment of it. For an investment in an AFS equity instrument held mainly for the purpose of strategic cooperation and not to be sold due to any temporary change in its share price, analysis shall be performed of the basic operation of the invested entity: impairment occurs if the operation of the invested entity seriously deteriorates with operating revenue decreasing 10% or more for three years in concession or with EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization) decreasing 20% or more for three years in concession; for an investment in an AFS equity instrument held mainly for earning profit from share price, etc., an impairment occurs if the fair value of the said investment on the balance sheet date is over 50% less than its initial investment cost or has been lower than its initial investment cost for more than 24 months in concession.

Where an AFS financial asset is impaired, the accumulative losses arising from the decrease of the fair values which has been originally and directly included in the other comprehensive income shall be transferred out and recorded into the profits and losses of the current period. The accumulative losses that are transferred out shall be the balance obtained from the initially obtained costs of the sold financial asset after deducting the principals as taken back, the current fair value and the impairment-related losses as was recorded into the profits and losses of the current period. Where any financial asset is recognized as having suffered from any impairment loss, if there is any subsequent objective evidence proving that the value of the said financial asset has been restored, and it is objectively related to the events that occur after such loss is recognized, the impairment-related losses as originally recognized shall be reversed, the reversal of impairment losses of AFS

equity instruments is recognized in other comprehensive income, and the impairment losses of AFS debt instruments are recognized in profit or loss for the current period.

**- Impairment of financial assets measured at cost**

Where an equity instrument investment for which there is no quoted price in the active market and whose fair value cannot be reliably measured, or a derivative financial asset which is connected with the equity instrument and which must be settled by delivering the equity instrument, suffers from any impairment, the gap between the book value of the equity instrument investment or the derivative financial asset and the current value of the future cash flow of similar financial assets capitalized according to the returns ratio of the market at the same time shall be recognized as impairment-related losses and be recorded into the profits and losses of the current period. The impairment loss of financial assets, upon recognition, shall not be reversed.

#### 11.4 Transfer of Financial Assets

The Group derecognizes a financial asset only when: (1) the contractual rights to the cash flows from the financial asset expire; or (2) it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity; or (3) it transfers the financial asset, neither transfers nor retains substantially all the risks and rewards of ownership but has not retained control over the financial asset.

If an enterprise neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, and retains its control of the financial asset, it recognizes the financial asset to the extent of its continuing involvement in the transferred financial asset and recognizes an associated liability. The extent of the enterprises continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset.

For a transfer of a financial asset in its entirety that satisfies the derecognizing criteria, the difference between the following two amounts is recognized in profit or loss for the current period: (1) the book value of the financial asset transferred; and (2) the sum of the consideration received from the transfer and any cumulative gain or loss that had been recognized directly in other comprehensive incomes.

If a part of the transferred financial asset qualifies for derecognizing, the book value of the transferred financial asset in its entirety is allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts. In this case, the servicing asset retained is treated as a part that continues to be recognized. The difference between the following two amounts is included in profit or loss for the current period: (1) the book value allocated to the part derecognized; and (2) the sum of the consideration received for the part derecognized and (if the transfer involves an available-for-sale financial asset) any cumulative gain or loss allocated to it that had been recognized directly in equity.

#### 11.5 Classification, Recognition and Measurement of Financial Liabilities

The Group classifies the financial instruments or its components as the financial liabilities or equity instruments during the initial recognition according to the contract terms of the financial instruments and its reflected economic essence rather than only by legal form, and by combining with the definition of financial liabilities and equity instruments.

At initial recognition, financial liabilities are classified as either financial liabilities at fair value through profit or loss (FVTPL) or other financial liabilities.

##### 11.5.1 Financial Liabilities at FVTPL

A financial liability is classified as at FVTPL if it is either held for trading or designated as at FVTPL.

A financial liability is classified as held for trading if: (1) the financial liability is undertaken principally for the purpose of repurchase in the near future; or (2) it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking management by the Group; or (3) it is a derivative, except for a derivative that is a designated and effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by

delivery of an unquoted equity instrument (without a quoted price from an active market) whose fair value cannot be reliably measured.

The financial liabilities meeting any of the following requirements can be designated, when they are initially recognized, as financial liabilities or financial liabilities as measured at its fair value and of which the variation is included in the current profits and losses: (1) The designation is able to eliminate or significantly reduce the discrepancies in the recognition or measurement of relevant gains or losses arising from the different basis of measurement of the financial liabilities; (2) The official written documents on risk management or investment strategies of the Group have recorded that the combination of said financial liabilities or the combination of financial assets and financial liabilities will be managed and evaluated on the basis of their fair values and be reported to the key management personnel; (3) Qualified mixed instruments, including embedded derivative instruments.

Financial liabilities at FVTPL are subsequently measured at fair value, with gains or losses arising from changes in fair value as well as dividends and interest income related to such financial liabilities recognized in profit or loss for the current period.

#### 11.5.2 Other Financial Liabilities

Derivative financial liabilities linked to and which must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be measured reliably is subsequently measured at cost. Other financial liabilities except financial guarantee contract liabilities are subsequently measured at amortized cost using the effective interest method; gains or losses arising from derecognizing or amortization is recognized in profit or loss for the period.

#### 11.6 Derecognizing of Financial Liabilities

The Group derecognizes a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged. An agreement between the Group (an existing borrower) and an existing lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

When the Group derecognizes a financial liability or a part of it, the Group recognizes the difference between the book value of the financial liability (or part of the financial liability) derecognized and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss for current period.

#### 11.7 Derivative Instruments and Embedded Derivative Instruments

The derivative financial instruments include forward contracts, interest rate swap contracts and so on. The derivative instruments shall be initially measured at the fair value on the date when the related contracts are signed, and subsequently measured at the fair value. The variation in fair values of the derivative financial instruments shall be included in the current profits and losses.

Where a mixed instrument containing the embedded derivative instrument fails to be designated as a financial asset or financial liability measured at its fair value and of which the variation is included in the current profits and losses; where there is no close relationship between it and the principal contract in terms of economic features and risks; and where it shares the same conditions with that of the embedded derivative instrument, and the independent instrument meets the requirements of the definition of derivative instrument, the embedded derivative instruments shall be separated from the mixed instrument and treated as an independent derivative instrument.

Where it is impossible to make an independent measurement on the acquisition date or subsequent balance sheet date, the mixed instrument shall be designated entirely as a financial asset or financial liability measured at its fair value and of which the variation is included in the current profits and losses.

#### 11.8 Offset of Financial Assets and Financial Liabilities

Financial assets and financial liabilities are presented separately in the balance sheet and are not offset. However, a financial asset and a financial liability is offset and the net amount presented in the balance sheet when both of the following conditions are satisfied: (1) the Group has legal right to set off the recognized amounts and the legal right is currently enforceable; and (2) the Group intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously.

### 11.9 Equity Instruments

Equity instrument refers to the contract which can prove that the Group has the residual equity of the assets after deducting all liabilities. The Group issues (including refinancing), repurchases, sells, or cancels the equity instruments as the handling of the equity change. The Group does not confirm the fair value change of the equity instruments. Transaction cost related to the equity transaction shall be deducted from the equity.

The Group conducts the profit distribution for distribution of the holder of equity, and the stock dividend has no effect upon the shareholders' total equity.

#### 11.9.1 Repurchase of Shares

Where the consideration and transaction costs paid for the share repurchase minus shareholder's equity, and the shares of the Company is repurchased, transferred or cancelled, the gains or losses shall not be recognized. The repurchased shares shall, before cancellation or transfer, be controlled as the treasury shares. Total expenditures arising from share repurchase shall be transferred into the treasury share costs. The treasury shares arising from the repurchase ordinary shares repurchased by the Company shall not be involved in the profit distribution of the Company, and shall be presented as provision items of owner's equity in the balance sheet. Where the reduction of capital is made by means of the acquisition of the shares of the Company upon approval in accordance with the legal procedures, the capital shall be reduced on the basis of the total amount of the par value of cancelled shares. The difference between the costs paid for repurchase of shares (including transaction costs) and the par value of shares shall be used to adjust the owner's equity. A portion exceeding the total amount of par value shall be used to offset capital reserves (share premium), surplus reserves and undistributed profits; a portion less than the total amount of par value shall be used to increase the capital reserves (share premium).

#### 11.10 Bond with Warrants

When issuing a bond with warrants, the Group shall determine whether it simultaneously contains the compositions of liabilities and equities in accordance with the provisions. Where the issued bonds with warrants contain both compositions of liabilities and equities, the liabilities composition shall be separated from equities composition at the time of initial recognition, and treated separately. For the separation, the priority shall be given to determine the fair value of the liabilities and to use it as the initially recognized amount. Afterwards, the initially recognized amount of the equities shall be determined by the initially recognized amount of the liabilities deducted from the integral issue price of the bond with warrants. The transaction costs shall be amortized between the composition of liabilities and equities according to their respective fair values. The liabilities composition shall be presented as the liabilities and subsequently measured at the amortized costs until cancelled, converted or redeemed. The equity composition shall be presented as the equities, dispensed with subsequent measurement. Where a subscription right holder fails to exercise the right for a bond with warrants issued by the Group, a part of it originally included in the capital reserves at maturity shall be transferred into the capital reserves (share premiums). Where a subscription right holder exercises the right, a part of it originally included in the capital reserves (other capital reserves) shall be transferred into the capital reserves (share premiums) in light of the amount of the equity composition, included into the capital in light of the total amount of par value of shares and par value of shares calculated by the translated shares, and included into the capital reserve (share premium) on the basis of the difference between the total amount of funds raised by warrants and the share capital.

**12. Accounts Receivable****(1) Individually Significant Receivables with Bad Debt Provisions Separately Recognized**√Applicable Not applicable

Criteria for individually significant receivables	The Group recognizes the accounts receivable of top five clients as the individually significant receivables.
Provision method for individually significant receivables with bad debt provision separately recognized.	An impairment test shall be independently made on the accounts receivable with significant single amounts. Accounts receivable that are not impaired upon independent test shall be included in a combination of financial assets with similar credit risk features so as to carry out an impairment-related test; The accounts receivables which have suffered from an impairment loss shall not be included in any combination of financial assets with similar risk features for any impairment test.

**(2) Account Receivables Which Provision Bad Debt Reserves According to Credit Risk Characteristics Combination:**√Applicable Not applicable

Calculation and withdrawal method of bad debt reserves according to credit risk feature combination (aging analysis, percentage of balance and other methods)	
Account receivables with single amount insignificant and the account receivables which have not been impaired during the single test in spite of significant amount	The Group shall divide the other receivables except for the receivables with significant single amount and individual bad debt reserves provision and receivables with bad debt reserves provision in spite of insignificant single amount into the account of the units within the scope of consolidated statement of Baosteel Group and account receivable from others according to the nature of the units receivable, and divide the receivables among two combinations into several aging groups by taking the account age as the credit risk feature. Based on the actual loss ratio of aging group of account receivable which are same or similar, and have the similar credit risk feature to that of the previous years, and combining with the current situation, the Group shall determine the proportion of each aging group with bad debt reserves reserve made, and then calculate the bad debt reserves which shall be provisioned among the receivables of each aging group this year. Among them, receivables of the units within the scope of consolidated statement of Baosteel Group don't provision the bad debt reserves, and for provision proportion of receivables of other parties please see the table below.

**Combination of Bad-debt Provisions Made Using the Aging Analysis Method**√Applicable Not applicable

Account age	Percentage of provisions for bad debts of receivables (%)	Percentage of provisions for bad debts of other receivables (%)
Within 1 year (incl. 1 year)	5	5
1-2 years	30	30
2-3 years	60	60
3 years or more	100	100

Combination of Bad-debt Provisions Made Using the Percentage Method

Applicable  Not applicable

**(3) Accounts Receivable with Single Amount Insignificant and Bad-debt Provision Made on a Single Basis:**

Applicable  Not applicable

Cause for bad-debt provision made on a single basis	Existence of objective evidence for occurrence of decrease in value
Method of bad-debt provision	The difference between the estimated revocable amount and book value shall be recognized as the bad-debt provision

**13. Inventories**

Applicable  Not applicable

13.1 Classification of Inventories

The Inventories are mainly classified as raw materials, products in process, finished products, spare parts, etc., and are initially measured at the cost. The cost of inventory comprises procurement cost, processing cost, and the expenditures available to enable the inventories to reach the present destination and the condition.

13.2 Measurement of the Cost of Delivered Inventories

Upon the dispatch of inventories, the weighted average cost formula is used to determine the actual cost of inventories dispatched.

13.3 Recognition of the Net Realizable Value

On the balance sheet date, the inventories shall be measured according to the cost or the net realizable value, whichever is lower. When the net realizable value is lower than the cost, the inventory falling price shall be made. The net realizable value refers, in the daily activities, to the amount after deducting the estimated cost of completion, estimated sale expense and relevant taxes from the estimated sale price of inventories. The Group shall determine the net realizable value of inventories based on solid evidence obtained and after taking into consideration the purpose for which the inventory is held, and the effect of events occurring after the balance sheet date.

For inventories, the excess of cost over the net realizable value is generally recognized as provision for decline in value of inventories on an item-by-item basis.

After provision for decline in value of inventories has been made, if the circumstances that previously caused inventories to be written down no longer exist which results in the net realizable value is higher than the book value, the amount of the write-down is reversed in profit or loss for the current period.

13.4 Stock Counting System of Inventories

The perpetual inventory system is adopted for stock counting

13.5 Amortization Methods of Low-value Consumables and Wrap Pages

Low-value consumables and wrap pages shall be amortized using the writing-off process.

**14. Long-term equity investments**

Applicable  Not applicable

14.1 Criteria of Common Control and Significant Influence

Control refers to that the investor has power over the investee, enjoys the variable returns by participating in the relevant activities of the investee, and has the ability to use the power over investee to influence its return

amount. Joint control refers to the mutual control of an arrangement in accordance with the relevant agreement, and the related activities of such arrangement can be decided after getting the unanimous consent of participants sharing the control. Significant impact refers to having the power of participating in decision-making of the financial and operating policies of investee, but failing to control or making joint control with other parties over the making of these policies. When determining whether to conduct the control or exert significant impact on the invested unit, potential voting right factors held by the investors and other parties such as current convertible bond and current executable warrant of the invested unit have been considered.

#### 14.2 Determination of Initial Investment Cost

For the long-term equity investment obtained from the business combination under the same control, the share of the combined party's owners' equity in the book value of consolidated financial statement of the final controlling party on the combining date shall be taken as the initial investment cost of long-term equity investment. Difference among the initial investment cost of long-term equity investment and the cash paid, non-cash asset transferred as well as book value of incurred liability is used to adjust the capital reserves. If the capital reserves are insufficient for writing down, the retained earnings shall be adjusted. If taking the issuance of equity securities as the combination consideration, the share of the combined party's owners' equity in the book value of consolidated financial statement of the final controlling party on the combining date shall be taken as the initial investment cost of long-term equity investment, total par value of the issued shares shall be taken as the capital stock, and difference between the initial investment cost of long-term equity investment and the total par value of the issued shares shall be used to adjust the capital reserves. If the capital reserves are insufficient for writing down, the retained earnings shall be adjusted. If the stock equity is obtained from the acquire under the same control by multiple transactions step by step, and business combination under the same control is finally formed, the handling shall be conducted according to whether it belongs to "package deal". If so, all the transactions shall go through the accounting treatment as the transaction obtaining the control. If not, the enjoyed share of book value of the combined party's owners' equity in the consolidated financial statement of the final controlling party on the combining date shall be taken as the initial investment cost of long-term equity investment. Difference between the initial investment cost of long-term equity investment and the sum of book value of long-term equity investment before the combination and the book value of newly paid consideration for getting more shares is used to adjust the capital reserves. If the capital reserves are insufficient for writing down, the retained earnings shall be adjusted. Equity investment adopting equity method accounting before the combining date or other comprehensive income confirmed for available-for-sale financial assets will not undergo the accounting treatment temporarily.

For the long-term equity investment obtained from the business combination not under the same control, the combined cost on the purchase date shall be taken as the initial investment cost of long-term equity investment. If the stock equity is obtained from the acquiree by multiple transactions step by step, and business combination not under the same control is finally formed, the handling shall be conducted according to whether it belongs to "package deal". If so, all the transactions shall undergo the accounting treatment as the transaction obtaining the control. If not, the sum of book value of equity investment originally held in the acquiree and the new investment cost shall be taken as the initial investment cost of long-term equity investment under cost method accounting. If the original stock equity adopts the equity method accounting, other comprehensive income shall not undergo the accounting treatment. If the original equity investment is the available-for-sale financial assets, the difference between fair value and book value, as well as the cumulative fair value change included into the other comprehensive income shall be transferred to the current profits and losses.

Audit fee, legal service fee, assessment consultation fee and other agency fees as well as other related management fees brought by the combining party or the purchaser for business combination shall be included



in the current profits and losses during their occurrence.

Except for those formed by business combination, long-term equity investment obtained by other forms shall go through the initial measurement according to the cost. The cost of long-term equity investment which has significant impact upon the invested unit or implements joint control but does not constitute the control shall be the sum of new investment cost and fair value of the original equity investment determined by Accounting Standard for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments.

#### 14.3 Subsequent Measurement and Recognition of Profit and Loss

##### 14.3.1 Long-term Equity Investment Using the Cost Method

The Company's financial statement adopts the cost method for the accounting of the long-term equity investment in the subsidiary. The subsidiary is the invested entity over which the Group can implement the control.

Long-term equity investment accounted by cost method shall be valued according to the initial investment cost. Adding or retrieving investment is to adjust the cost of long-term equity investment. The current investment income shall be confirmed according to the cash dividends or profits declared by the invested unit to issue.

##### 14.3.2 Long-term Equity Investment Using the Equity Method

The Group adopts the equity method for the accounting of the investment in associated enterprises and joint ventures. Associated enterprise is the invested unit upon which the Group can have significant impact, and joint venture is the joint venture arrangement in which the Group only enjoy the right of the net assets of such arrangement.

When the calculation is performed using the equity method, if the initial cost of a long-term equity investment is more than the investor's attributable share of the fair value of the invitee's identifiable net assets for the investment, the initial cost of the long-term equity investment may not be adjusted; if the initial cost of a long-term equity investment is less than the investing enterprise' attributable share of the fair value of the invitee's identifiable net assets for the investment, the difference shall be included in the current profits and losses and the cost of the long-term equity investment shall be adjusted simultaneously.

When equity method accounting is adopted, investment income and other comprehensive income shall be confirmed respectively according to the share of net profit or loss and other comprehensive income achieved by the invested unit which shall be enjoyed or shared, and the book value of the long-term equity investment shall be adjusted. Based on the profit or cash dividend declared by the invested unit to distribute, calculate the share which should be enjoyed to accordingly reduce book value of the long-term equity investment. For other changes of owners' equity of the invested unit except for the net profits and losses, other comprehensive incomes and profit distribution, book value of the long-term equity investment shall be adjusted and included into the capital reserves. When confirming the enjoyed share of net profits or losses of the invested unit, the net profit of the invested unit shall be adjusted and then confirmed on the basis of the fair value of all identifiable assets of the invested unit when obtaining the investment. If the accounting policy and accounting period of the invested unit are not consistent with those of the Company, the financial statement of the invested unit shall be adjusted according to the accounting policy and accounting period of the Company, and investment income and other comprehensive income shall be confirmed on this basis. For the transactions between the Group and associated enterprises and joint ventures, if the assets invested or sold fail to constitute a business, the part of unrealized gains or losses through internal transaction belonging to the Group and calculated according to the shared proportion shall be offset, and the profit and loss on investments shall be confirmed on this basis. If the unrealized losses on internal transaction between the Group and the invested unit belong to the loss from asset devaluation, these shall not be offset.

The Group's share of net losses of the invested is recognized to the extent that the carrying amount of the long-term equity investment together with any long-term interests that substantially form part of the investors net investment in the invested are reduced to zero. If the Group has to assume additional obligations, the

estimated obligation assumed is provided for and charged to the profit or loss as investment loss for the period. Where the invested realizes net profits in subsequent periods, the Group resumes recognizing its share of profits after setting off profits against the unrecognized share of losses.

#### 14.4 Disposal of a Long-term Equity Investment

During the disposal of long-term equity investment, the difference between its book value and actually acquired money shall be included in the current profits and losses. For long-term equity investment accounted with the equity method, if the remaining stock equity after the disposal still adopts the equity method for accounting, other comprehensive income originally confirmed by equity method accounting shall adopt the same basis with the direct disposal of related assets and liabilities of the invested unit to go through the accounting treatment and shall be carried over to the current profits and losses with the corresponding rate. The owners' equity confirmed by the investee due to the change of other owners' equity except for the net profit and loss, other comprehensive income and profit distribution shall be carried over to the current profits and losses with the corresponding rate.

For long-term equity investment accounted by cost method, if the remaining stock equity after the disposal still adopts the cost method for accounting, other comprehensive income confirmed due to adopting equity method accounting or recognition and measurement standards of financial instruments before the Group obtains the control of the invested unit shall adopt the same basis with the direct disposal of related assets and liabilities of the invested unit to go through the accounting treatment and shall be carried over to the current profits and losses with the corresponding rate. Other owners' equity changes in net asset of investee confirmed by equity method accounting except for the net profit and loss, other comprehensive income and profit distribution shall be carried over to the current profits and losses with the corresponding rate.

Because the Group loses the control of the invested unit due to the disposal of part of equity investment, when making the individual financial statements, if the remaining stock equity after the disposal can implement joint control over or have significant impact on the invested unit, the equity method for accounting shall be adopted, and the remaining stock equity shall be adjusted as acquired with the equity method accounting. If the remaining stock equity after the disposal cannot implement joint control over or have significant impact on the invested unit, accounting treatment shall be conducted according to relevant provisions of the financial instruments confirmation and measurement standard, and the difference between the fair value and the book value on the date of losing control shall be included in the current profits and losses. Other comprehensive income confirmed due to adopting equity method accounting or financial instruments confirmation and measurement standard before the Group obtains the control of the invested unit shall adopt the same basis with the direct disposal of related assets and liabilities of the invested unit for accounting treatment when the Group loses the control of the invested unit, and other owners' equity changes in net asset of investee confirmed by equity method accounting except for the net profit and loss, other comprehensive income and profit distribution shall be carried over to the current profits and losses when the Group loses the control of the invested unit. Among them, if the remaining stock equity after the disposal adopts the equity method accounting, other comprehensive income and other ownership interest shall be carried over with the corresponding rate. If the remaining stock equity after the disposal adopts the accounting treatment according to the financial instruments confirmation and measurement standard, other comprehensive income and other owners' equity shall be carried over in full.

If the Group loses the joint control over and significant impact on the invested unit due to the disposal of part of equity investment, remaining stock equity after the disposal shall be accounted by financial instruments confirmation and measurement standard, and the difference between the fair value and the book value on the date of losing joint control or significant impact shall be included in the current profits and losses. Other comprehensive income from the original equity investment confirmed due to adopting equity method accounting shall adopt the same basis with the direct disposal of related assets and liabilities of the invested unit for accounting treatment when the equity method accounting is not used any longer, and owners' equity

confirmed due to the change of other owners' equity except for the net profit and loss, other comprehensive income and profit distribution shall be transferred to the current investment income when the equity method accounting is not used any longer.

The Group conducts the disposal of subsidiary's stock equity step by step through multiple transaction until lose the control, and if the above transaction belongs to the package deal, accounting treatment should be conducted which take each transaction as the transaction of disposing the subsidiary's stock equity and losing the control, and the difference between the disposal money and the book value of corresponding long-term equity investment before losing the control shall first be recognized as other comprehensive income, and then transferred to the current profits and losses when the control is lost.

## 15. Investment Property

### (1) Investment Property Measured at Cost:

#### Depreciation or Amortization Method

Investment property means a property held to earn rentals or for capital appreciation or both, comprising a tenure that is leased out, a building that is leased out, etc.

An investment property shall be initially measured at cost. Subsequent expenditures incurred on an investment property are recognized as cost of the investment property only when: 1) it is probable that economic benefits associated with the investment property will flow to the Group; and 2) the cost of the investment property can be measured reliably. Subsequent expenditures that fail to meet such recognition criteria are recognized in profit or loss in the period in which they are incurred.

The Group uses the cost model for subsequent measurement of an investment property, and adopts the depreciation or amortization policy consistent with that applicable to buildings or tenure.

When an investment property is sold, transferred, retired or damaged, the amount of any proceeds on disposal net of the book value and related taxes is recognized in profit or loss for the current period.

## 16. Fixed Assets

### (1) Conditions for Recognition

Applicable Not applicable

Fixed assets mean tangible assets that are held for the sake of producing commodities, rendering labor service, renting or business management, with their useful life in excess of one fiscal year. No fixed asset may be recognized unless it simultaneously meets the conditions as follows: the economic benefits pertinent to the fixed asset are likely to flow into the enterprise; and the cost of the fixed asset can be measured reliably. A fixed asset shall be initially measured at cost.

Subsequent expenditures incurred for a fixed asset that meet the recognition criteria mentioned in the previous paragraph shall be included in the cost of the fixed asset, and the book value of the replaced portions shall be derecognized. Subsequent expenditures that fail to meet the recognition criteria mentioned in the previous paragraph shall be recognized in profit or loss in the period in which they are incurred.

### (2) Depreciation Method

Applicable Not applicable

Depreciation is provided to write off the cost of each category of fixed assets over their estimated useful lives from the month after they are brought to working condition for the intended use, using the straight-line method. The useful lives, estimated net residual values rates and annual depreciation rates of each class of fixed assets are as follows:

Category of Fixed Assets	Depreciation method	Depreciable Life (Years)	Residual Value (%)	Annual Depreciation (%)
Houses and buildings	Method of line	15-45	4-5	2.1-6.4
Machinery equipment	Method of line	4-18	4-5	5.3-24.0
Transportation facilities	Method of line	5-18	4-5	5.3-19.2
Office facilities and other facilities	Method of line	4-9	4-5	10.6-24.0

Estimated net residual value of a fixed asset means the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

### (3) Other notes

A fixed asset shall be derecognized on disposal or when no future economic benefits are expected from its use or disposal. When a fixed asset is sold, transferred, discarded or damaged, the book value and relevant taxes shall be deducted from the disposal income arising from the sales, transfer, discard or damage of fixed assets and the difference shall be included in the current profits and losses.

The Group shall review the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least at the end of each financial year. A change in the useful life or estimated net residual value of a fixed asset or the depreciation method used shall be accounted for as a change in an accounting estimate.

### (4) Confirmation basis, methods of accounting and depreciation of financial leased fixed assets

Applicable  Not applicable

## 17. Construction in Progress

Applicable  Not applicable

The cost of construction in progress shall be determined at the actual cost, including the expenditure actually incurred for the construction, borrowing costs capitalized before the project reaches the working condition for its intended use and other related expenses. Construction in progress is not subject to depreciation and is carried over to fixed assets when it is ready for its intended use.

## 18. Borrowing Costs

Applicable  Not applicable

For borrowing costs that are directly attributable to the acquisition, construction or production of a qualified asset, capitalization of such borrowing costs can commence only when all of the following conditions are satisfied: (1) expenditures for the asset have already been incurred; (2) borrowing costs have already been incurred; and (3) activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have already commenced. Capitalization of such borrowing costs ceases when the qualified assets acquired, constructed or produced become ready for their intended use or sale. The amount of any other borrowing cost incurred is recognized as an expense in the period in which it is incurred.

Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing

the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. Where funds are borrowed under general-purpose borrowings, the amount of interest to be capitalized on such borrowings is determined by applying a capitalization rate to the weighted average of the excess amounts of cumulative expenditure on the asset over and above the amounts of specific-purpose borrowings. The capitalization rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

## 19. Intangible Assets

### (1) Cost Measurement, Useful Life and Impairment Test

Applicable Not applicable

Intangible assets include tenure, software, etc.

The intangible assets shall be initially measured at cost. An intangible asset with a definite service life shall be, on an average basis, amortized using the straight-line method over its service life when the asset is available for use with its original cost less any accumulated impairment losses. An intangible asset with an indefinite service life shall not be amortized.

Amortization method, useful life and estimated net residual values of various intangible assets are as follow:

Category	Amortization method	Useful life (Year)	Residual values rates (%)
Land use rights	Straight-line	40-70	0
Software	Straight-line	5	0
Others	Straight-line	3-50	0

At the end of the period, the service life and amortization method of intangible assets with a definite service life shall be rechecked, and adjusted when necessary.

### (2) Accounting Policies for Expenditures on Research and Development

Applicable Not applicable

The expenditures on research and development shall be recorded into the profits and losses of the current period when they occur.

Expenditures incurred during the development phase shall be recognized as an intangible asset only when they meet the following conditions simultaneously and shall be recognized in profits or losses for the period in which they are incurred if they fail to meet such following conditions simultaneously:

- 1) It is technically feasible to complete the intangible asset and make it ready for use or sale;
- 2) There is an intention to complete the intangible asset and use or sell it;
- 3) There exist the means by which the intangible asset can produce economic benefits, including the evidence of a market for any product produced using this intangible asset or for the intangible asset itself; where the intangible asset is intended for internal use, there exists the evidence of its usability;
- 4) Sufficient technical, financial and other resources available to support and finish the development of the intangible asset and use or sell it;
- 5) Research and development expenditures attributable to this intangible asset can be reliably measured.

If it is impossible to differentiate between the expenditures on the research phase and the expenditures on the development phase, all expenditures incurred during the research and development phases shall be recorded into the profit and losses of the current period.

## 20. Long-term Assets Impairment

Applicable Not applicable

The Group shall check whether the long-term equity investment, investment real estate measured by cost method, fixed assets, projects under construction and intangible assets with finite service life have the sign of impairment on the balance sheet date. If such assets have the sign of impairment, their recoverable amounts can be estimated. Intangible assets with uncertain service life and intangible assets having not reached the serviceable condition shall be conducted with the impairment test every year no matter whether there is the sign of impairment.

The estimation of recoverable amount of assets is based on the single asset, and if it is hard to estimate the recoverable amount of single asset, the recoverable amount of asset Group shall be determined based on the asset Group to which the assets belong. The recoverable amount is the higher one between the net amount obtained after the fair value of assets or asset Group subtracts the disposal cost and the present value of expected future cash flow.

If the recoverable amount of assets is lower than its book value, assets impairment reserves shall be made with provision according to the difference and included in the current profits and losses.

Once an impairment loss is recognized on an above mentioned asset, it will not be reversed in any subsequent period

## 21. Long-term Prepaid Expenses

Applicable Not applicable

Long-term prepaid expenses mean various expenditures incurred but that should be allocated over the current and future periods of more than one year. Long-term prepaid expenses shall be evenly amortized over the estimated beneficial period.

## 22. Assets Transferred Under Repurchase Agreements

### 22.1 Financial Assets Purchased Under Resale Agreements

Financial assets that have been purchased under agreements with a commitment to resell at a specific future date are not recognized in the balance sheet. The cost of purchasing such assets is presented under "financial assets purchased under resale agreements" in the balance sheet. The difference between the purchasing price and reselling price is recognized as interest income during the term of the agreement using the effective interest method.

### 22.2 Financial Assets Sold Under Repurchase Agreements

Financial assets sold subject to agreements with a commitment to repurchase at a specific future date are not derecognized in the balance sheet. The proceeds from selling such assets are presented under "financial assets sold under repurchase agreements" in the balance sheet. The difference between the selling price and repurchasing price is recognized as interest expense during the term of the agreement using the effective interest method.

## 23. Employee Benefits

### (1) Accounting Treatment Method of Short-term Benefits

Applicable Not applicable

During the accounting period of the employees providing services for the Group, the actually incurred short-term benefits will be recognized as liabilities and included into the current profits and losses or relevant asset costs. Employee services and benefits of the Group shall be included into the current profits and losses or relevant asset costs according to the actual amount incurred during the actual occurrence. Employee services and benefits which belong to the non-monetary benefits shall be measured in accordance with the fair value.

The corresponding employee compensation and corresponding liabilities of the medical insurance premiums,

industrial injury insurance premium, birth insurance premium and other social insurance premium and housing accumulation fund paid by the Group for the employee, as well as the labor union expenditure and personnel education fund withdrawn by the Group according to the regulations shall be determined in accordance with the specified provision base and proportion during the accounting period of the employees providing services for the Group, and shall be included into the current profits and losses or the relevant asset costs.

**(2) Accounting Treatment Method of Post-employment Benefits**

Applicable Not applicable

All post-employment benefits of the Group are based on the defined contribution plan.

During the accounting period of the employees providing services for the Group, the amount payable calculated according to the defined contribution plan shall be recognized as the liabilities and included into the current profits and losses or the relevant asset costs.

The Company discounts all the defined benefit plan obligation according to national debt that matches defined benefit plan obligation duration and currency on balance sheet day or market return of high-quality company bonds on an active market, including the obligation of paying within 12 months after the end of annual report period during which serving staff provide their service.

In case of defined benefit plan with assets, the deficit or surplus from current value of defined benefit plan minus fair value of defined benefit plan shall be included in net asset or net liability of defined benefit plan. In case of defined benefit plan with surplus, the enterprise calculate the net asset of defined benefit plan according to the one with less amount between surplus of defined benefit plan and asset limit. Asset limits refers to the refund of defined benefit plan by enterprises or current value of financial profits from decrease in payment of defined benefit plan in the future.

At the end of the reporting period, the service cost of employee salary cost from defined benefit plan and net liability of defined benefit plan or net interest of net assets shall be included in current profits and losses or asset cost; the changes from recalculating net liability or net assets of defined benefit plan shall be included in other comprehensive profits and shall not be transferred to profits and losses but can be transferred in the equity scope later during the accounting period.

Under the defined benefit plan, the past service cost shall be recognized as current cost according to the one on the earlier date between reconstructing charges or dismissal welfare when adjusting defined benefit plan.

Enterprises confirm the clearing profits or losses when clearing defined benefit plan. The profits or losses are the difference between present value of defined benefit plan obligation on clearing day and clearing price.

**(3) Accounting Treatment Method of Termination Benefits**

Applicable Not applicable

In the case of giving compensation for terminating the labor relation with the employee before the expiration of the employee labor contract or encouraging employees to voluntarily accept the reduction, if the Group has formulated the formal plan on the termination of labor relation or has brought forward the proposal on voluntary reduction and will conduct the implementation, and the Group can't unilaterally withdraw the plan on the termination of labor relation or proposal on reduction, the estimated liabilities generated from compensating for the termination of labor relation shall be confirmed and included in the current profits and losses.

The Group will provide early retirement benefits for the employee accepting the early retirement arrangement. Early retirement benefits refer to the wage and social insurance premium paid by the Group to the employees who have not reached the retirement age specified by the state but voluntarily quit jobs according to the provisions of the Group management system. For early retirement benefits, the Group shall conduct the accounting treatment according to the termination benefits. When the relevant recognition conditions of early retirement are met, the early retirement benefits to be paid by the Group during the period from the date of the

employee who voluntarily quit jobs stopping providing service to the date of normal retirement shall be recognized as the estimated liabilities and included into the current expenses.

**(4) Accounting Treatment Method of Other Long-term Employee Benefits**

Applicable Not applicable

Other long-term employee benefits which are in conformity with the conditions of defined contribution plan shall be dealt with according to the relevant provisions of the above defined contribution plan. Otherwise, if applicable to provisions on defined contribution plan, other net liability or net assets of long-term employee benefits shall be confirmed or accounted. At the end of the reporting period, service cost, net liability net interest of net assets of other long-term employee benefits, changes due to reaccounting the net liability or net assets of other long-term employee benefits shall be concluded into current profits and losses or relevant asset cost.

**24. Estimated Liabilities**

Applicable Not applicable

When the obligation related to the contingencies is the current obligation borne by the Group, the performance of such obligation may lead to the outflow of economic interests, and the amount of such obligation can be measured reliably, such obligation shall be recognized as the estimated liabilities.

On the balance sheet date, risks associated with contingencies, uncertainty, time value of money and other factors shall be considered, and the estimated liabilities shall be measured according to the best estimate paid for the performance of current obligation. If the time value of money has significant impact, the best estimate shall be determined according to the discounted amount of the estimated future cash outflow.

**25. Share-based Payment**

Applicable Not applicable

Share-based payment of the Group is the transaction that the Group grants equity instruments or undertakes the liabilities recognized based on the equity instruments for getting the services from the employees. Share-based payment of the Group is the equity-settled share-based payment.

**25.1 Equity-settled Share-based Payment**

Equity-settled share-based payment granted to the employees: For equity-settled share-based payment for getting the services provided by the employees, the Group shall conduct the measurement according to the fair value of the equity instruments granted to the employee on the grant date. The amount of such fair value shall be based on the best estimate on the number of vesting equity instruments within the waiting period and shall be calculated with straight line method and included in the relevant costs or expenses, and the capital reserves shall be increased accordingly. On each balance sheet date within the waiting period, the Group shall make the best estimate and correct the number of vesting equity instruments according to the latest follow-up information such as the change of number of vesting employees. The impact from the above estimate shall be included in the current relevant costs or expenses, and the capital reserves shall be adjusted accordingly.

**25.2 Relevant Accounting Treatment of Implementation, Modification and Termination of Share-based Payment Plan**

When the Group changes the share-based payment plan, if such change increases the fair value of the equity instruments granted, the increase of the acquired service shall be confirmed according to the increase of the fair value of the equity instruments. If such change increases the number of the equity instruments granted, the increased fair value of the equity instrument shall be recognized as the increase of the acquired service accordingly. The increase of the fair value of equity instruments refers to the difference of fair value on the



change date of equity instruments before and after the change. If such change decreases the total fair value of share-based payment or other ways which are unfavorable to the employee are used to change the terms and conditions of share-based payment plan, the acquired service shall continue to be dealt with the accounting treatment, and it shall be deemed that such change never occur, unless the Group cancels part or all of the equity instruments granted.

Within the waiting period, if the equity instruments granted are canceled, the Group will conduct the acceleration of vesting treatment for the equity instruments of which the grant is canceled, include the amount which should be recognized within the remaining waiting period into the current profits and losses, and recognize the capital reserves. The employee can select those meeting the non-vesting conditions but failing to meet within the waiting period; the Group will conduct the cancellation treatment of equity instruments granted.

### 25.3 Others

For restricted shares subscription money paid by incentive object, if the releasing condition fails to be met, the subscription money shall be returned to the incentive object. When getting such money, the Group shall confirm the capital stock and capital reserves (capital stock premium) according to the subscription money, and confirm the liability and treasury stock regarding to repurchase obligation.

## 26. Revenue

Applicable Not applicable

### 26.1 Revenue from Sales of Commodities

No revenue from selling goods may be recognized unless all of the following conditions are met simultaneously: the significant risks and rewards of ownership of the goods have been transferred to the buyer by the enterprise; the enterprise retains neither continuous management right usually relating to the ownership nor effective control over the goods sold; the relevant amount of revenue can be measured in a reliable way; the relevant economic benefits are likely to flow into the enterprise; the relevant costs incurred or to be incurred can be measured in a reliable way.

### 26.2 Revenue from Rendering of Services

The outcome of a transaction concerning the rendering of labor services can be measured in a reliable way, means that the following conditions shall be met simultaneously: the amount of revenue can be measured in reliable way; the relevant economic benefits are likely to flow into the enterprise; the schedule of completion under the transaction can be confirmed in a reliable way; and the costs incurred or to be incurred in the transaction can be measured in a reliable way. The Group shall recognize the revenue from rendering services employing the percentage-of-completion method. The schedule of completion under the transaction concerning the rendering of labor services shall be determined according to the proportion of the costs incurred against the estimated total cost. If the result of a transaction concerning the rendering of labor services cannot be estimated in a reliable way, the revenue from the rendering of labor services shall be recognized in accordance with the amount of the cost of labor services which has incurred and can be compensated. If no compensation is estimated to be received for the labor service cost incurred, no revenue will be recognized.

### 26.3 Royalty Revenues

Royalty revenues shall be recognized in accordance with such times and methods as stipulated in the relevant contracts or agreements.

### 26.4 Interest Revenues

The amount of interest revenue should be measured and determined in accordance with the length of time for which the Group's cash is used by others and with the actual interest rate.

**27. Government Subsidies**

A government subsidy means the monetary or non-monetary asset obtained free by the Group from the government. Government subsidies are divided into government subsidies pertinent to assets and government subsidies pertinent to incomes, depending on the natures of the subsidy targets as expressly defined in relevant government documents.

No government subsidy may be recognized unless relevant conditions are met simultaneously. If a government subsidy is a monetary asset, it shall be measured in the light of the received or receivable amount.

**(1) Judgment Basis and Accounting Treatment Method of Government Subsidies Pertinent to Assets**

Applicable  Not applicable

Government subsidies of the Group mainly include the government subsidies related to technical reform in previous years. Because such government subsidies are pertinent to the fixed assets under acquisition and construction or purchase, these shall be the government subsidies pertinent to assets.

The government subsidies pertinent to assets shall be recognized as deferred income, equally distributed within the useful lives of the relevant assets, and included in the current profits and losses. The government subsidies pertinent to assets which are recognized as deferred income shall be included in the current profits and losses reasonably and systematically within the useful lives of the relevant assets. The government subsidies measured by nominal amount shall be included in current profits and losses directly.

If the relevant assets are sold, transferred, scrapped or damaged before the useful lives end, undistributed relevant deferred income shall be included in the current profits and losses.

**(2) Judgment Basis and Accounting Treatment Method of Government Subsidies Pertinent to Income**

Applicable  Not applicable

The government subsidies pertinent to incomes shall be treated respectively in accordance with the circumstances as follows: those subsidies used for compensating the related future expenses or losses of the Group shall be recognized as deferred income and shall be included in the current profits and losses during the period when the relevant expenses are recognized; or those subsidies used for compensating the related expenses or losses incurred to the enterprise shall be directly included in the current profits and losses.

The government subsidies which include both parts relevant to assets and profits shall be treated differently; the government subsidies difficult to be distinguished shall be classified as relevant to profits.

The government subsidies related to daily business activities shall be included in other profits or write off cost. Otherwise they shall be included in non-operating profits.

**(3) Accounting Treatment Method of Acquiring Policy Preferred Loan Discount**

Acquisition of policy preferred loan discount shall be classified as discount capital distributed to banks and discount capital directly distributed to enterprises to be accounting treated.

In case of discount interest funds distributed to lending bank by the Ministry of Finance or supplied to enterprises by lending bank in form of policy preferential interest rate, one of the following methods shall be adopted for accounting measurement: actual lending amount as the entry value, relevant borrowing cost shall be calculated according to principal borrowing amount and the police preferential rate; the fair value of the borrowing amount as the entry value and the borrowing cost calculated in the method of actual interest rate, the difference between actual received amount and the fair value of borrowing amount shall be recognized as deferred income. The deferred income shall be amortized in the method of actual interest rate in the duration to write off relevant borrowing cost.

In case of discount interest fund distributed directly to enterprises by the Ministry of Finance, the discount interest shall write off relevant borrowing cost.

In case of recognized government subsidies in need of recovery, it shall write off and adjust the book value of assets in initial recognition; In case of deferred income, the book balance of relevant deferred income shall be written off and the exceeding part shall be included in current profits and losses; in other cases, it shall be directly included in current profits and losses.

## **28. Deferred Income Tax Assets and Deferred Income Tax Liabilities**

Applicable Not applicable

Income tax expenses shall include the current income taxes and the deferred income taxes.

### **28.1 Current Income Taxes**

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods shall be measured at the amount expected to be paid (or refunded) according to the requirements of tax laws.

### **28.2 Deferred Tax Assets and Deferred Tax Liabilities**

The difference between the carrying amount of an asset or liability and its tax base, and temporary difference between the tax base and the carrying amount of an item which has not been recognized as an asset or liability but its tax base can be determined in light of the tax law, shall be used to recognize the deferred tax assets and deferred tax liabilities using the balance sheet liability method.

In general cases, related deferred income taxes are recognized for all temporary differences. The Group shall recognize the deferred income tax liabilities arising from a deductible temporary difference to the extent of the amount of the taxable income which it is most likely to obtain and which can be deducted from the deductible temporary difference. Besides, the Group shall not recognize the deferred income tax assets or liabilities arising from all taxable temporary differences related to: the initial recognition of business reputation; the initial recognition of assets or liabilities arising from the following transactions which are simultaneously featured by the following: (a) the transaction is not business combination; (b) At the time of transaction, the accounting profits will not be affected, nor will the taxable amount (or the deductible loss) be affected. As for any deductible loss or tax deduction that can be carried forward to subsequent years, the corresponding deferred income tax assets shall be recognized to the extent that the amount of future taxable income to be offset by the deductible loss or tax deduction to be likely obtained.

The taxable temporary differences related to the investments of subsidiary companies, associates and joint ventures shall recognize corresponding deferred income tax liabilities. However, those that can simultaneously meet the following conditions shall be excluded: the Group can control the time of reversing temporary differences; and the temporary differences are unlikely to be reversed in the expected future. Where the deductible temporary difference related to the investments of the subsidiaries, associates and joint ventures can meet the following requirements simultaneously, the Group shall recognize the corresponding deferred income tax assets: the temporary differences are likely to be reversed in the expected future; and it is likely to acquire any amount of taxable income tax that may be used for offsetting the deductible temporary differences.

On the balance sheet day, the deferred income tax assets and deferred income tax liabilities shall be measured at the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.

Except the income taxes of the current period and deferred income tax related to the transactions or events directly recorded in the other consolidated income or shareholder's equities shall be recorded into the other consolidated income or shareholder's equities, and except the book value of business reputation adjusted by the deferred income taxes arising from the business combination, the remaining current income taxes and deferred income tax expenses or proceeds shall be recorded into the current profits and losses.

The book value of deferred income tax assets shall be reexamined on balance sheet date. If it is unlikely to obtain sufficient taxable income taxes to offset the benefit of the deferred income tax assets, the carrying

amount of the deferred income tax assets shall be written down. When it is likely to obtain sufficient taxable income taxes, such written-down amount shall be subsequently reversed.

### 28.3 Offset of Income Tax

When the Group has the statutory right for net settlement, and attempts to conduct net settlement or acquisition of assets and satisfaction of liabilities simultaneously, the current income tax assets and the current income tax liabilities shall be presented as the net amount after offset.

The deferred income tax assets and the deferred income tax liabilities of the Group shall be presented as the net amount after offset if and only if: the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either: the same taxable entity; or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

## 29. Leasing

The term "financing lease" shall refer to a lease that has transferred substantially all the risks and rewards related to the ownership of an asset. The term "operating lease" shall refer to a lease other than a financing lease.

### (1) Accounting Treatment Methods for Operating Lease

Applicable Not applicable

#### 29.1.1 Operating Leases Recorded by the Group as a Lessee

The rental expenses from operating leases shall be recorded by the lessee in the relevant asset costs or the profits and losses of the current period by using the straight-line method over each period of the lease term. The initial direct costs shall be included in the profits and losses of the current period, while contingent rents shall be included in the profits and losses of the period in which they are actually incurred.

#### 29.1.2 Operating Leases Recorded by the Group as a Lessor

The rental incomes from operating leases shall be recognized as the current profits and losses by using the straight-line method over each period of the lease term. The initial direct costs with a relatively large amount shall be capitalized, and recorded into the current profits and losses in more than one phase on the basis same as that of the recognition of rental incomes during the entire lease term; the other initial direct costs with a relatively small amount shall be recorded into the profits and losses in the period in which they are actually incurred. Contingent rents shall be included in the profits and losses of the period in which they are actually incurred.

### (2) Accounting Treatment Methods for Financing Lease

Applicable Not applicable

#### 29.2.1 Financing Leases Recorded by the Group as a Lessor

On the date when the lease term starts, the sum of the minimum lease receipts and the initial direct costs shall be treated as the entry values of the financing lease receivable, and the unsecured residual values shall be recorded simultaneously; the difference between the sum of the minimum lease receipts, the initial direct costs and the unsecured residual values thereof, and the sum of the minimum lease receipts, the initial direct costs and the present values thereof shall be recognized as the unrealized financing incomes. During the lease term, unrealized financing incomes shall be recognized during the lease term using the effective interest method. Contingent rents shall be included into the profits or losses of the period in which they are actually incurred.

After the unrealized financing incomes are deducted from the financing lease accounts receivable, the balance

shall be presented as the long-term claim and the long-term claim due in one (1) year.

### **30. Key Assumptions Adopted for and Uncertain Factors Involved in Significant Judgments and Accounting Estimates Made in the Process of Applying Accounting Policies**

In the application of the accounting policies described in Note (III), the Group is required to make judgments, estimates and assumptions about the carrying amounts of items in the financial statements that cannot be measured accurately. These judgments, estimates and assumptions are based on historical experience of the Group's management as well as other factors that are considered to be relevant. Actual results may differ from these estimates of the Group.

The aforementioned judgments, estimates and assumptions are reviewed regularly on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### **Key Assumptions Adopted for and Uncertain Factors Involved in Accounting Estimates**

The key accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the future accounting periods are outlined as below.

##### **30.1 Inventory Falling Price Reserve**

As mentioned in Note (V), 13, the inventories shall be measured according to the cost or the net realizable value, whichever is lower. The net realizable value refers to the amount after deducting the estimated cost of completion, estimated sale expense and relevant taxes from the estimated sale price of inventories.

Whereas a considerable portion of the operating capitals of the Group is used for inventories, the Group has a special operating procedure to control this risk. On a periodic basis, the Group can implement the all-around stock-taking over the inventories and determine whether there exist obsolete and idle inventories and review their decreases in value. The review procedure involves the determination whether any obsolete and idle inventories need to make provisions in the financial statements by the comparison between the book value of obsolete and idle inventories and their corresponding net realizable value. The appropriate accounting estimate shall be required for the selling price of inventories employed by the net realizable value, the estimated cost of completion, selling expenses, and relevant taxes from the estimated sale price of inventories. The management has ensured the rationality of the accounting estimate in accordance with the optimal estimate, and considering the historical experiences, present production costs and sales expenses. Based on the aforesaid procedure, the falling price reserves have, in the opinion of the management of the Group, been made in full for the obsolete and idle inventories.

##### **30.2 Impairment of Accounts Receivable**

If there is any obvious evidence that the recoverability of the receivables is doubtful, the Group will make the bad-debt provisions for such receivables. Because the management needs to make assumptions when taking the bad-debt provisions into consideration, and make judgment for the financial conditions of previous payment collection, age, financial status of debtor, and overall economic environment, the calculation for the bad-debt provisions shall be uncertain. Although there is no reason to confirm whether a significant change in the assumptions and estimates based on which the impairment of receivable is calculated may occur in the future, the book value of receivables and bad-debt losses will be changed when the future actual result differs from the original estimate.

##### **30.3 Deferred Income Tax Assets**

The realization of the deferred income tax assets mainly depends on the future actual gains and the effective tax rate of temporary differences in the future years of use. If the future effective gains are less than the

expected gains, or the effective tax rate is lower than the expected one, the recognized deferred income tax assets shall be reversed, and recognized in the Consolidated Profit Statement during the period in which the reversal is incurred. Any deductible loss that can be carried forward to the next year is not recognized by certain subsidiaries as the deferred income tax asset because whether such subsidiaries obtain the sufficient taxable incomes is uncertain.

#### 30.4 Impairment Reserve for Fixed Assets

The Group assesses at each balance sheet date whether there is any indication of impairment of fixed assets. If there is any indication that carrying amount cannot be recovered, the impairment test shall be performed. Where the carrying amount of the asset or that of asset group is higher than the recoverable amount, that is, the higher of the net amount after the fair value minus the disposal costs and the present value of expected future cash flow, there shall be indication that the impairment has occurred. The net amount after the fair value minus the disposal costs shall be determined by reference to the negotiated sales price or observable market price of similar assets in the arm's length transaction minus the incremental cost directly attributable to assets disposal. When expecting the present value of future cash flow, the management shall estimate the expected future cash flow of such asset or such asset group, and select the appropriate discount rate to determine the present value of the future cash flow. On the basis of the aforesaid procedures, in the opinion of the management of the Group, the provision for impairment losses have been fully made for the fixed assets.

#### 30.5 Impairment Reserve for AFS Financial Assets

The Group at each balance sheet date assesses if there is any indication of impairment of AFS equity instrument investments held by the Company for strategic investment purposes and not to be sold due to any temporary share price fluctuations. The Company will make impairment provision for an AFS financial asset when and if it meets the quantitative criteria established by the Company for judging the impairment of AFS financial assets (Note (III), 11.3). The management of the Group, after comprehensively taking relevant factors into consideration, thinks there is no need to make impairment provision for AFS financial assets on the balance sheet date.

### 31. Significant accounting policy and accounting estimate

#### (1) Significant changes in accounting policy

Applicable  Not applicable

#### (2) Significant changes in accounting estimate

Applicable  Not applicable

## VI. Taxes

### 1. Main Tax Categories and Tax Rates

Main Tax Categories and Tax Rates

Applicable  Not applicable

Tax category	Taxation Basis	Tax Rate
VAT	Taxable sales revenue	6%、11%、13% or 17%
Urban maintenance and construction tax	Actually-paid turnover tax	1%~7%
Enterprise income tax	Taxable income	1%~5%
Educational surtax and surcharge	Actually-paid turnover tax	Note 1

Riverway management fee	Actually-paid turnover tax	At the ratio specified by the government
Property tax	Taxable residual or rent income of taxable houses	At the ratio specified by the government
Individual income tax	Taxable income	At the ratio specified by the government

Note 1: The Company shall have the enterprise income tax rate of 25%. Each subsidiary of the Group shall, in light of their respective income tax rate, make accrual and payment for business income tax in proportion to their respective taxable incomes. The overseas subsidiaries of the Group shall, in accordance with the tax laws of their locations, make accrual and payment for business income tax.

Note 2: Fully implementing the replace of business tax with VAT, which was deliberated and approved on the fourth session of the Twelfth National People's Congress on March, 2016, will have its pilot scope extended to construction industry, real estate industry, financial industry and life service industry. In the meanwhile, the Ministry of Finance and State Administration of Taxation published Notice on Full Preparation of Replacing Business Tax with VAT (No. 32[2016] of the Ministry of Finance). From May 1, 2016, the Group will replace the business tax of interest income and rental income with VAT and applicable VAT rate is 6%.

## 2. Tax preference

Applicable  Not applicable

## VII. Notes to Consolidated Financial Statements

### 1. Monetary Funds

Applicable  Not applicable

Unit: RMB

Item	Ending balance	Beginning balance
Cash on hand	2,362,767.34	859,695.08
Bank deposit	17,360,665,281.36	12,794,022,323.36
Other monetary funds	1,521,925,822.72	1,229,923,926.39
Total	18,884,953,871.42	14,024,805,944.83
Where: total overseas deposit	4,078,667,486.07	3,370,934,341.35

Other notes

Particulars about restricted monetary funds:

Unit: RMB

Item	Ending balance	Balance at the beginning of
Legal reserves deposited by the Finance Co. in	1,167,792,924.22	1,003,231,967.25
marginal deposit	92,422,290.29	90,429,888.09

On June 30, 2017, the overseas monetary assets of the Group is RMB 4,078,667,486.07 Yuan ( On December 31, 2016, RMB 3,370,934,341.35 Yuan). At the end of the reporting period, other monetary assets of the Group mainly includes performance bond RMB 92,422,290.29 Yuan (On December 12, 2016, RMB 90,429,888.09 Yuan), deposited investment fund RMB 3,266,466.29 Yuan (On December 31, 2016, RMB 8,006,848.75 Yuan), banks' acceptance bill deposit RMB 236,780,100.00 Yuan (On December 31, 2016, RMB 109,703,801.66 Yuan), guarantee deposit RMB 7,294,966.61 Yuan (On December 31, 2016, RMB 17,585,916.45 Yuan), applying for

purchase of frozen assets RMB 7,000,000.00 Yuan (On December 31, 2016 RMB 0Yuan), L/C guarantee deposit RMB 4,870,000.00 Yuan (On December 31, 2016, RMB 0 Yuan) and credit card deposit RMB 516,023.65 Yuan (On December 31, 2016, RMB 325,873.52 Yuan).

## 2. Financial Assets Measured by Fair Value and the Change Calculated in Current Gain and Loss

Applicable Not applicable

Unit: RMB

Item	Ending balance	Beginning balance
Held-for-trading financial assets	153,523,893.13	1,122,863,784.67
Where: Debt instrument investment	1,901,013.20	5,516,613.20
Equity instrument investment	32,373,628.37	977,369,259.44
Derivative financial assets	119,249,251.56	139,977,912.03
Total	153,523,893.13	1,122,863,784.67

In the opinion of the management of the Company, the realization of the held-for-trading financial asset investment has no major limitation.

## 3. Notes Receivable

### (1) Categories of Notes Receivable

Applicable Not applicable

Unit: RMB

Item	Ending balance	Beginning balance
Bank acceptance	16,561,859,580.82	14,017,752,343.68
Trade acceptance	5,372,883,426.49	3,218,226,760.15
Total	21,934,743,007.31	17,235,979,103.83

### (2) Notes Receivable that Has Been Pledged by the Company at the End of the Period

Applicable Not applicable

Unit: RMB

Item	Notes Receivable that Has Been Pledged at the End of the Period
Bank acceptance	1,163,915,818.73
Trade acceptance	
Total	1,163,915,818.73

### (3) Notes Receivable That Have Been Endorsed or Discounted by the Company at the End of the Period and not Been Overdue on Balance Sheet Date:

Applicable Not applicable

Unit: RMB

Item	Amount derecognized by the end of the period	Amount underecognized by the end of the period
Bank acceptance	285,276,662.05	4,000,000.00



Trade acceptance	7,808,860.56	1,936,000.00
Total	293,085,522.61	5,936,000.00

On June 30, 2016, the Group has discounted undue notes receivable of RMB 299,021,522.61 Yuan. In accordance with Discount Contract, RMB 5,936,000.00 of the discounted but undue banks' acceptance bill and commercial acceptance bill is confirmed due to additional recourse terminated, the rest are confirmed without additional recourse. (On December 31, 2016, the Group has discounted undue notes receivable RMB 1,216,034,193.05 Yuan, in accordance with relevant contracts, the rest of the discounted but undue banks' acceptance bill and commercial acceptance bill except RMB 17,983,343.93 Yuan is confirmed without additional recourse.)

**(4) Notes That Have Been Converted as Accounts Receivable by the Company at the End of the Period Because the Drawer Has not Performed the Contract**

Applicable Not applicable

**(5) Refer to the Note (XII), 6(1) for arrears owed to the Company by any shareholder holding shares representing 5% or more of voting rights of the Company at the end of the period and the beginning of the year in the balance of notes receivable, and the notes receivable from the affiliated parties in the balance of notes receivable.**

**4. Accounts Receivable****(1) Account ages of receivables**

Unit: RMB

Age	Ending balance				Balance at the beginning of the year			
	Amount	Ratio	Bad debt reserves	Book value	Amount	Ratio (%)	Bad debt reserves	Book value
Within 1 year	14,175,743,308.91	85	377,916,640.50	13,797,826,668.41	14,512,981,908.09	84	346,135,753.10	14,166,846,154.99
1-2 years	504,652,905.70	3	52,934,976.78	451,717,928.92	507,279,716.53	3	48,645,093.59	458,634,622.94
2-3 years	135,858,137.81	1	39,025,961.87	96,832,175.94	203,876,113.76	1	54,888,513.59	148,987,600.17
3 years or	1,905,585,025.91	11	1,369,058,475.15	536,526,550.76	1,968,736,742.33	11	1,271,490,565.55	697,246,176.78
Total	16,721,839,378.33	100	1,838,936,054.30	14,882,903,324.03	17,192,874,480.71	100.00	1,721,159,925.83	15,471,714,554.88

**(2) Accounts Receivables Disclosure by Category**

√Applicable □Not applicable

Unit: RMB

Category	Ending balance					Beginning balance				
	Book balance		Bad-debt provision		Book Value	Book balance		Bad-debt provision		Book Value
	Amount	Proportion (%)	Amount	Provision proportion (%)		Amount	Proportion (%)	Amount	Provision proportion (%)	
Other accounts receivable with significant single amount and individual bad debt provision	4,337,513,956.15	26	30,039,499.66	0.69	4,307,474,456.49	5,137,628,525.89	30	20,273,124.08	0.39	5,117,355,401.81
Other accounts receivable with bad debt provision according to credit risk characteristics combination	11,015,266,947.03	66	439,838,079.49	3.99	10,575,428,867.54	10,783,755,389.27	63	429,396,236.20	3.98	10,354,359,153.07

Receivables with bad-debt provisions made individually in spite of insignificant single amounts	1,369,058,475.15	8	1,369,058,475.15	100.00		1,271,490,565.55	7	1,271,490,565.55	100.00	
Total	16,721,839,378.33	100	1,838,936,054.30		14,882,903,324.03	17,192,874,480.71	100	1,721,159,925.83		15,471,714,554.88

EOP accounts receivable with significant single amounts or those for which independent bad-debt provisions already performed in spite of insignificant single amounts

√Applicable □Not applicable

Unit: RMB

Accounts receivable (by unit)	Ending Balance			Beginning Balance			
	Accounts receivable	Bad-debt provision	Provision proportion (%)	Accounts receivable	Bad-debt provision	Provision proportion (%)	Reason
Accounts receivable with significant single amounts	4,337,513,956.15	30,039,499.66	0.69	5,137,628,525.89	20,273,124.08	0.39	注 1
Receivables with relatively long age	1,369,058,475.15	1,369,058,475.15	100.00	1,271,490,565.55	1,271,490,565.55	100.00	注 2
Total	5,706,572,431.30	1,399,097,974.81	/	6,409,119,091.44	1,291,763,689.63	/	/

Note 1: The Group independently performed impairment tests on accounts receivable with significant single amounts and at the end of this reporting period did not make impairment provisions for single accounts receivables (nor did the Group make 2016 impairment provisions for single accounts receivables at the end of Y2016).

So, bad-debt provision, RMB 30,039,499.66 (Y2016: RMB 20,273,124.08), was made by portfolio as per Note (V), 12.

Note 2: Bad-debt provisions are made in full for accounts receivable with relatively long ages and minimum possibility of recovery.

In combination, accounts receivable using account age analysis to provision bad debt reserves:

√Applicable □Not applicable

Unit: RMB

Account age	Ending balance			Beginning balance		
	Accounts receivable	Bad debt reserves	Provision proportion %	Accounts receivable	Bad debt reserves	Provision proportion %
Within 1 year	10,300,792,249.91	347,877,140.84	3	9,937,025,516.89	325,862,629.02	3
1-2 years	481,858,039.06	52,934,976.78	11	485,181,439.84	48,645,093.59	10
2-3 years	130,403,683.43	39,025,961.87	30	199,112,763.83	54,888,513.59	28
Over 3 years	102,212,974.63			162,435,668.71		
Total	11,015,266,947.03	439,838,079.49	4	10,783,755,389.27	429,396,236.20	4

**(3) Bad Debts Reserves Provisioned, Recovered or Transferred-back in Current Period:**

Total bad debts reserves provisioned in current period was 152,947,492.71 Yuan; and bad debts reserves recovered or transferred back was 34,957,409.94 Yuan. Bad debts reserves have decreased by RMB 73,155.98 due to the translation of foreign currency statement.

**(4) Actual Written-off Accounts Receivable in Current Period**

Applicable Not applicable

Unit: RMB

Item	Written-off amount
Actual written-off accounts receivable	140,798.32

Where: Significant written-off accounts receivable

Applicable Not applicable

Note on written-off accounts receivable

Applicable Not applicable

**(5) Accounts Receivable with Top 5 Ending Balance Collected According to the Debtor**

Applicable Not applicable

On June 30, 2017, for accounts receivable of the Group, total amount of top five units was RMB 4,337,513,956.15, accounting for 26% of the total amount of accounts receivable, with bad debts reserves provision of RMB 30,039,499.66.

**(6) Accounts Receivable under Derecognition due to the Transfer of Financial Assets:**

Applicable Not applicable

**(7) Amount of Assets and Liabilities due to Transfer of Accounts Receivable and Formed by Continuous Involvement:**

Applicable Not applicable

**(8) By the end of reporting period and at the beginning of the year, For information on unit of shareholders holding 5% or more of the voting shares among the accounts receivable and information on funds receivable of other related parties, please see note (XII), 6 (2).****5. Advance Payments****(1) Advance Payments Presented by Age**

Applicable Not applicable

Unit: RMB

Age	Ending balance		Beginning balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	12,187,964,283.90	97	10,722,657,029.25	96
1-2 years	336,518,073.44	3	396,344,062.45	4

2-3 years	17,663,592.02	0	18,182,896.00	0
3 years or more	18,288,652.27	0	22,169,417.48	0
Total	12,560,434,601.63	100	11,159,353,405.18	100

Notes to advances with account age over 1 year and significant amount that have not been properly settled:

By June 30, 2017, the large-amount advance payments by the Group with an age of one year or longer were mainly available for the procurement of large-sized equipment for the construction in progress.

**(2) Top 5 Prepayment among Ending Balance Collected according to the Prepayment Object:**

√Applicable □Not applicable

On June 30, 2017, total amount of prepayments of top five units was 4,396,080,603.09 Yuan, accounting for 35% of the total prepayments.

**(3) Refer to (XII), 6(3) for information of prepayments from shareholders holding 5% or more voting shares of the Company and other relating parties**

**(4) Advance Payments by Customer Category:**

Unit: RMB

Category	Ending balance	Balance at the beginning of the
Advance payments with significant single	4,396,080,603.09	2,595,389,606.94
Other advance payments with insignificant single	8,164,353,998.54	8,563,963,798.24
Total	12,560,434,601.63	11,159,353,405.18

**6. Interest Receivable**

**(1) Interest Receivable Category**

√Applicable □Not applicable

Unit: RMB

Item	Ending balance	Beginning balance
Time deposit	511,578.28	1,865,381.81
Entrusted loans	5,892,714.14	5,679,342.86
Securities investment		
Interests of gains receivable from assets transfer (see note (VII) 14 (note 1))		131,890,573.75
Others		1,394,242.46
<b>Total</b>	6,404,292.42	140,829,540.88

At the end of the period, the age of the interest receivable are within 1 year.

**(2) For interest receivable from related parties among interest receivable please see note (XII), 6 (4).**

**7. Dividends Receivable**

**(1) Dividends Receivable**

Applicable Not applicable

Unit: RMB

Item (Or Investee)	Ending balance	Beginning balance
CISDI Engineering Co., Ltd. (Note)	23,852,647.00	23,852,647.00
Taicang Wugang Terminal Co., Ltd		47,266,216.52
Hangzhou Baowei Auto Parts Co., Ltd	30,000,000.00	
Total	53,852,647.00	71,118,863.52

Note: Dividend receivable from CISDI Engineering Co., Ltd. was RMB 23,852,647.00 on June 30, 2017, with the account aging 2-3 years, of the recovery risk considered by the Company management was under control.

**(2) Significant Dividends Receivable with Account Age Over 1 Year:**

Applicable Not applicable

**8. Other Receivables****(1) Other Receivables by Account Age**

Unit: RMB

Age	Ending balance				Balance at the beginning of the year			
	Amount	Proportion	Bad-debt provision	Book value	Amount	Proportion	Bad-debt	Book value
Within 1	1,847,016,703.98	73	17,621,898.46	1,829,394,805.52	1,563,165,871.02	70	8,084,527.50	1,555,081,343.52
1-2 years	482,504,130.31	19	143,482,906.49	339,021,223.82	473,901,157.51	21	131,682,988.16	342,218,169.35
2-3 years	10,328,472.72	0	2,856,296.57	7,472,176.15	15,084,401.15	1	5,564,196.57	9,520,204.58
3 years or	177,741,095.89	7	46,752,128.00	130,988,967.89	184,401,376.82	8	47,452,067.03	136,949,309.79
Total	2,517,590,402.90	100.00	210,713,229.52	2,306,877,173.38	2,236,552,806.50	100.00	192,783,779.26	2,043,769,027.24

**(2) Disclosure of Other Receivables by Category:**

√Applicable □Not applicable

Unit: RMB

Category	Ending balance					Beginning balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Ratio (%)	Amount	Provision proportion (%)		Amount	Ratio (%)	Amount	Provision proportion (%)	
Other receivables with significant single amount and individual bad debt provision	580,059,271.41	23	127,017,186.28	22	453,042,085.13	564,955,530.36	25	127,017,186.28	22	437,938,344.08
Other receivables with bad debt provision according to credit risk characteristics combination	1,890,779,003.49	75	36,943,915.24	2	1,853,835,088.25	1,624,145,209.11	73	18,314,525.95	1	1,605,830,683.16



Other receivables for which independent bad debt provision is performed in spite of insignificant single amounts	46,752,128.00	2	46,752,128.00	100		47,452,067.03	2	47,452,067.03	100	
Total	2,517,590,402.90	/	210,713,229.52	/	2,306,877,173.38	2,236,552,806.50	/	192,783,779.26	/	2,043,769,027.24

Other receivables that have significant single amount at the end of the period with individual bad debt reserves provision made

Applicable Not applicable

Unit: RMB

Other receivables (By units)	Ending balance			Balance at the beginning of the year			
	Other receivables	Bad debt reserves	Provision proportion %	Other receivables	Bad debt reserves	Provision proportion %	Provision cause
Large other receivables	580,059,271.41	127,017,186.28	22	564,955,530.36	127,017,186.28	23	Note 1
Other receivables with long account age	46,752,128.00	46,752,128.00	100	47,452,067.03	47,452,067.03	100	Note2
Total	626,811,399.41	173,769,314.28	/	612,407,597.39	174,469,253.31	/	/

Note 1: Large other receivables are mainly the electricity charge deposit, advances for project and other funds with lower recovery risk, and there was no bad debt reserves provision for receivables of related parties within the Group, so the book balance of other receivables of the Company was RMB 580,059,271.41 (December 31, 2016: RMB 564,955,530.36), and bad debt reserves provision was 127,017,186.28 Yuan (December 31, 2016: RMB 127,017,186.28)

Note 2: Account age of other receivables is long and the possibility of recovery is very small, so the Company made in full bad debt reserves provision for such other receivables.

In combination, other accounts receivables using account age analysis to provision bad debt reserves:

Applicable Not applicable

Unit: RMB

Account age	Ending balance			Balance at the beginning of the year		
	Other receivables	Bad debt reserves	Provision proportion %	Other receivables	Bad debt reserves	Provision proportion %

Subtotal of within 1 year	1,642,054,805.12	17,621,898.46	1	1,373,276,654.22	8,084,527.50	1
1-2 years	219,668,256.85	16,465,720.21	7	211,077,634.05	4,665,801.88	2
2-3 years	10,309,763.73	2,856,296.57	28	15,084,401.15	5,564,196.57	37
Over 3 years	18,746,177.79			24,706,519.69		
Total	1,890,779,003.49	36,943,915.24	2	1,624,145,209.11	18,314,525.95	1

**(3) Bad Debts Reserves Provisioned, Recovered or Transferred back in Current Period:**

Bad debts reserves provision in the current period was RMB 29,339,148.78Yuan; and bad debts reserves recovered or transferred back was 11,413,846.19Yuan.

Increased amount of bad debt reserve due to translation of foreign currency financial statements was RMB 4,147.67 Yuan.

**(4) Actual Written-Off Other Receivables in Current Period**

Applicable Not applicable

**(5) Classification of Other Receivables according to Nature of Money**

Applicable Not applicable

**(6) Other Receivables with Top 5 Ending Balance Collected according to the Debtor**

Applicable Not applicable

Unit: RMB

Name of unit	Nature	Ending balance	Account age	Proportion of total ending balance of other receivables (%)	Bad debt reserve Ending balance
Total amount of top five units	Other receivables	580,059,271.41		22	127,017,186.28
Total	/	580,059,271.41	/	22	127,017,186.28

**(7) Receivables Involving in Government Subsidies**

Applicable Not applicable

**(8) Other Receivables under Derecognition due to the Transfer of Financial Assets:**

Applicable Not applicable

**(9) Amount of Assets and Liabilities Formed by Transfer of Other Receivables and Continuous Involvement:**

Applicable Not applicable

**(10) By the end of reporting period and at the beginning of the year, for funds of unit of shareholders holding 5% (including 5%) voting shares of the Company or more among the other receivables and funds of other related parties receivable please see note (XII), 6 (5).**

## 9. Inventory

### (1) Classification of Inventories

Applicable Not applicable

Unit: RMB

Item	Ending balance			Beginning balance		
	Book balance	Falling price reserve	Book value	Book balance	Falling price reserve	Book value
Raw materials	11,429,608,415.32	68,830,643.76	11,360,777,771.56	13,564,260,018.89	263,509,295.64	13,300,750,723.25
Work-in-progress	12,287,182,391.89	636,378,684.41	11,650,803,707.48	11,000,915,672.18	519,498,645.09	10,481,417,027.09
Stock	20,007,983,757.20	1,285,163,594.37	18,722,820,162.83	22,098,141,366.92	773,426,914.40	21,324,714,452.52
Spare parts and others	4,720,925,161.50	356,805,617.64	4,364,119,543.86	4,736,676,212.93	262,106,962.67	4,474,569,250.26
Total	48,445,699,725.91	2,347,178,540.18	46,098,521,185.73	51,399,993,270.92	1,818,541,817.80	49,581,451,453.12

### (2) Falling Price Reserve of Inventories

Applicable Not applicable

Unit: RMB

Item	Beginning balance	Increased amount in the period		Decreased amount in the period		Ending balance
		Provision	Others	Write-back or Write-off	others	
Raw materials	263,509,295.64	14,037,377.13		208,716,029.01		68,830,643.76
Work-in-progress	519,498,645.09	249,256,752.98		132,164,900.39	211,813.27	636,378,684.41

Stock	773,426,914.40	635,043,546.19		123,206,644.82	100,221.40	1,285,163,594.37
Spare parts and others	262,106,962.67	123,050,510.42		28,351,855.45		356,805,617.64
Total	1,818,541,817.80	1,021,388,186.72		492,439,429.67	312,034.67	2,347,178,540.18

**(3) Falling Price Reserve of Inventories**

Item	Basis for inventory falling price reserve	Cause of reversing inventory falling price reserve in this period	Proportion of amount reversed in this period to EOP balance of this inventory
Raw materials	Book value of inventories higher than net realizable value	Rising market price or falling product cost	1.84%
Work-in-progress	Book value of inventories higher than net realizable value	Rising market price or falling product cost	1.13%
Finished goods	Book value of inventories higher than net realizable value	Rising market price or falling product cost	0.66%
Spare parts and others	Book value of inventories higher than net realizable value	-	0.65%

**10. Non-current Assets Due Within 1 Year**

√Applicable □Not applicable

Unit: RMB

Item	Ending Balance	Beginning Balance
Proceeds from transfer of assets receivable (Note 1)		4,500,000,000.00
Trust products due within 1 year	655,237,475.05	325,441,243.86
<b>Total</b>	<b>655,237,475.05</b>	<b>4,825,441,243.86</b>

Note 1: Proceeds from transfer of assets receivable due within one year amount to RMB 4.5 billion, including RMB 2.6 billion due from Shanghai Baosteel Stainless Steel Co., Ltd. and RMB 1.9 billion due from Shanghai Baosteel Special Steel Co., Ltd. Please see Notes (VII), 14 Note (1)

Other notes

As regards the accounts due from the related parties in the non-current assets and due within one year, please refer to Note (XII), 6(6).

**11. Other Current Assets**

√Applicable □Not applicable

Unit: RMB

Item	Ending balance	Beginning balance
Pending deduct VAT on purchase	4,690,377,514.27	5,596,095,433.23
Financial management products (Note)	19,444,528,995.07	15,070,134,075.19
Others	427,689,370.48	419,563,735.54
<b>Total</b>	<b>24,562,595,879.82</b>	<b>21,085,793,243.96</b>

Note: Financing products held and classified as available-for-sale financial assets by the Group are such financial instruments as high-credit bond, trust plan (beneficial interests) and instruments with float income but without principal guaranteed or active market quote, which are mainly used in monetary market. The Group listed and presented them as other current assets because they are due within 1 year.

**12. Loans and Advances to Customers**

(1) Classification of Loans and Advances to Customers

Unit: RMB

Item	Ending balance	Balance at the beginning of the year
Loans	403,921,255.36	240,937,972.02
Discount	2,675,176,863.44	3,142,141,965.03
Provision for loan impairment	-26,357,580.99	-65,387,995.89
<b>Total</b>	<b>3,052,740,537.81</b>	<b>3,317,691,941.16</b>

(2) Provision for Loan Impairment

Unit: RMB

Item	Balance at the beginning of the year	Provision amount for the current period	Decrease for the current period		Difference from foreign currency translation	Ending balance
			Reversed	Written-off		
Provision for loan impairment	65,387,995.89		39,030,414.90			26,357,580.99

At the end of this reporting period and the beginning of the current year, no loans or advance payments were made to any shareholder holding shares representing 5% or more of the voting rights of the Company.

For particulars of loans and advance payments made to other related parties at the end of this reporting period and the beginning of the current year, please refer to Note (XII), 6(7).

**13. Available-for-Sale (AFS) Financial Assets****(1) Available-for-Sale (AFS) Financial Assets**√Applicable Not applicable

Unit: RMB

Item	Ending balance			Beginning balance		
	Book balance	Impairment reserves	Book value	Book balance	Impairment reserves	Book value
Available-for-sale debt instruments:	2,082,560,011.70	50,240,011.70	2,032,320,000.00	2,279,900,591.70	50,240,011.70	2,229,660,580.00
Available-for-sale equity instruments:	11,629,958,866.42	698,227,406.41	10,931,731,460.01	11,726,296,696.43	698,227,406.41	11,028,069,290.02
Where: Measured at fair value	1,988,582,844.33	682,297,503.21	1,306,285,341.12	2,085,499,214.50	682,297,503.21	1,403,201,711.29
Measured at cost	9,641,376,022.09	15,929,903.20	9,625,446,118.89	9,640,797,481.93	15,929,903.20	9,624,867,578.73
Total	13,712,518,878.12	748,467,418.11	12,964,051,460.01	14,006,197,288.13	748,467,418.11	13,257,729,870.02

**(2) Available-for-sale Financial Assets Measured at Fair value at the End of the Period**√Applicable Not applicable

Unit: RMB

Available-for-sale financial assets category	Available-for-sale equity instruments	Available-for-sale debt instruments	Total
Cost of equity instruments/ amortized cost of debt instruments	1,874,435,118.94	2,082,560,011.70	3,956,995,130.64
Fair value	1,306,285,341.12	2,032,320,000.00	3,338,605,341.12
Change of fair value accumulatively included in other comprehensive income	114,147,725.39		114,147,725.39

Provisioned impairment amount	682,297,503.21	50,240,011.70	732,537,514.91
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**(3) Available-for-sale Financial Assets Measured at Cost at the End of the Period**

√Applicable □Not applicable

Unit: RMB

Invested unit	Book balance				Impairment reserves				Shareholding ratio in invested unit (%)	Current cash dividend
	Beginning of the period	Current increase	Current decrease	Ending of the period	Beginning of the period	Current increase	Current decrease	Ending of the period		
CISDI Engineering Co., Ltd.	9,508,999.34			9,508,999.34					6.28	
Shanghai Baosteel Xinyue Human Resource Service Co., Ltd	1,500,000.00			1,500,000.00					15.00	
Shanghai Baosight Digital Technology Co., Ltd	600,000.00			600,000.00	600,000.00			600,000.00	15.00	
Jinchuan Group Automation Engineering Co., Ltd.	1,000,000.00			1,000,000.00					7.13	
Shanghai Huayi Information Technology Co., Ltd	3,000,000.00			3,000,000.00					15.00	
Henan Longyu Energy Company Limited	370,269,254.56			370,269,254.56					12.96	
Yongcheng Coal & Power (Group) Co., Ltd.	279,000,000.00			279,000,000.00					7.78	
Henan Zhenglong Coal Mining Co., Ltd.	45,569,714.27			45,569,714.27					4.91	49,149,134.00
China Technology & Economy Investment Consulting Co., Ltd.	3,000,000.00			3,000,000.00	1,710,073.92			1,710,073.92	5.00	
Yantai Tiezhong Baosteel Steel Processing Co., Ltd.	5,600,000.00			5,600,000.00					10.00	
China Resources (Holdings)	1,618,750.00			1,618,750.00					0.09	



Company Limited (Beijing)									
Anhui Huishang Company Limited	3,000,000.00			3,000,000.00	3,000,000.00			3,000,000.00	3.53
Hanyang Parts Co., Ltd	3,311,720.00			3,311,720.00	3,311,720.00			3,311,720.00	20.00
Baovale Mineracao S.A.	103,282,213.00			103,282,213.00					50.00
ShangHai LuoJing Ore Terminal Co., Ltd.	88,734,096.00			88,734,096.00					12.00
Yangtze River Economic United Development (Group) Co., Ltd.	980,000.00			980,000.00					0.15
Guoqi (Beijing) Auto Lightweight Technology Research Co., Ltd.	3,000,000.00			3,000,000.00					6.90
Beijing Iron Ore Trading Center Corporation	5,000,000.00			5,000,000.00					6.25
Globalore Pte Ltd	16,870,363.80		315,118.80	16,555,245.00	3,426,457.80			3,426,457.80	14.29
Baometal S.r.L	14,746,583.76	893,658.96		15,640,242.72					10.00
CNPC Pipeline Co., Ltd.	8,643,900,787.20			8,643,900,787.20					3.52
Wuhan Huagong VC Co., Ltd	12,300,000.00			12,300,000.00					9.88
Changxin Asset Management Co.,Ltd	25,005,000.00			25,005,000.00	3,881,651.48			3,881,651.48	16.67
Total	9,640,797,481.93	893,658.96	315,118.80	9,641,376,022.09	15,929,903.20			15,929,903.20	/

**(4) Impairment Change of Available-for-sale Financial Assets in the Reporting Period**

√Applicable □Not applicable

Unit: RMB

Available-for-sale financial assets category	Available-for-sale equity instruments	Available-for-sale debt instruments	Total
Provisioned beginning impairment balance	698,227,406.41	50,240,011.70	748,467,418.11
Current provision			
Where: Transferred-in from other comprehensive income			

Current cuts			
Where: Rise of fair value after the period			
Ending balance of provisioned impairment reserves	698,227,406.41	50,240,011.70	748,467,418.11

#### 14. Long-term Receivables

##### (1) Long-term Receivables

Applicable Not applicable

Unit: RMB

Item	Ending balance			Beginning balance			Discount rate range
	Book balance	Bad debt provision	Book value	Book balance	Bad debt provision	Book value	
Financial leasing amount	46,946,443.40		46,946,443.40	45,933,082.98		45,933,082.98	
Where: Unrealized financial income	-3,053,556.60		-3,053,556.60	-4,066,917.02		-4,066,917.02	
Sales of goods with installment							
Rendering of service with installment							
Asset transfer receivables (Note 1)				4,500,000,000.00		4,500,000,000.00	
Less: gains receivable from assets transfer due within 1 year (Note 1)				-4,500,000,000.00		-4,500,000,000.00	
Preferential borrowing for down payment of employees' first apartment (Note 2)	298,292,500.00		298,292,500.00	218,565,000.00		218,565,000.00	
Others							
Total	345,238,943.40		345,238,943.40	264,498,082.98		264,498,082.98	/

Note 1: In accordance with the Connected Transaction Bulletin (Lin 2012-005) issued by the Company on February 29, 2012 and the Supplementary Bulletin of Proposal on Sales of Related Assets of Stainless Steel and Special Steel Business Unit (Lin 2012-007) issued by the Company on March 14, 2012, the Company transferred the related assets and equities of the Stainless Steel and Special Steel Business Unit on the basis of evaluation value on the base date of assets evaluation (December 31, 2011) issued by the Zhongzi Assets Appraisal Co., Ltd., which was completed on April 1, 2012. Out of the proceeds from transfer of these assets, RMB 22.5 billion

will be collected in five years, i.e. RMB5.1 billion or 20% each year. One installment (principal and interest thereupon) will be collected on April 1st of each year beginning in 2013 and ending in 2017. As of the end of this reporting period, the balance of long-term accounts receivable which has been transferred into “due within 1 year” is RMB 4.5 billion, of which RMB 2.6 billion is receivable from Shanghai Baosteel Stainless Steel Co., Ltd. and RMB 1.9 billion from Baosteel Special Steel Co., Ltd.

Note 2: According to the preferential borrowing policy for the first apartment provided by the Company to certain employees, every employee is allowed to borrow 300,000-450,000, the interest of which is determined by 50 % of housing fund loan rate, with the loan term up to 10 years. Loan shall be repaid from the 3<sup>rd</sup> year upon borrowing and paid off no later than 8 years, with the fixed amount in each month or prepayment option

**(2) Long-term Receivables under Derecognition due to Transfer of Financial Assets**

Applicable  Not applicable

**(3) Amount of Assets and Liabilities Formed by Transfer of Long-term Receivables and Continuous Involvement**

Applicable  Not applicable

**(4) Neither at the end of this reporting period nor at the beginning of this year did any long-term account receivable include investment by any shareholder holding shares representing 5% or more of the voting rights of the Company.**

**15. Long-term Equity Investment**

Applicable  Not applicable

Unit: RMB

Name of investee	Beginning balance	Current change								Ending balance	Ending balance of impairment reserves
		Added investment	Reduced investment	Investment gains and losses recognized under the Equity Method	Other comprehensive income adjustment	Other equity change	Cash dividend or profit declared to issue	Impairment reserves provision	Others		
I. Joint Ventures											
Baosteel-NSC Automotive Steel Sheets Co., Ltd.	1,753,133,618.04			82,634,703.36		1,786,666.20				1,837,554,987.60	
BAO-ISLAND ENTERPRISES LIMITED	618,541,073.50			6,774,400.00	-14,498,310.30					610,817,163.20	
Shandong Baohua Wear-resistant Steel Co., Ltd.	64,536,216.03			1,738,240.03						66,274,456.06	

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Guangzhou JFE Steel Sheet Co., Ltd.	1,641,574,356.04			110,088,871.3 2						1,751,663,227.36	35,000,000.00
Hangzhou Baowei Auto Parts Co., Ltd.	187,544,945.89			13,960,714.52			30,000,000.00			171,505,660.41	
Changsha Baosheng Steel Processing and Delivery Co., Ltd.	3,775,652.35			-391,792.57						3,383,859.78	
Changshu Baosheng Fine Blanking Materials Co., Ltd	72,077,121.86			-1,677,501.65						70,399,620.21	
Wuhan Baozhang Automobile Steel Parts Co., Ltd	29,676,110.76			-302,258.67						29,373,852.09	
Wuhan Pingmei Wugang & Coal Carbonization Co., Ltd	734,304,891.38			18,273,319.49					-321,236.16	752,256,974.71	
Changshu Weishike Dahen Metal Material Co., Ltd	26,769,289.56			-1,337,651.09						25,431,638.47	
Wuhan Wugang Metal Resource Cast Co., Ltd	13,000,000.00		13,000,000.00							0.00	
Wugang Jinzi Steel Processing Co., Ltd		10,200,000.00	712,375.85	332,369.36						9,819,993.51	
Subtotal	5,144,933,275.41	10,200,000.00	13,712,375.85	230,093,414.1 0	-14,498,310.30	1,786,666.20	30,000,000.00		-321,236.16	5,328,481,433.40	35,000,000.00
II. Associated enterprises											
Shanghai Baosteel & Arcelor Tailor Metal Co., Ltd.	119,818,396.97			9,125,996.83			13,961,200.00			114,983,193.80	
Shanghai Firsttech Software Co., Ltd.	3,131,624.96			250,632.28						3,382,257.24	
Henan Pingbao Coal Industry Co., Ltd.	466,769,390.88			90,742,033.49		34,342,062.2 2				591,853,486.59	
Tianjin BCM Distribution Co., Ltd.	38,158,721.31			-971,713.80						37,187,007.51	
Wuxi Baomit Steel Processing and Delivery Co., Ltd.	67,850,725.94			260,919.26						68,111,645.20	
Sichuan Daxing Baohua Chemical Co., Ltd.	24,583,026.44			981,592.15						25,564,618.59	
Wuhan Baohan Welder Co., Ltd	3,012,623.72			84,267.04						3,096,890.76	
Baosteel Can Making (Vietnam) Co.,Ltd.	70,917,112.01				-1,662,263.58					69,254,848.43	
Beijing Qingke Chuangtong Information Technology Co., Ltd.	10,196,471.73			698,294.77						10,894,766.50	
MIBao Metal Processing Zhengzhou Co., Ltd.	25,424,836.82			-224,428.32						25,200,408.50	
Guangzhou Automobile Baoshang Steel Processing Co., Ltd.	60,263,845.25			4,379,548.16		158,930.09	3,498,841.40			61,303,482.10	
Wuxi Baomeifeng Steel Processing Co., Ltd.	24,357,537.27			1,619,969.17						25,977,506.44	
Guangzhou South China Gangbao Terminal Co.,	6,191,402.95			-209,653.97						5,981,748.98	

Ltd.											
Tianjin Zhongzhi Tiancheng Technology Co., Ltd.	6,539,654.39			-961,981.27						5,577,673.12	
Cangcang (Shanghai) Supply Chain Management Co., Ltd.	472,161.45			2,731.16						474,892.61	
Shanghai Extrame Information Technology Co., Ltd.	7,147,877.36			1,011,883.49						8,159,760.85	
Shanghai Runyi Incubator Management Co., Ltd.	2,407,627.16			-1,019,727.53						1,387,899.63	
Guangdong Zhanjianggang Longteng Shipping Co., Ltd.	27,482,258.14			1,233,296.21						28,715,554.35	
Shanghai Baochixin Medical Technology Co., Ltd	1,237,640.00	1,600,000.00		-1,713,591.07						1,124,048.93	
Shanghai Jiaoyun Baoou Logistics Co., Ltd		4,900,000.00								4,900,000.00	
Shanghai Baoneng Information Technology Co., Ltd		10,000,000.00		40,000.00						10,040,000.00	
Wuhan Steel Group Finance Co., Ltd	1,546,588,959.91			26,952,644.80						1,573,541,604.71	
Wuhan Steel Petrochemical Industrial Gas Co., Ltd		55,450,000.00		1,635,529.87						64,833,539.14	
Wugang Zhejin Trade Co., Ltd		50,000,000.00								51,741,946.40	
Qiwu Trade Co., Ltd		371,175.00					8,511,250.00			1,042,496.99	
China Pingmei Shenma Energy Chemical Group Co., Ltd	1,720,753,356.80									1,720,753,356.80	
Dalian Jiaxiang Technology Co., Ltd	35,697,334.18			1,331,704.29						37,029,038.47	
Hubei Pingwu Industry & Trade Co., Ltd	8,687,487.12			1,251,264.62						9,938,751.74	
Wuhan Ansheng Industry & Trade Co., Ltd	7,525,034.88			-916,049.78						6,608,985.10	
TWB Company L.L.C.	725,829,971.37			38,917,911.12	20,921,758.52		25,408,561.59			760,261,079.42	
Taicang Wugang Dispatch Co., Ltd	27,001,417.03				-632,900.45					26,368,516.58	
Taicang Wugang Port Co., Ltd	328,379,999.49	57,165,853.97		11,182,176.43	-7,697,071.92		57,165,853.97			331,865,104.00	
Transferred-in stock right separation regarding marketability from the original system	7,949,489.18									7,949,489.18	
Subtotal	5,374,375,984.71	179,487,028.97		185,685,249.40	10,929,522.57	34,500,992.31	108,545,706.96			5,695,105,598.66	
Total	10,519,309,260.12	189,687,028.97	13,712,375.85	415,778,663.50	-3,568,787.73	36,287,658.51	138,545,706.96		-321,236.16	11,023,587,032.06	35,000,000.00

When the equity method is employed for calculation, the Group and all of its JVs as well as its affiliated companies have no significant difference in accounting policies, and there is no major limitation on the realization of the long-term investment and the repatriation of returns on investment.

**16. Investment Property**

Measurement mode of investment property

**(1) Investment Property Measured at Cost**

Unit: RMB

Item	Houses and buildings	Land use right	Total
<b>I. The original book value</b>			
1.Beginning balance	213,543,938.33	318,321,681.83	531,865,620.16
2. Current adds	102,825,296.71		102,825,296.71
(1) Purchase			
(2) Inventory/ fixed assets/ transferred-in from construction in progress	102,825,296.71		102,825,296.71
(3) Adds from corporate merge			
3. Current cuts	12,267,623.00		12,267,623.00
(1) Disposal	1,633,089.94		1,633,089.94
(2) Other transferred-out	10,634,533.06		10,634,533.06
4.Ending balance	304,101,612.04	318,321,681.83	622,423,293.87
<b>II. Accumulative depreciation and accumulative amortization</b>			
1.Beginning balance	98,930,126.75	68,622,729.60	167,552,856.35
2. Current adds	3,432,162.42	4,124,040.24	7,556,202.66
(1) Provision or amortization	3,432,162.42	4,124,040.24	7,556,202.66
3. Current cuts	4,841,576.34		4,841,576.34
(1) Disposal	947,903.60		947,903.60
(2) Other transferred-out	3,893,672.74		3,893,672.74
4.Ending balance	97,520,712.83	72,746,769.84	170,267,482.67
<b>III. Impairment reserves</b>			
1.Beginning balance			
2. Current adds			
(1) Provision			
3. Current cuts			
(1) Disposal			
(2) Other transferred-out			
4.Ending balance			
<b>IV. Book value</b>			
1. Ending book value	206,580,899.21	245,574,911.99	452,155,811.20
2. Beginning book value	114,613,811.58	249,698,952.23	364,312,763.81

**(2) Investment Property Without Proper Certificate of Title**

□Applicable √Not applicable

**17. Fixed Assets****(1) Fixed Assets**

√Applicable □Not applicable

Unit: RMB

Item	Houses and buildings	Machinery equipment	Transportation tools	Office and other equipment	Total
<b>I. The original book value</b>					
1.Beginning balance	86,100,043,267.94	266,467,758,522.59	20,901,089,466.39	25,464,669,010.68	398,933,560,267.60
2. Current adds	592,948,071.62	3,306,338,293.40	690,503,060.17	783,362,772.88	5,373,152,198.07
(1) Purchase	14,503,156.79	77,858,555.97	69,086,718.41	115,259,563.47	276,707,994.64
(2) Transferred-in from construction in progress	465,935,706.74	3,013,364,620.36	610,184,613.26	650,665,458.13	4,740,150,398.49
(3) Transferred-in from investment property	10,634,533.06				10,634,533.06
(4) Difference from foreign currency financial statement translation	8,173,196.10	18,516,464.55	765,106.73		27,454,767.38
(5) Others	93,701,478.93	196,598,652.52	10,466,621.77	17,437,751.28	318,204,504.50
3. Current cuts	1,357,195,583.49	2,476,438,724.21	419,158,110.02	322,469,665.37	4,575,262,083.09
(1) Disposal or scrap	1,357,195,583.49	2,476,438,724.21	419,158,110.02	322,469,665.37	4,575,262,083.09
4.Ending balance	85,335,795,756.07	267,297,658,091.78	21,172,434,416.54	25,925,562,118.19	399,731,450,382.58
<b>II. Accumulative depreciation</b>					
1.Beginning balance	40,038,351,064.06	160,583,916,032.57	16,212,050,389.71	17,280,523,831.89	234,114,841,318.23
2. Current adds	1,683,502,876.02	5,929,030,307.18	526,745,798.05	770,228,177.11	8,909,507,158.36
(1) Provision	1,672,077,498.09	5,916,874,888.78	526,453,069.98	764,651,041.75	8,880,056,498.60
(2) Transferred-in from investment property	3,893,672.74				3,893,672.74
(3) Difference from foreign currency financial statement translation	5,850,994.60	9,134,425.67	148,209.95	15,750.74	15,149,380.96
(4) Others	1,680,710.59	3,020,992.73	144,518.12	5,561,384.62	10,407,606.06
3. Current cuts	1,055,692,098.81	1,612,721,341.45	397,405,529.18	295,665,628.38	3,361,484,597.82
(1) Disposal or scrap	1,055,692,098.81	1,612,721,341.45	397,405,529.18	295,665,628.38	3,361,484,597.82
4.Ending balance	40,666,161,841.27	164,900,224,998.30	16,341,390,658.58	17,755,086,380.62	239,662,863,878.77
<b>III. Impairment reserves</b>					
1.Beginning balance	148,055,191.21	743,085,361.94	27,963,613.68	17,775,124.03	936,879,290.86
2. Current adds	30,046.17	1,335,467.26			1,365,513.43
(1) Provision	30,046.17				30,046.17
(2) Difference from foreign currency financial statement translation		1,335,467.26			1,335,467.26
3. Current cuts	20,347,083.15	10,680.98		168,730.03	20,526,494.16
(1) Disposal or scrap	20,347,083.15	10,680.98		168,730.03	20,526,494.16
4.Ending balance	127,738,154.23	744,410,148.22	27,963,613.68	17,606,394.00	917,718,310.13
<b>IV. Book value</b>					
1. Ending book value	44,541,895,760.57	101,653,022,945.26	4,803,080,144.28	8,152,869,343.57	159,150,868,193.68
2. Beginning book value	45,913,637,012.67	105,140,757,128.08	4,661,075,463.00	8,166,370,054.76	163,881,839,658.51





**(2) Temporarily Idle Fixed Assets**

□Applicable√Not applicable

**(3) Fixed Assets Acquired Through Finance Leasing**

√Applicable □Not applicable

Unit: RMB

Item	Original book value	Accumulated depreciation	Depreciation reserves	Book value
Wugang Limited I II III silicon steel (note)				5,000,000,000.00
Total				5,000,000,000.00

Note: Refer to Note VII (41) for details.

**(4) Leased Fixed Assets through Operating Leasing**

√Applicable □Not applicable

Unit: RMB

Item	Ending book value
Houses and buildings	1,310,163,225.23
Machinery equipment	68,955,981.87
Transportation tools	147,862,528.99
Office and other equipment	10,346,801.97
Total	1,537,328,538.06

**(5) Fixed Assets without Proper Certificate of Title**

√Applicable □Not applicable

Unit: RMB

Item	Book value	Reason
Property ownership certificates of houses and buildings	21,578,436,957.93	Note

Note: The Group has been attempting to acquire property ownership certificates of houses and buildings as of June 30, 2017, with the book value of RMB21,578,436,957.93 (December 31, 2016: RMB 21,584,311,054.36).

Other notes:

√Applicable □Not applicable

On June 30, 2017, the Group obtained RMB 359,159,174.48 of long-term loan and RMB 23,642,899.60 of short-term loan by pledging fixed assets with net value of RMB 578,423,965.19 (December 31, 2016: RMB 591,507,715.71) and land use right with net book value of RMB 60,684,600.41 (December 31, 2016: RMB 89,428,894.55), with RMB382,802,074.07 of total loans (December 31, 2016: RMB 435,798,069.80).

**18. Construction in Progress****(1) Construction in Progress**√Applicable Not applicable

Unit: RMB

Item	Ending balance			Beginning balance		
	Book balance	Depreciation reserve	Book value	Book balance	Depreciation reserve	Book value
Technical innovation and infrastructure construction projects	10,478,493,913.15	1,037,512,765.77	9,440,981,147.38	13,513,646,603.47	1,037,512,765.77	12,476,133,837.70
Total	10,478,493,913.15	1,037,512,765.77	9,440,981,147.38	13,513,646,603.47	1,037,512,765.77	12,476,133,837.70

**(2) Significant Changes of Construction in Progress**√Applicable Not applicable

Unit: RMB

Item	Budget	Beginning balance	Increase for the current period	Transferred-in fixed assets	Other current cuts	Ending balance	Proportion of project investment in budget	Construction progress	Accumulated amount of interest capitalization	Including: capitalized amount of interest for the current period	Capitalization rate of interest for the current period	Source of capital
Technical innovation and infrastructure projects	73,340,732,706.02	13,513,646,603.47	2,052,858,002.93	4,740,150,398.49	347,860,294.76	10,478,493,913.15	14.29%		135,607,207.11	51,899,873.58	3.915%	Self-raised or borrowing
Total	73,340,732,706.02	13,513,646,603.47	2,052,858,002.93	4,740,150,398.49	347,860,294.76	10,478,493,913.15	/		135,607,207.11	51,899,873.58	/	/

**(3) Current Depreciation Reserves Provision for Construction in Progress:**√Applicable Not applicable

Unit: RMB

Item	Beginning depreciation balance	Current provision amount	Ending depreciation balance	Reason
Baotong Steel	1,037,020,394.17		1,037,020,394.17	
Chemical Company	492,371.60		492,371.60	
Total	1,037,512,765.77		1,037,512,765.77	

**19. Engineering Materials**

√Applicable □Not applicable

Unit: RMB

Item	Ending balance	Beginning balance
Special materials	1,547,817.92	1,885,566.85
Special equipment	40,391,556.45	40,449,445.95
Others	26,447,322.52	20,369,734.06
Total	68,386,696.89	62,704,746.86

**20. Intangible Assets****(1) Intangible Assets**

√Applicable □Not applicable

Unit: RMB

Item	Land use right	Computer software	Others	Total
<b>I. The original book value</b>				
1.Beginning balance	12,691,827,209.49	951,036,397.88	1,094,243,395.44	14,737,107,002.81
2. Current adds	176,635,679.21	45,957,332.08	19,303,033.57	241,896,044.86
(1) Purchase	166,391,667.14	36,213,317.77	13,643,708.20	216,248,693.11
(2) Internal R&D				
(3)increase due to company merger				
(4) Transferred-in from construction in progress	10,244,012.07	9,744,014.31	5,659,325.37	25,647,351.75
3.Current cuts	28,670,502.89	6,766,877.16	16,777.35	35,454,157.40
(1)Disposal	28,670,502.89	6,766,877.16	16,777.35	35,454,157.40
(2) Transferred-in from construction in progress				
4.Ending balance	12,839,792,385.81	990,226,852.80	1,113,529,651.66	14,943,548,890.27
<b>II.Accumulative amortization</b>				
1.Beginning balance	1,575,180,603.11	469,240,486.29	255,555,633.96	2,299,976,723.36
2.Current adds	130,273,879.23	85,745,890.84	27,286,357.96	243,306,128.03
(1)Provision	129,263,868.54	85,417,392.52	27,286,357.96	241,967,619.02
(2) Translation difference of foreign financial statements	1,010,010.69	328,498.32		1,338,509.01
3.Current cuts	1,600,649.96	169,226.84		1,769,876.80
(1)Disposal	1,600,649.96	169,226.84		1,769,876.80
(2) Transferred-in from construction in progress				
4.Ending balance	1,703,853,832.38	554,817,150.29	282,841,991.92	2,541,512,974.59
<b>III.Impairment Reserves</b>				
1.Beginning balance		34,692.26	13,610,153.50	13,644,845.76
2.Increased amount in the period		1,645.69		1,645.69
(1)Provision				
(2) Transferred-in from construction in progress		1,645.69		1,645.69
3. Current adds				
(1)Disposal				
4.Ending balance		36,337.95	13,610,153.50	13,646,491.45
<b>IV. Book value</b>				
1.Ending book value	11,135,938,553.43	435,373,364.56	817,077,506.24	12,388,389,424.23
2. Beginning book value	11,116,646,606.38	481,761,219.33	825,077,607.98	12,423,485,433.69

**(2) Use Right of Land without Proper Certificate of Title**

Applicable Not applicable

Other notes:

Applicable Not applicable

On June 30, 2017, the Group obtained RMB359,159,174.48 of long-term loan and RMB 23,642,899.60 of short-term loan by pledging fixed assets with net value of RMB 578,423,965.19 (December 31, 2016: RMB 591,507,715.71) and land use right with net book value of RMB 60,684,600.41 (December 31, 2016: RMB 89,428,894.55), with RMB382,802,074.07 of total loans (December 31, 2016: RMB 435,798,069.80).

**21. Goodwill****(1) Original book value of goodwill**

Applicable Not applicable

Unit: RMB

Name of investee or items causing goodwill	Beginning balance	Current adds	Current cuts	Ending balance
		Caused by enterprise merger	Disposal	
M&A of Thyssenkrupp Laser & Welding business	487,784,475.38	23,138,972.82		510,923,448.20
Total	487,784,475.38	23,138,972.82		510,923,448.20

Note: the increase in goodwill in the current period is caused by fluctuation in exchange rate. When relevant asset portfolio are tested for impairment, the portfolio shall be divided into principal and joint venture enterprises within the scope of consolidation; cash flow will be estimated according to the development trend of laser and welding industry, financial budget and future goals for the next 8 years by the company and estimated cash flow stays the same after 8 years. The above discount rate is decided after the consideration of different national market maturity, risk premium and income interest rate; it is confirmed that there is no impairment loss in the current period after comparing relevant book value and the above amount recoverable calculated by profit method.

**(2) Provision for Goodwill Impairments**

Applicable Not applicable

Confirmation method for explanation of goodwill impairment testing process, parameters and goodwill impairment loss.

Applicable Not applicable

Other Notes

Applicable Not applicable

**22. Long-term Unamortized Expenses**

√Applicable □Not applicable

Unit: RMB

Item	Beginning balance	Amount added in the period	Amortization amount in the period	Other reduced amount	Ending balance
Decoration expenses	283,019,260.50	113,589,699.45	24,026,124.07		372,582,835.88
Rental expenses	7,764,496.43	280,000.00	755,697.01		7,288,799.42
Relocation payment for environmental protection of coke oven of Meishan Steel (Note)	780,029,736.72		12,683,410.38		767,346,326.34
Expenditure on HV power supply of Huangshi Cold Rolling Phase II	739,282.50		295,713.00		443,569.50
Upfront expense of ore extraction	37,897,985.84	58.80	985,039.43	-848,732.97	37,761,738.18
Reclamation cost	1,000,156.66		31,657.26	-22,488.66	990,988.06
Others	59,738,907.68	253,707.74	12,643,439.53	-167.84	47,349,343.73
Total	1,170,189,826.33	114,123,465.99	51,421,080.68	-871,389.47	1,233,763,601.11

Note: In accordance with “Agreement on relocating residents in health protection area of Shanghai Meishan Iron & Steel Co., Ltd. in the 11th 5-year period” (hereinafter referred to as the “Agreement”) jointly signed by and among Shanghai Meishan Iron & Steel Co., Ltd. (hereinafter referred to as the “Meishan Steel”), Nanjing Yuhuatai Banqiao Sub-district Office and Nanjing Yuhua Administration Committee of ETDZ on October 16, 2012, the relocation compensation shall be made for the residential areas at a protection distance of 1km from the coke oven construction project of the Meishan Steel. Therefore, Meishan Steel shall bear the relocation expenses of RMB 880,000,000.00, including the expenses of RMB 750,000,000.00 which must be paid to the Nanjing Yuhuatai Banqiao Sub-district Office, and the expenses of RMB 130,000,000.00 which must be paid to the Nanjing Yuhua Administration Committee of ETDZ. Pursuant to this Agreement, Meishan Steel paid RMB 120,000,000.00 in 2012, RMB 510,000,000.00 in 2013 and RMB 110,000,000.00 in 2014. RMB 70,000,000.00 has been paid in 2015, RMB 10,000,000.00 has been paid in 2016 and RMB 60,000,000.00 remains outstanding which shall be included in non-current liabilities due within 1 year. The aforesaid relocation compensation borne by Meishan

Steel shall be amortized according to the remaining service life of the main assets.

### 23. Deferred Income Tax Assets/Deferred Income Tax Liabilities

#### (1) Deferred Income Tax Assets Which Have Not Been Offset

√Applicable Not applicable

Unit: RMB

Item	Ending balance		Beginning balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Depreciation reserves of assets	3,743,539,265.36	935,884,816.34	3,106,356,678.23	806,434,277.75
Unrealized profits of internal purchase and sale	446,967,141.68	111,741,785.42	623,349,794.27	155,837,448.62
Deductible losses	1,915,244,367.36	478,811,091.84	3,746,694,199.53	576,032,393.71
Residual rate difference of fixed assets	208,680.24	52,170.06	208,680.24	52,170.06
Depreciation difference of fixed assets	34,184,449.96	8,546,112.49	35,596,729.97	8,899,182.50
Dismissal welfare	671,897,171.52	167,974,292.88	358,910,371.01	89,727,592.75
Losses on variation in fair values	793,412,191.44	198,353,047.86	739,837,063.20	184,959,265.80
Others	1,896,235,812.88	474,058,953.22	1,960,645,673.26	459,792,109.79
Total	9,501,689,080.44	2,375,422,270.11	10,571,599,189.71	2,281,734,440.98

#### (2) Deferred Income Tax Liabilities That Have Not Been Offset

√Applicable Not applicable

Unit: RMB

Item	Ending balance		Beginning balance	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Added value of assets in the merge of enterprises under different controls				
Fair value change in available-for-sale financial assets				
Increased tax of investment income	2,903,141,458.19	529,823,316.12	2,952,923,075.30	539,102,274.46
Changes in fair value	372,139,525.04	93,034,881.26	454,576,973.08	113,644,243.27
Others	179,093,009.36	44,773,252.34	165,599,619.24	40,699,797.19

Total	3,454,373,992.59	667,631,449.72	3,573,099,667.62	693,446,314.92
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**24. Other Non-current Assets**

√Applicable □Not applicable

Unit: RMB

Item	Ending balance	Beginning balance
Prepaid engineering equipment cost	123,332,968.17	264,533,426.61
Borrowings due from Bao-Island	117,905,780.14	117,905,780.14
Amount for trust and financing products	938,260,172.65	1,221,324,397.65
Luojing fixed assets to be disposed	188,652,735.06	187,966,523.82
Others	40,488,646.19	40,482,542.16
Total	1,408,640,302.21	1,832,212,670.38

**25. Short-Term Borrowings****(1) Short-term Borrowing Category**

√Applicable □Not applicable

On the balance sheet date, in the short-term borrowing of the Group, the annual interest rate of the RMB borrowings ranges from 3.20% to 5.0025% (2016: 3.30% to 6.00%); that of USD borrowings ranges from LIBOR1.03% (1 month) to LIBOR+2.45% (3 months) (2016: LIBOR+0.87% for 1 month to LIBOR+2.45% for 3 months); that of EUR borrowings ranges from 0.20% to 0.90% (2016: 0.25% to 1.50%).

Unit: RMB

Item	Ending balance	Beginning balance
Pledged borrowings	230,880,047.71	17,983,343.93
Mortgage borrowings	365,085,174.47	366,482,211.39
Secured borrowings	20,000,000.00	662,804,967.13
Credit borrowings	67,294,489,846.91	51,033,458,667.19
Total	67,910,455,069.09	52,080,729,189.64

Note: the beginning balance and ending balance are the discounted but undued banks' acceptance bill and commercial acceptance bill with additional recourse, please refer to (VII), 3(1) for more details.

Note 2: Please see note (VII) 17(5) and note (V) 20 for details.

**(2) Bank Loan Credit Lines**

As of June 30, 2017, the total amount of bank loan credit lines unused by the Group was about RMB 160.8 million (December 31, 2016: 157.6million). In the opinion of the management of the Group, considering the aforesaid bank loan credit lines and the cash flows from operating activities, the Group will have sufficient funds to pay off various current liabilities which will become due within the next year.

**26. Customer Deposits and Deposits from Banks and Other Financial Institutions**

Unit: RMB

Item	Ending balance	Balance at the beginning of the year
Current deposits	940,678,887.81	1,378,410,006.53



Fixed deposits	3,715,212,687.36	7,937,556,142.50
Total	4,655,891,575.17	9,315,966,149.03

For particulars about the deposits received by the end of this reporting period from shareholders each holding shares representing 5% or more of the voting rights of the Company and from other related parties, please refer to Note (XII), 6(8).

## 27. Borrowing funds

Unit: RMB

Item	Ending balance	Balance at the beginning of the year
Borrowing funds from domestic banks	600,000,000.00	

## 28. Financial liabilities measured by fair value and which changes are concluded in current losses and gains

Applicable Not applicable

Unit: RMB

Item	Ending balance	Balance at the beginning of the year
Derivatives	18,966,805.98	35,161,856.12
Total	18,966,805.98	35,161,856.12

## 29. Notes Payable

Applicable Not applicable

Unit: RMB

Category	Ending balance	Beginning balance
Trade acceptance	10,215,773,302.62	11,774,606,104.06
Bank acceptance	3,089,795,733.00	5,225,607,824.92
Total	13,305,569,035.62	17,000,213,928.98

Notes payable which is due and remains outstanding at the end of the period is 0 Yuan.

Above notes payable will be due in 2017.

Neither at the end of this reporting period nor at the beginning of this year did the balance of notes payable include any notes payable to shareholders each holding shares representing 5% or more of the voting rights of the Company.

For notes payable to related parties and included in the balance of notes payable, please see Note (XII), 6(9).

## 30. Accounts Payable

### (1) Accounts Payable Statement

Applicable Not applicable

Unit: RMB

Item	Ending balance	Beginning balance
Accounts payable for equipment procurement	8,464,636,481.12	9,323,477,366.62

Accounts payable for procurement of raw materials	21,180,998,416.08	25,648,987,541.30
Total	29,645,634,897.20	34,972,464,907.92

As of the end of the period and the beginning of the year, please see note (XII) and 6 (10) for shareholder entities or associated parties who hold more than 5% (including 5%) shares of the Company with voting rights in accounts payable.

**(2) Significant amount payable of age Over 1 Year**

Applicable  Not applicable

**31. Advance Receipts**

**(1) Advance Receipts Statement**

Applicable  Not applicable

Unit: RMB

Item	Ending balance	Beginning balance
Advance receipts	22,389,758,639.27	27,301,573,846.83
Total	22,389,758,639.27	27,301,573,846.83

**(2) Significant Advance Receipts with Account Age Over 1 Year**

Applicable  Not applicable

**(3) At the end of the reporting period and the beginning of the year, there was no balance of advance receipts from shareholders holding more than 5% (including) of voting shares.**

**(4) For related parties of advance receipts of related parties at the end of the reporting period and the beginning of the year, please see Note (XII), 6(11).**

**32. Employee Benefits Payable**

**(1) Employee Benefits Payable Statement:**

Applicable  Not applicable

Unit: RMB

Item	Beginning balance	Current adds	Current cuts	Ending balance
I. Short-term benefits	1,716,468,378.28	6,703,790,223.26	5,592,050,793.14	2,828,207,808.40
II. Benefits post resignation-defined contribution plan	1,773,794.80	833,801,159.07	833,274,303.92	2,300,649.95
III. Dismissal welfare	158,801,318.93	65,214,409.45	106,350,127.74	117,665,600.64
IV. Other benefits due within in 1 year				
Total	1,877,043,492.01	7,602,805,791.78	6,531,675,224.80	2,948,174,058.99

**(2) Short-term Benefits Statement:**

Applicable  Not applicable

Unit: RMB

Item	Beginning balance	Current adds	Current cuts	Ending balance
I. Wages, bonuses, allowances and subsidies	1,317,367,816.16	5,353,320,028.65	4,352,831,650.69	2,317,856,194.12
II. Employees' welfare expenses		218,808,351.91	218,808,351.91	
III. Social insurance charges	1,244,206.62	441,536,970.22	438,962,984.94	3,818,191.90
Including: Medical insurance	666,559.50	367,093,883.12	366,918,413.37	842,029.25
Work-related injury insurance	74,117.35	28,132,624.43	27,974,729.16	232,012.62
Maternity insurance	54,090.66	30,733,837.50	30,589,218.36	198,709.80
Employment fee for the injured	102,213.54	3,068,522.32	625,295.63	2,545,440.23
Others	347,225.57	12,508,102.85	12,855,328.42	
IV. Housing accumulation funds	149,935.00	388,589,328.97	388,632,448.01	106,815.96
V. Labor union expenditures and personnel education funds	257,967,579.87	150,338,031.41	109,418,448.50	298,887,162.78
VI. Short-term paid absence		58,797,405.59	58,797,405.59	
VII. Short-term profit share plan				
VIII. Others	139,738,840.63	92,400,106.51	24,599,503.50	207,539,443.64
Total	1,716,468,378.28	6,703,790,223.26	5,592,050,793.14	2,828,207,808.40

**(3) Defined Contribution Plan Statement**

√Applicable □Not applicable

Unit: RMB

Item	Beginning balance	Current adds	Current cuts	Ending balance
1. Basic pension insurance	1,424,907.41	702,701,660.25	702,256,337.01	1,870,230.65
2. Unemployment insurance	103,988.81	29,203,450.30	29,268,068.37	39,370.74
3. Enterprise annuity	244,898.58	101,896,048.52	101,749,898.54	391,048.56
Total	1,773,794.80	833,801,159.07	833,274,303.92	2,300,649.95

**33. Taxes Payable**

√Applicable □Not applicable

Unit: RMB

Item	Ending balance	Beginning balance
VAT	1,855,398,504.52	825,220,441.21
Enterprise income tax	736,850,484.01	2,095,528,629.54
Individual income tax	53,293,277.45	144,652,907.56
Urban maintenance and construction tax	104,739,742.98	52,758,479.72
Property tax	134,932,506.13	110,101,653.78
Others	315,215,413.59	335,651,743.16

Total	3,200,429,928.68	3,563,913,854.97
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**34. Interest Payable**

√Applicable □Not applicable

Unit: RMB

Item	Ending balance	Beginning balance
Interest payable for medium-term notes	132,049,863.01	135,467,397.26
Interest payable for corporate bonds issued by Wu-Steel Enterprises		153,300,000.00
Interest payable for borrowings	350,378,127.26	213,685,616.74
Interest payable for corporate bonds issued by Bao-Trans Enterprises	28,260,453.60	56,905,007.09
Total	510,688,443.87	559,358,021.09

For interest payable at the end of this reporting period and at the beginning of this year to shareholders each holding shares representing 5% or more of the voting rights of the Company and to other related parties, please see Note (XII), 6(12).

Significant interest payable overdue:

□ Applicable√Not applicable

**35. Dividends Payable**

√Applicable □Not applicable

Unit: RMB

Item	Ending balance	Beginning balance
ENGROCORPORATIONLIMITED		5,458,834.52
Qirong Trade Co., Ltd		1,387,400.00
Xinjiang Bagang Jiayu Industry & Trade Co., Ltd	27,706,314.65	27,706,314.65
Sumitomo Corporation	21,497,425.73	
Sumitomo Corporation (China) Holding Ltd.	2,388,602.86	
Toyota Tsusho Corporation	528,752.29	
Mitsui & Co., Ltd.	38,539,986.54	
Guangzhou Nansha Hi-tech Development Corporation	401,955.43	
Mitsui & Co. (China) Ltd.	401,955.44	
Mitsui Tokyo Co.,Ltd.	1,808,799.46	
Van Shung Chong Holdings Limited	1,012,927.70	
Nanjing Xinganxian Logistics Co., Ltd	5,630,060.80	
Guizhou Aluminium Factory	603,743.23	603,743.23
Ningbo Baoxin Stainless Steel Co., Ltd	6,240,568.40	
Others	22,022.21	22,022.21
Total	106,783,114.74	35,178,314.61

**36. Other Accounts Payable****(1) Other payables presented by account nature**

√Applicable □Not applicable

Unit: RMB

Item	Ending balance	Beginning balance
Security deposits and cash pledges	846,912,897.83	518,231,270.27
Advances	273,524,247.51	233,455,048.91
Transportation and port fees	130,348,786.06	185,438,050.61
Project funds payable	604,948,931.17	623,776,640.41
Safe production risk funds	76,174,299.70	59,939,504.70
Principal and interests of financing products payable to investors (Note)	1,507,080,045.66	1,472,729,157.17
Commission charges	12,563,290.48	7,819,118.87
Others	225,467,796.14	187,882,868.88
Total	3,677,020,294.55	3,289,271,659.82

Note: This refers to principal and interests of trust products invested by investors and provided by Ouyeeel Commerce, subordinate to the Company.

(2) For other accounts payable at the end of this reporting period and at the beginning of this year to shareholders each holding shares representing 5% or more of the voting rights of the Company and to other related parties, please see Note (XII), 6(13).

**37. Non-current Liabilities Due Within One Year**

√Applicable □Not applicable

**(1) Details about the Non-current Liabilities Due within One Year are Listed as Follows:**

Unit: RMB

Item	Ending balance	Beginning balance
Long-term borrowings due within 1 year	1,773,983,355.46	1,426,830,219.31
Long-term accounts payable due within 1 year	310,000,000.00	560,000,000.00
Bonds payable due within 1 year		
Total	2,083,983,355.46	1,986,830,219.31

**(2) Long-term Borrowings Due Within 1 Year**

On June 30, 2017, the Group's long-term loan amount due within one year is RMB1, 773,983,355.46 (December 31, 2016: RMB 1,426,830,219.31). For details on mortgage loan of long-term loan please see note (VII) 17, (7).

**(3) Long-term Accounts Payable Due Within One Year**

Unit: RMB

Item	Ending balance	Beginning balance
Compensation funds payable for relocation	60,000,000.00	60,000,000.00
Financial lease payable	250,000,000.00	500,000,000.00

Total	310,000,000.00	560,000,000.00
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**38. Other Current Liabilities****Other Current Liabilities**

√Applicable □Not applicable

Unit: RMB

Item	Ending balance	Beginning balance
Short-term bonds payable	11,173,528,493.14	18,052,896,712.32
Others	83,894,028.56	83,563,516.85
Total	11,257,422,521.70	18,136,460,229.17

## Change in short-term bonds payable

√Applicable □Not applicable

Unit: RMB

Name	Par value	Issuing date	Term	Issue value	Beginning balance	Issuance in the period	Provisioned interests per par value	Amortization of premium and discount	Repayment in the period	Ending balance
Bonds payable- short-SCP	3,000,000,000.00	Nov 14, 2016	270days	3,000,000,000.00	3,012,321,369.86		39,125,753.42			3,051,447,123.28
Bonds payable- short-SCP	5,000,000,000.00	Nov 17, 2016	180days	5,000,000,000.00	5,015,791,780.82		79,054,794.53		5,094,846,575.35	
Bonds payable- short-SCP	5,000,000,000.00	Nov 24, 2016	210days	5,000,000,000.00	5,013,482,191.78		32,794,520.55		5,046,276,712.33	
Bonds payable- short-SCP	5,000,000,000.00	Dec 1, 2016	240days	5,000,000,000.00	5,011,301,369.86		68,184,931.51			5,079,486,301.37
Bonds payable- short-SCP	3,000,000,000.00	Jan 22, 2017	270days	3,000,000,000.00		3,000,000,000.00	42,595,068.49			3,042,595,068.49
Total	/	/	/							

Note: The Company issued short-term financing bonds Phase I on January 22, 2017, with the amount of RMB 3 billion, the term of 270 days, unit par value of RMB 100 and annual interest rate of 3.28%.

**39. Long-term Borrowings****(1) Classification of Long-term Borrowings**√Applicable Not applicable

Unit: RMB

Item	Ending balance	Beginning balance
Credit borrowings	538,308,327.16	648,562,375.00
Mortgaged borrowings	17,716,899.60	40,049,479.92
Guaranteed borrowing	13,715,714.54	270,081,304.24
Total	569,740,941.30	958,693,159.16

Note: For details of mortgage loan please see note (VII) 17(5) and note (VII) 20.

Other notes, including interest rate range:

√Applicable Not applicable

Among the above loan, annual interest rate of USD loan ranges from LIBOR+1.55% for 1 month to LIBOR+2.55% for 3 months; EUR loan is from 1.15% to 1.6810%. JPY is 1%; KRW loan is 2.637%; and RMB loan is from 2.65% to 5.39%.

**(2) Long-term Borrowings with Its Amount among Top 5**

Long-term borrowings with the amount among Top 5 across the Group were RMB 2,180,614,859.11 equivalent on June 30, 2017 (December 31, 2016: RMB 2,127,645,965.43).

**40. Bonds Payable****(1) Bonds Payable**√Applicable Not applicable

Unit: RMB

Item	Ending balance	Beginning balance
Medium-term note	10,000,000,000.00	7,000,000,000.00



Bao-Trans Corporate Bond	7,242,526,792.85	7,076,920,848.12
14Wu-Steel Bond	6,983,410,349.86	6,975,482,426.20
Total	24,225,937,142.71	21,052,403,274.32

## (2) Bond Payable Change: (Excluding Preferred Stock, Perpetual Liabilities and Other Financial Instruments Classified as Financial Liabilities)

√Applicable □Not applicable

Unit: RMB

Name	Par value	Issuing date	Term	Issue value	Beginning balance	Issuance in the period	Provisioned interests per par value	Amortization of premium and discount	Repayment in the period	Ending balance
Bao-Trans Bonds (Note1)	USD500,000,000.00	Dec 5, 2013	5years	USD 500,000,000.00	3,447,878,149.45		63,510,000.00	-75,954,011.69	63,510,000.00	3,372,076,575.26
Bao-Trans Bonds (Note2)	EUR500,000,000.00	Feb 22, 2015	3years	EUR 500,000,000.00	3,629,042,698.67		29,359,100.12	242,770,486.41	59,214,183.60	3,870,450,217.59
Total	/	/	/		7,076,920,848.12		92,869,100.12	166,816,474.72	122,724,183.60	7,242,526,792.85

Note 1: In December 2013, Bao-Trans Co., Ltd ("Bao-Trans"), a subsidiary of the Company was approved by the 2012 general shareholders' meeting held on April 26, 2013 to issue bonds denominated in US dollar in Hong Kong with the amount of USD 0.5 billion and duration of 5 years in accordance with the resolution of the shareholders' meeting of Developing Direct Financing. Bao-Trans issued USD 500 million of bonds with issuing price 99.199% of par value and fixed interest rate 3.75% per annum on December 5, 2013. Interest will be paid semi-annually on June 12 and December 12 respectively. The bond will be due on 12 December, 2018.

Note 2: According to the Proposal on Carrying out Direct Financing in Domestic and Overseas Markets reviewed and approved by the First Extraordinary General Meeting of Shareholders held on January 26, 2015, the Group's subsidiary Bao-Trans was allowed to issue the euro bonds which do not exceeds 1 billion euros (including 1 billion euros) overseas by several times. Bao-Trans issued the euro bonds according to 99.713% of the principal on February 23, 2015, with issuing amount of 500 million euros, interest calculation method of fixed interest rate for interest payment, and nominal interest rate at 1.625%. The method of repaying principal and interest was adopted for paying the interest on February 23 every year and paying off the principle upon the expiration. The bonds will expire on February 23, 2018.

Unit: Yuan Currency: RMB

Name	Par value	Issuing date	Term	Issue value	Beginning balance	Issuance in the period	Interest payable at the beginning of the year	Provisioned interests per par value	Repayment in the period	Interest payable at the end of the period	Ending balance
Medium-term	2,000,000,000.00	October26,2015	3years	2,000,000,000.00	2,000,000,000.00		13,308,493.15	36,497,534.25		49,806,027.40	2,000,000,000.00

notes(15 Baosteel MMT001)(Note1)											
Medium-term notes(16 Baosteel MMT001)(Note2)	5,000,000,000.00	March 22, 2016	3years	5,000,000,000.00	5,000,000,000.00		122,158,904.11	77,854,794.52	157,000,000.00	43,013,698.63	5,000,000,000.00
Medium-term notes(17 Baosteel MMT001)(Note3)	3,000,000,000.00	February 21, 2017	3years	3,000,000,000.00		3,000,000,000.00		39,230,136.98		39,230,136.98	3,000,000,000.00
Total	/	/	/	10,000,000,000.00	7,000,000,000.00	3,000,000,000.00	135,467,397.26	153,582,465.75	157,000,000.00	132,049,863.01	10,000,000,000.00

Note 1: Baosteel convened the 2015 First Extraordinary General Meeting of Shareholders on January 26, 2015 which reviewed and approved the Proposal on Carrying out Direct Financing in Domestic and Overseas Markets, the Company was allowed to register with National Association of Financial Market Institutional Investors and apply to issue medium term note, the total amount of which shall not exceed RMB 20 billion (including RMB 20 billion). The Company issued medium term note at par in the reporting period, with the amount of RMB 2 billion, nominal interest rate of 3.68% and the term of 3 years. The principal shall be returned as a lump sum and interests paid annually, with the value date on on October 26, 2015 and the redemption date on October 26, 2018.

Note 2: Baosteel convened the 2015 First Extraordinary General Meeting of Shareholders on January 6, 2015 which reviewed and approved the Proposal on Carrying out Direct Financing in Domestic and Overseas Markets, the Company was allowed to register with National Association of Financial Market Institutional Investors and apply to issue medium term note, the total amount of which shall not exceed RMB 20 billion (including RMB 20 billion). The Company issued medium term note at par in the reporting period, with the amount of RMB 5 billion, nominal interest rate of 3.14% and the term of 3 years. The principal shall be returned as a lump sum and interests paid annually, with the value date on March 22, 2016 and the redemption date on March 22, 2019.

Note 3: Baosteel convened the 2015 First Extraordinary General Meeting of Shareholders on January 6, 2015 which reviewed and approved the Proposal on Carrying out Direct Financing in Domestic and Overseas Markets, the Company was allowed to register with National Association of Financial Market Institutional Investors and apply to issue medium term note, the total amount of which shall not exceed RMB 20 billion (including RMB 20 billion). The Company issued medium term note at par in the reporting period, with the amount of RMB 3 billion, nominal interest rate of 3.7% and the term of 3 years. The principal shall be returned as a lump sum and interests paid annually, with the value date on February 22, 2017 and the redemption date on February 21, 2020.

Name	Par value	Issuing date	Term	Issue value	Beginning balance	Issuance in the period	Provisioned interests per par value	Amortization of premium and discount	Repayment in the period	Ending balance
14Bond of Wuhan Iron&Steel(Note1)	7,000,000,000.00	July 1, 2015	3years	7,000,000,000.00	6,975,482,426.20		153,300,000.00	7,927,923.66	306,600,000.00	6,983,410,349.86
Total	/	/	/	7,000,000,000.00	6,975,482,426.20		153,300,000.00	7,927,923.66	306,600,000.00	6,983,410,349.86

Note1: Approved by the China Securities Regulatory Commission under the license [2015] No. 418, the company was allowed to issue the par value of not more than 7 billion Yuan of corporate bonds to the public. The actual issue amount of the corporate bonds (hereinafter referred to as "current bonds") of Wuhan Iron & Steel Co., Ltd. for the year 2015 is RMB 7 billion and the issue price is RMB 100 per bond. The issue period is 3 years and the coupon rate is 4.38%. 14 Wuhan Iron and Steel bond supported by the Wuhan Iron and Steel Group and Baosteel shares is to provide full unconditional irrevocable joint and several liability guarantee.

**41. Long-term payables****(1) Long-term payables listed according to the nature of money:**√Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Beginning balance	Ending balance
Accrued financial lease outlay (Note1)	4,759,653,801.74	5,009,603,507.94
Less: Unrecognized financial charges	531,841,235.52	541,544,818.09
Less: Accrued financial lease outlay due within one year	250,000,000.00	500,000,000.00
Acquisition of fixed assets		50,293.80
Relocation compensation payable for environmental protection project of Meishan Steel coke oven	60,000,000.00	60,000,000.00
Less: Long-term payable due within one year	60,000,000.00	60,000,000.00
Less: Long-term payable due within one year (Note2)	49,395,274.00	49,879,268.00
Total	4,027,207,840.22	4,017,988,251.65

Note 1: Note: On December 10, 2015, the original Wuhan Iron and Steel shares of the Sixth Session of the Board of Directors at the 30th meeting considered and signed a “financial lease contract” with the CNOOC International Finance Leasing Co., Ltd. One, two, three Silicon Steel Plant does sale back lease financing leasing transactions with it. The financing term is RMB 5 billion, the financing term is 3 years and the rental interest rate is 3.89% (excluding VAT). The lease term expires and the Company repurchases the leasing equipment with RMB 1. As at June 30, 2017, the principal amount of the payables involved in the financing and leasing business of the Company was RMB 4,750,000,000.00 and the unrecognized financing expense balance was RMB531,841,235.52 (the long-term principal payable in one year amounted to RMB250,000,000.00).

Note: On June 30, 2016, amount of liabilities recognized by the repurchase obligation under restricted stock incentive plan of the Company was RMB 49,395,274.00 Yuan. For details please see the note (XIII),1.

**42. Long-term Employee Benefits Payable**√Applicable Not applicable**(1) Statement of Long-term Employee Benefits Payable**√Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
I. Benefits after resignation-net liabilities of defined benefit plans	134,423,391.51	125,426,566.84
II. Dismissal benefits	573,183,981.04	225,879,462.15
III. Other long-term benefits	12,968,921.96	12,028,714.39
Total	720,576,294.51	363,334,743.38

**43. Special Payables**√Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Beginning balance	Current adds	Current cuts	Ending balance	Cause
Government grants	261,860,000.00			261,860,000.00	
Total	261,860,000.00			261,860,000.00	/

**44. Estimated liabilities**

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Item	Beginning balance	Ending balance	Cause
Product quality assurance	18,267.00	10,746.40	
Environmental protection cost after completion of mining	4,178,022.17	4,376,945.05	
Total	4,196,289.17	4,387,691.45	/

**45. Deferred Income**

Situation of deferred income

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Item	Beginning balance	Current adds	Current cuts	Ending balance	Cause
Government grants	1,156,751,257.72	192,182,668.25	76,549,011.32	1,272,384,914.65	
Total	1,156,751,257.72	192,182,668.25	76,549,011.32	1,272,384,914.65	/

Items related to government subsidies:

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Liability item	Beginning balance	New current subsidiary amount	Current amount included in non-operating income	Other changes	Ending balance	Related to assets/ income
Major industries revitalization and overall technical innovation projects	900,027,661.32	39,703,857.76	62,679,100.25		877,052,418.83	Related to assets
Environmental subsidies	210,645,419.60		11,411,574.47		199,233,845.13	Related to assets
High-tech subsidies	10,347,732.00	150,691,282.49	1,958,336.60		159,080,677.89	Related to profits
Modern service	23,307,500.00				23,307,500.00	Related to

subsidies						assets
E-commerce subsidies	1,960,000.00		500,000.00		1,460,000.00	Related to profits
Others	10,462,944.80	1,787,528.00			12,250,472.80	Related to assets
Total	1,156,751,257.72	192,182,668.25	76,549,011.32		1,272,384,914.65	/

**46. Other Non-current Liabilities**

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Others		315,720.00
Total		315,720.00

**47. Share Capital**

√Applicable □Not applicable

Unit: Yuan Currency: RMB

	Beginning balance	Current change (+,-)					Ending balance
		New issue of shares	Share dividend	Capitalization of accumulation funds	Others	Subtotal	
Total shares	16,450,393,624.00	5,652,516,701.00			-253,400.00	5,652,263,301.00	22,102,656,925.00

## Other notes:

In accordance with the Agreement for Proposal on Repurchase of Shares of the Company by Centralized Competitive Price Transaction, the Notification to Creditors of Baoshan Iron & Steel Co., Ltd. on Repurchase of Shares, and the Resolution of the 2nd Extraordinary General Meeting 2012 of Baoshan Iron & Steel Co., Ltd. as well as the regulations of the revised Articles of Associations, the Company will repurchase A-share stocks through centralized competitive price transactions at Shanghai Stock Exchange. The repurchase price per share shall not exceed RMB 5, and the maximum total amount available for repurchase shall not exceed RMB 5 billion. On September 21, 2012, the Company implemented the repurchase for the first time, and totally repurchased 414,055,508 shares up to December 31, 2012. In accordance with the resolutions of General Meeting and the regulations of the revised articles of association, the Company has applied for the decrease of capital of RMB 390,000,000, and completed the cancellation of 390,000,000 shares with the Shanghai Branch of the China Securities Depository and Clearing Corporation Limited (CSDC) on December 20, 2012. The Company completed the procedure on the industrial and commercial registration on December 31, 2012. After change, the registered capital and the capital amount to RMB 17,122,048,088. The equity changes in 2012 were verified by Deloitte Touche Tohmatsu CPA LLP., for which the DSB (Y) Z (12) No. 0078 Capital Verification Report has been issued.

As of May 21, 2013, the Company had completed the implementation of the share repurchase scheme, and repurchased 1,040,323,164 shares, and the number of repurchased shares will be 650,323,164 after the 390,000,000 cancelled shares are deducted from the total repurchased shares. In accordance with the resolution of the general meeting of the Company and the regulations of the revised articles of association, the Company has applied for the decrease of the capital of RMB 650,323,164, and completed the cancellation of 650,323,164 shares with the

Shanghai Branch of the China Securities Depository and Clearing Corporation Limited (CSDC) on May 23, 2013. The Company completed the procedure on the industrial and commercial registration on June 24, 2013. After change, the registered capital and the capital amount to RMB 16,471,724,924.00. The equity changes in 2013 were verified by Deloitte Touche Tohmatsu CPA LLP., for which the DSB (Y) Z (13) No. 0103 Capital Verification Report has been issued.

The Company's shares have decreased by 21,331,300 due to repurchasing restricted stock failing to reach the release conditions in 2014, 2015 and 2016, of which 698,900 shares in 2014, 3,508,500 in 2015 and 17,123,900 in 2016, and please see note (VII) 45 for the details.

Proposal on Adjusting Incentive Object of Restricted Stock Plan was reviewed and approved at the 14th meeting of the sixth Board of Directors held on November 30, 2016. The Company repurchased 253,400 shares of restricted stock failing to reach the unlocking conditions of the incentive object withdrawing from A Restricted Stock Plan on January 26, 2017, and completed cancellation on May 25, 2017.

The Company's convertible merger and acquisition of Wuhan Iron & Steel Co., Ltd. issued 5,652,516,701 shares of tradable shares not subject to conditional sales and was listed on February 27, 2017. As of February 27, 2017, the total share capital of the Company was 22,102,656,925 shares, of which 25,861,400 shares were subject to conditional sales and 22,076,795,525 shares are not subject to conditional sales.

Proposal on Unlocking the Second Unlock Period of Baosteel's Restricted Stock Plan was reviewed and approved at the 18th meeting of the sixth Board of Directors held on May 23, 2017. On June 19, 2017, the company's restricted stock plan to unlock the second unlock period of restricted stock 12,930,700 shares went into market and circulation.

By the end of reporting period, the Company's registered capital and share capital have reached 22,102,656,925.00 Yuan. Among which, there are 22,076,795,525 RMB common shares without restricted conditions for sale, and Baowu Group holds 11,523,385,833 shares, with shareholding ratio of 52.14%; Wuhan Iron & Steel Group holds 2,982,172,472 shares, with shareholding ratio of 13.49%.

#### 48. Capital Reserves

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Beginning balance	Current adds	Current cuts	Ending balance
Capital premium (Share capital premium)	45,904,384,599.74	11,499,934.08		45,915,884,533.82
Others Capital reserves	2,235,430,613.53	44,497,327.84	1,060,500.00	2,278,867,441.37
Total	48,139,815,213.27	55,997,261.92	1,060,500.00	48,194,751,975.19

#### 49. Treasury Stock

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Beginning balance	Current adds	Current cuts	Ending balance
Share incentive scheme	49,879,268.00		483,994.00	49,395,274.00
Total	49,879,268.00		483,994.00	49,395,274.00

**50. Other Comprehensive Income**

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Item	Beginning balance	Amount in the period					Ending balance
		Amount before income tax in the period	Less: currently transferred-in gains and losses previously included in other comprehensive income	Less: income tax expense	Amount after tax attributable to the parent company	Amount after tax attributable to minority	
I. Other comprehensive income that can't be reclassified in gains and losses in the following period	-29,586,184.80	-297,618.39		-74,404.60	-223,213.79		-29,809,398.59
Where: Changes in net liabilities and net assets resulting from re-measuring defined benefit plan	-30,156,184.80	-297,618.39		-74,404.6	-223,213.79		-30,379,398.59
Proportion held in the invested entities' other comprehensive incomes that will not be reclassified into profit or loss under the Equity Method							
Others	570,000.00						570,000.00
II. Other comprehensive income that will be reclassified in gains and losses in the following period	-253,365,022.79	57,552,407.80	10,790,860.82	956,442.59	44,858,721.74	946,382.64	-208,506,301.05
Where: Proportion held in the invested entities' other comprehensive incomes that will be reclassified into profit or loss under the Equity Method	-23,694,677.74	-3,568,787.73			-3,568,787.73		-27,263,465.47
Gains and losses from change of fair value of available-for-sale financial assets	219,334,073.43	14,616,631.20	10,790,860.82	956,442.59	5,897,399.89	-3,028,072.11	225,231,473.32
Gains and losses from available-for-sale financial assets reclassified from held-to-maturity investment							
Valid part of gains and losses from cash flow hedge							
Translation difference arising from translation of financial statements denominated in foreign currencies	-449,004,418.48	46,504,564.33			42,530,109.58	3,974,454.75	-406,474,308.90
Total other comprehensive income	-282,951,207.59	57,254,789.41	10,790,860.82	882,037.99	44,635,507.95	946,382.64	-238,315,699.64



**51. Special Reserves**

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Item	Beginning balance	Current adds	Current cuts	Ending balance
Safe production expenses	52,525,505.43	189,369,040.89	165,383,257.47	76,511,288.85
Total	52,525,505.43	189,369,040.89	165,383,257.47	76,511,288.85

The special reserves prepared by the Group according to the Administrative Measures on the Extraction and Use of Enterprise Safety Production Costs (Caiqi [2012] No. 16) are used for safety production expenses.

**52. Surplus Reserves**

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Item	Beginning balance	Current adds	Current cuts	Ending balance
Statutory surplus reserves	12,311,516,022.65			12,311,516,022.65
Arbitrary surplus reserves	15,582,968,362.43			15,582,968,362.43
Reserve fund				
Enterprise development fund				
Others				
Total	27,894,484,385.08			27,894,484,385.08

**53. Undistributed Profits**

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Item	Current period	Last period
Previous ending undistributed profit before adjustment	43,236,393,452.96	37,148,447,581.69
Total number of adjusting beginning undistributed profits (more+, less-)	8,684,695,948.69	-511,723,127.41
Beginning undistributed profits after adjustment	51,921,089,401.65	36,636,724,454.28
Plus: Net profit attributable to owners of parent company in the period	6,169,575,197.07	3,741,244,976.65
Less: Provisions for statutory surplus reserves		
Provisions for mandatory surplus reserves		
Withdrawal of general risk reserves		
Common stock dividends payable	4,641,557,954.25	988,015,633.44
Common stock dividends converted to stock capital		
Ending undistributed profits	53,449,106,644.47	39,389,953,797.49

Note: According to 2017 Annual General Meeting held by the Company on May 23, 2017, 2016 Profit Distribution

Scheme shall be: based on the Company's total capital stock of 22,102,656,925 shares (please see note (VII), 47), cash dividend shall be distributed RMB 0.21 (tax included) per share, totaling RMB 4,641,557,954.25 (tax included).

Adjust the details of undistributed profit at the beginning of the period:

1. Due to the "Accounting Standards for Business Enterprises" and its related provisions of the new retrospective adjustment, affect the undistributed profit of 0 Yuan at the beginning of the period.
2. Due to changes in accounting policies, affect the undistributed profit of 0 Yuan at the beginning of the period.
3. Due to major accounting errors corrected, affect the undistributed profit of 0 Yuan at the beginning of the period.
4. Due to the changes in the scope of the merger under the same control, affect the undistributed profit of 8,684,695,948.69 Yuan at the beginning of the period.
5. The total of other adjustment affects the undistributed profit of 0 Yuan at the beginning of the period..

#### 54. Operating Incomes and Operating Costs

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount in the period		Amount in last period	
	Revenue	Cost	Revenue	Cost
Principal business	169,391,722,090.90	152,232,802,124.02	106,206,192,437.58	93,080,798,130.57
Other business	540,786,577.49	556,164,634.62	399,962,261.91	339,830,908.09
Total	169,932,508,668.39	152,788,966,758.64	106,606,154,699.49	93,420,629,038.66

#### 55. Business Tax and Surcharges

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount in the period	Amount in last period
Business tax		24,402,834.60
Urban construction and maintenance tax	250,211,861.52	180,839,756.31
Education surcharge	196,892,867.70	145,035,992.12
Stamp duty, such as four small tax and others	487,366,887.53	11,862,880.09
Total	934,471,616.75	362,141,463.12

Note: For the business tax payment criterion, see Note (VI)

#### 56. Sales Expense

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount in the period	Amount in last period
Transportation and storage charge	823,552,062.81	500,899,312.76

Employee benefits	442,671,703.62	407,458,572.53
Depreciation and amortization	46,057,861.12	41,511,288.90
Others	278,222,644.63	350,104,213.69
Total	1,590,504,272.18	1,299,973,387.88

**57. Administrative Expense**√Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount in the period	Amount in last period
Technical development expense	1,885,616,184.77	1,692,429,421.95
Employee benefits	1,612,847,440.73	1,049,111,596.46
Taxes	-	391,376,600.09
Depreciation and amortization	322,552,996.32	343,230,049.24
Inventory gains and losses of current assets	101,132,077.08	112,230,032.42
Consulting fee	119,062,487.17	20,564,160.16
Others	514,816,114.58	424,175,024.60
Total	4,556,027,300.65	4,033,116,884.92

**58. Financial Expense**√Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount in the period	Amount in last period
Interest expense	1,969,529,909.29	2,129,726,945.60
Less: capitalized interest costs	-51,899,873.58	-333,991,741.37
Less: interest incomes	-97,811,919.86	-230,969,645.02
Exchange losses (gains)	133,007,825.21	352,875,293.40
Others	37,079,309.02	129,057,790.81
Total	1,989,905,250.08	2,046,698,643.42

**59. Loss on Assets Impairment**√Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount in the period	Amount in last period
I. Loss on bad debts	135,915,385.36	-248,484,982.31
II. Loss on inventory falling price	591,631,343.00	103,022,088.45
III. Impairment loss of available-for-sale financial assets		
IV. Impairment loss of held-to-maturity		

investment		
V. Impairment loss of long-term equity investment		
VI. Impairment loss of investment property		
VII. Impairment loss of fixed assets	30,046.17	311,526,425.76
VIII. Impairment loss of engineering materials		
IX. Impairment loss of construction in progress		
X. Impairment loss of productive biological assets		
XI. Impairment loss of oil and gas assets		
XII. Impairment loss of intangible assets		
XIII. Impairment loss of goodwill		
XIV. Others	-28,020,400.31	-56,546,336.46
Total	699,556,374.22	109,517,195.44

Others mean loan impairment reserve.

#### 60. Gains from Changes in Fair Values

Applicable Not applicable

Unit: Yuan Currency: RMB

Source of gains from changes in fair values	Amount in the period	Amount in last period
Financial assets measured at fair value and the change included in current gains and losses	15,071,831.89	10,619,295.97
Where: Gains from change in fair value of derivative financial instruments		
Financial liabilities measured at fair value and the change included in current gains and losses	-22,620,045.28	-57,873,954.55
Investment property measured at fair value		
Total	-7,548,213.39	-47,254,658.58

#### 61. Investment Income

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount in the period	Amount in last period
Investment income from available-for-sale financial assets	501,746,288.43	103,680,755.16
Long-term equity investment incomes calculated using the equity method	415,778,663.50	-95,568,992.18
Share investment income /(Loss)	-468,666.54	6,795,686.95
Bond investment income /( Loss)	9,613,580.63	13,521,558.43
Fund investment income /( Loss)	11,610,861.95	8,200,085.39

Income /( Loss) arising from disposal of derivative financial instruments	33,952,305.61	-73,809,000.00
Income from investments made by other financial products	423,535,263.10	186,477,658.16
Total	1,395,768,296.68	149,297,751.91

## 62. Other income

Government subsidies calculated in current gains and losses

Unit: Yuan Currency: RMB

Subsidiary item	Amount in the period	Amount in last period	Related to assets/income
Transferred-in government subsidies related to technical innovation assets in previous years	18,465,315.95	21,623,314.57	Related to assets
Special subsidiary fund for hi-tech	30,880,442.82	29,961,425.47	Related to assets/income
Tax refund	3,680,855.33	1,634,337.26	Related to income
Relocation compensation	2,970,635.94	3,363,419.19	Related to income
Subsidiary of soft loan	3,006,979.28	13,576,103.04	Related to assets
Other financial subsidies	28,891,219.07	62,520,355.08	Related to assets/income
Total	87,895,448.39	132,678,954.61	/

## 63. Non-operating Revenue

Situation of non-operating revenue

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount in the period	Amount in last period	Non-recurring gains and losses calculated in the period
Total gains from disposal of non-current assets	119,538,432.35	20,157,355.66	119,538,432.35
Including: Gains from disposal of fixed assets	119,538,432.35	20,157,355.66	119,538,432.35
Gains from disposal of intangible assets			
Gains from debt restructuring			
Exchange of non-monetary assets			
Accept donations			
Government subsidies			
Compensation incomes	17,563,272.40	4,625,397.88	17,563,272.40
Others	15,005,067.06	32,990,959.52	15,005,067.06
Total	152,106,771.81	57,773,713.06	152,106,771.81

**64. Non-operating Expenditures**

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Item	Amount in the period	Amount in last period	Non-recurring gains and losses calculated in current period
Total loss from disposal of non-current assets	559,350,613.74	228,639,142.88	559,350,613.74
Including: Loss from disposal of fixed assets	559,350,613.74	228,639,142.88	559,350,613.74
Donations	4,600,000.00	10,906,291.00	4,600,000.00
Others	45,832,450.92	20,866,181.13	45,832,450.92
Total	609,783,064.66	260,411,615.01	609,783,064.66

**65. Income Tax Expenses****(1) Statement of Income Tax Expense**

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Item	Amount in the period	Amount in last period
Current income tax expenses	1,892,926,861.39	1,630,291,677.27
Deferred income tax expenses	-118,048,670.26	-143,219,748.83
Total	1,774,878,191.13	1,487,071,928.44

**66. Other Comprehensive Income**

√Applicable □Not applicable

Please see note (VII) 50.

**67. Items of Cash Flow Statement****(1) Other Cash Receipts Related to Operating Activities**

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Item	Amount in the period	Amount in last period
Non-operating incomes, government subsidies and other incomes	1,183,898,994.73	872,444,207.84
Total	1,183,898,994.73	872,444,207.84

**(2) Other Cash Payments Related to Operating Activities**

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Item	Amount in the period	Amount in last period
------	----------------------	-----------------------

Sales expenses	534,456,138.86	447,961,734.19
Administrative expenses	1,163,447,271.79	612,874,770.72
Others	1,795,170,291.80	447,938,712.69
Total	3,493,073,702.45	1,508,775,217.60

**(3) Other Cash Receipts Related to Investment Activities**√Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount in the period	Amount in last period
Proceeds from disposal of Wusong Lot	4,675,813,655.96	4,879,536,386.73
Interest incomes	53,888,837.65	99,079,071.24
Other	2,132,500.00	300,000.00
Total	4,731,834,993.61	4,978,915,457.97

**(4) Other Cash Payments Related to Investment Activities**√Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount in the period	Amount in last period
Cash paid for settlement of derivative instruments		78,904,777.46
Other	81,860,000.00	45,475,000.00
Total	81,860,000.00	124,379,777.46

**(5) Other Cash Receipts Related to Fund-raising Activities**√Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount in the period	Amount in last period
Sale-leaseback finance lease		1,000,000,000.00
Total		1,000,000,000.00

**(6) Other Cash Payments Related to Fund-raising Activities**√Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount in the period	Amount in last period
Repayment of financial leasing of WISCO	250,000,000.00	
Total	250,000,000.00	

**(1) Supplementary Data for Cash Flow Statement**

**Supplementary Data for Cash Flow Statement**

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Supplementary data	Amount in the period	Amount in last period
<b>1. Reconciliation of net profit to cash flow from operating activities:</b>		
Net profit	6,739,088,170.83	3,894,665,995.83
Plus: Provision for impairment losses of assets	699,556,374.22	109,517,195.44
Fixed assets depreciation, oil and gas assets depletion and productive biological assets depreciation	8,887,612,701.26	7,492,095,549.00
Amortization of intangible assets	241,967,619.02	199,597,043.71
Amortization of long-term deferred expenses	51,421,080.68	42,839,139.04
Losses on disposal of fixed, intangible and other long-term assets (with "-" for gains)	439,812,181.39	208,481,787.22
Scrap loss of fixed assets (With "-" for gains)		
Losses on the changes in fair value (with "-" for gains)	7,548,213.39	47,254,658.58
Financial expenses (with "-" for gains)	1,950,854,661.60	2,020,328,980.20
Investment losses (with "-" for gains)	-1,395,768,296.68	-149,297,751.91
Decrease in deferred tax assets (with "-" for increase)	-95,489,208.44	-165,881,678.89
Increase in deferred tax liabilities (with "-" for decrease)	-22,559,461.82	22,661,930.06
Decrease in inventory (with "-" for increase)	2,885,193,802.79	-4,650,032,833.58
Decrease in receivables from operating activities (with "-" for increase)	-4,687,448,344.24	-1,416,890,974.25
Increase in payables for operating activities (with "-" for decrease)	-9,160,398,925.12	3,726,963,570.63
Others		
Net cash flow from operating activities	6,541,390,568.88	11,382,302,611.08
<b>2. Investing and financing activities that do not involve in cash receipts and payments</b>		
Debt capitalization		
Convertible corporate bond due within 1 year		
Fixed assets acquired under finance leases		
<b>3. Net changes in cash and cash equivalents:</b>		
EOP balance of cash	17,624,738,656.91	18,214,500,322.93
Less: BOY balance of cash	12,931,144,089.49	11,436,548,713.14
Plus: EOP balance of cash equivalents		
Less: BOY balance of cash equivalents		2,140,000,000.00
Net increase in cash and cash equivalents	4,693,594,567.42	4,637,951,609.79



**(2) Constitution of Cash and Cash Equivalents**

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
I. Cash	17,624,738,656.91	12,931,144,089.49
Including: cash on hand	2,362,767.34	859,695.08
Bank deposits available for payment at any time	17,360,665,281.36	12,794,022,323.36
Other monetary funds available for payment at any time	261,710,608.21	136,262,071.05
II. Cash equivalents		
III. EOP balance of cash and cash equivalents	17,624,738,656.91	12,931,144,089.49

Cash and cash equivalents exclude such cash and cash equivalents which the parent company or the subsidiaries within the group are restricted to use.

**68. Assets Whose Ownership or Use Right is Restricted**

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Item	Ending book value	Reason
Monetary fund	1,260,215,214.51	Of which 1,167,792,924.22 Yuan is the legal required reserve the Finance Co. deposits in the central bank, and the rest are margin deposits.
Notes receivable	1,169,851,818.73	Of which 1,163,915,818.73 Yuan bills pledged to the bank for the associated companies to issue notes payable, 5936000 Yuan to the bank discount.
Fixed assets	5,583,125,027.13	Of which 5,000,000,000.00 Yuan is for customer service leaseback, 578,423,965.19 Yuan for mortgage, 402,923.96 Yuan for the finance lease, 4,298,137.98 Yuan for operating lease.
Intangible assets	60,684,600.41	Pledged borrowings
Total	8,073,876,660.78	/

**69. Foreign Monetary Items****(1). Foreign Monetary Items:**

√Applicable □Not applicable

Unit: Yuan

Item	Ending balance of foreign currency	Translation exchange rate	Ending balance of translated RMB
Monetary fund			
Where: USD	532,101,455.52	6.7744	3,604,668,100.28
EUR	123,906,022.63	7.7496	960,222,112.97
HKD	4,199,151.94	0.86792	3,644,527.95
JPA	7,824,737,115.15	0.060485	473,279,224.41

RMB			364,496,075.45
Accounts receivable			
Where: USD	1,324,080,525.66	6.7744	8,969,851,113.03
EUR	169,504,991.25	7.7496	1,313,595,880.19
HKD	1,304,080,890.00	0.060485	78,877,332.63
JPA			11,298,160.62
Long-term borrowing			
Where: USD	69,777,359.48	6.7744	472,699,744.06
EUR	135,640,283.88	7.7496	1,051,157,943.96
JPA	12,864,000.00	0.060485	778,079.04
KRW	2,989,689,436.00	0.005926	17,716,899.60
Short-term borrowing			
USD	896,802,087.52	6.7744	6,075,296,061.70
EUR	145,347,535.47	7.7496	1,126,385,260.88
KRW	9,000,000,000.00	0.005926	53,334,000.00

## 70. Government subsidies

### 71. Basic situation of government subsidies

(1) Applicable Not applicable

Unit: Yuan Currency: RMB

Type	Amount	Listed item	Amount included in the current profits and losses
Government subsidies pertinent to assets	189,468,385.76	Deferred income	74,590,674.72
Government subsidies pertinent to incomes	13,910,719.56	Deferred income, other income	13,304,773.67
Total	203,379,105.32		87,895,448.39

(2) Return of government subsidies

Applicable Not applicable

## IX. Consolidated Scope Change

### 1. Merge Under Different Controls

Applicable Not applicable

### 2. Merge Under the Same Control

Applicable Not applicable

(1) enterprise merger under the same control in the current period

Applicable Not applicable

Unit: Million Yuan Currency: RMB

Name of the merged party	Percentage of equity obtained in business combination	Basis constitutes business combination under Common Control	Combination date	Confirmation basis of combination date	The income of the merged party from the beginning of the current period to the date of	Net profit of the merged party from the beginning of the current period to the date of	The income of the merged party during the comparison period	Net profit of the merged party during the comparison period
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					consolidation date	consolidation date		
WISCO	100%	under the control of China Baowu Iron and Steel Group Co., Ltd.	March 1, 2017	Next month, 1 <sup>st</sup> of Combination and list	12,927	60	28,850	273

**(2) Combination costs**

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Combination costs	26,001,576,824.60
-- Cash	
--Book value of non-cash assets	
--The carrying amount of the debts issued or assumed	
--The par value of the equity securities issued	5,652,516,701.00
--Consideration	

**(3) The book value of the assets and liabilities of the merged party**

√Applicable □Not applicable

Unit: Yuan Currency: RMB

	WISCO	
	Combination date	at the end of the last period
:Asset:	91,841,151,103.33	97,362,208,301.82
Monetary funds	2,968,372,216.92	5,491,270,204.23
Account receivable	18,169,015,939.15	19,629,003,508.44
Inventory	13,512,980,011.24	12,696,861,712.24
Fixed assets	44,934,226,408.24	46,726,433,213.55
Intangible assets	767,102,229.87	830,852,276.77
Other assets	11,489,454,297.91	11,987,787,386.59
Liabilities:	62,874,924,874.89	68,388,868,176.61
Loan	26,352,099,572.53	28,965,794,892.99
Account payable	22,364,304,974.05	27,515,984,525.91
Other liabilities	14,158,520,328.31	11,907,088,757.71
Net asset	28,966,226,228.44	28,973,340,125.21
Less: minority equity	331,371,997.72	302,353,115.36
Net assets acquired	28,634,854,230.72	28,670,987,009.85

The contingent liabilities of the merged party in the business combination:

None.

## VIII. Equity in Other Entities

### 1. Equity in Subsidiaries

#### (1) Constitution of the Enterprise Group

√Applicable □Not applicable

Subsidiaries name	Principal business territory	Registration address	Business nature	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
Yantai Lubao Steel Pipe Co., Ltd. (“Lubao Steel Pipe”)	China	Yantai	Manufacturing	100.00		Merge under the same control
Baosteel Huangshi Coated & Galvanized Sheets Co., Ltd. (Huangshi Coating & Galvanizing)	China	Huangshi	Manufacturing	50.63		Merge under the same control
Shanghai Baosteel International Economic & Trading Co., Ltd. (“Baosteel International”)	China	Shanghai	Iron and steel trading	100.00		Merge under the same control
Shanghai Meishan Iron & Steel Co., Ltd. (“Meishan Steel”)	China	Nanjing	Manufacturing	77.04		Merge under the same control
Shanghai Baosight Software Co., Ltd. (“Baosight Software”)	China	Shanghai	Information technology	55.50		Merge under the same control
Baosteel America Inc. (“Baosteel America”)	USA	Texas, USA	Iron and steel trading	100.00		Merge under the same control
Howa Trading Co., Ltd. (“Howa Trading”)	Japan	Tokyo, Japan	Iron and steel trading	100.00		Merge under the same control
Baosteel Europe GmbH (“Baosteel Europe”)	Germany	Hamburg, Germany	Iron and steel trading	100.00		Merge under the same control
Baosteel Singapore PTE Ltd. (“Baosteel Singapore”)	Singapore	Singapore	Iron and steel trading	100.00		Merge under the same control
Bao-Trans Enterprises Ltd. (Bao-Trans Enterprises)	China Hong Kong	China Hong Kong	Iron and steel trading	100.00		Merge under the same control
Shanghai Baosteel Chemical Co., Ltd. (“Baosteel Chemical”)	China	Shanghai	Manufacturing	100.00		Merge under the same control
Baosteel Group Finance Co., Ltd. (“Finance Co.”)	China	Shanghai	Finance	62.10		Merge under the same control
Baosteel Zhanjiang Iron & Steel Co., Ltd. (“Zhanjiang Steel”)	China	Zhanjiang	Manufacturing	90.00		Merge under the same control
Yantai Baosteel Steel Pipe Co., Ltd. (“Yanbao Steel Pipe”)	China	Yantai	Production and sale of steel pipes	80.00	20.00	Establishment, investment and others
Shanghai Huagongbao E-commerce Co., Ltd. (Huagongbao)	China	Shanghai	E-commerce		53.85	Establishment, investment and others
Xinjiang Karamay Steel Pipe Ltd. (Baoma Tube)	China	Karamay	Production and sale of steel pipes	75.00		Establishment, investment and others
Poly Pipe (Thailand) Co., Ltd. (Poly Pipe)	Thailand	Thailand	Processing of steel pipes		51.00	Establishment, investment and others
BGM Co., Ltd. (BGM) (Note 1)	South Korea	Gyeonggi-do, Korea	processing and sale of iron and steel products		50.00	Establishment, investment and others
Ouyeel Commerce Co., Ltd (Ouyeel Commerce) (Note 2)	China	Shanghai	E-commerce	8.67	42.33	Establishment, investment and others

Wuhan Iron and Steel Co., Ltd (“Wuhan Iron and Steel share”)	China	Wuhan	Production and sale of steel pipes	100.00		Merge under the same control
Nantong Baosteel Iron & Steel Co., Ltd. (“Baotong Iron & Steel”) (Note 3)	China	Nantong	Manufacturing		95.82	Merge under the same control
Shanghai Baosteel Asset Management Co., Ltd. (“Baosteel Assets”) (Note 3)	China	Shanghai	Asset management	100.00		Establishment, investment and others

Note 1: On the balance sheet date, the Group’s proportion of investment in BGM was 50%, but the Group held more than half of majority vote in the Board of Directors. Therefore, the Group included BGM into the consolidated statement scope for accounting by taking it as the subsidiary.

Note 2: At the end of July, the company completed the capital increase, and the company’s shareholding ratio was 6.24% after capital increase while the indirect shareholding ratio was 30.48%.

Note 3: Pursuant to the Proposal on the Establishment of Shanghai Baosteel Asset Management Co., Ltd. and Related Assets, Equity Interests and Assignment of Creditor’s Rights according to the Company’s “Notice of Resolutions of the 11th Meeting of the Sixth Board of Directors”, the Company set up an asset company wholly and transferred all 95.82% shares of Baotong Iron and Steel to Baosteel assets. After the equity transfer, due to Baosteel’s assets are still in the platform cultivation stage, Baotong Iron and Steel temporarily is still controlled by the company, and it is still the company that consolidates the statements of Baotong Steel.

## (2) Important Non-wholly-owned Subsidiaries

Applicable Not applicable

Unit: Thousand RMB

Subsidiaries name	Shareholding ratio of minority	Current gains and losses attributable to minority	Current dividend declared to issue to minority	Ending equity balance of minority
Meisteel Co.	22.96%	192,134	7,493	2,431,597
Financial Co.	37.90%	40,882		781,701
Zhanjiang Steel	10.00%	137,739		2,012,668

## (3) Main Financial Data of Important Non-wholly-owned Subsidiaries

Applicable Not applicable

Unit: Thousand RMB

Subsidiaries	Ending balance	Beginning balance
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name	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Meisteel Co.	7,366,820	22,420,218	29,787,038	18,981,134	220,483	19,201,617	7,573,253	23,190,142	30,763,395	20,745,140	230,793	20,975,933
Financial Co.	7,595,823	9,507,431	17,103,254	15,039,440	1,278	15,040,718	11,179,393	51,866,501	63,045,894	42,370,966	2,796,659	45,167,625
Zhanjiang Steel	10,353,886	49,756,773	60,110,659	38,598,303	2,288,085	40,886,388	5,408,477	9,683,412	15,091,889	13,119,437	4,692	13,124,129

Subsidiaries name	Amount in the period				Amount in last period			
	Operating revenue	Net profit	Total comprehensive income	Cash flow from operating activities	Operating revenue	Net profit	Total comprehensive income	Cash flow from operating activities
Meisteel Co.	13,571,456	835,692	835,692	-6,460,738	8,824,477	140,369	140,369	626,248
Financial Co.	301,410	107,869	94,775	1,633,971	187,028	66,053	68,735	1,630,054
Zhanjiang Steel	16,394,232	1,346,002	1,346,002	2,025,637	983,218	-145,068	-145,068	-1,046,199

The above subsidiaries have no major restrictions in using the enterprise Group assets and repayment enterprise Group debts.

## 2. Relevant Data of Structured Entity Included in Consolidated Scope of Financial Statement

The following trust products, entrusted by Ouyeel Commerce to Hwabao Trust for issuance and management, have been included as structured entities in the consolidated scope of financial statements at the end of the reporting period.

Unit: RMB

Name	Type	Trustee agency	Business nature and operation scope	Registered capital	Actual contribution by the Group at the end of the period	If consolidated financial statement
Baosteel #1	Trust product	Hwabao Trust	Securities investment	NA	835,256,169.99	Yes
Baosteel #11	Trust product	Hwabao Trust	Securities investment	NA	103,617,750.93	Yes
Baosteel #13	Trust product	Hwabao Trust	Securities investment	NA	493,794,884.78	Yes

Glory#1	Trust product	Hwabao Trust	Securities investment	NA	462,336,945.74	Yes
Total	/	/	/	/	1,895,005,751.44	/

### 3. Equity in the Joint Venture or Associated Enterprise

√Applicable    □Not applicable

#### (1) Important Joint Venture or Associated Enterprise

√Applicable    □Not applicable

Unit: RMB

JVs and associated enterprises name	Principal business territory	Registration address	Business nature	Shareholding ratio (%)		Accounting treatment method for investment in JVs and associated enterprises
				Direct	Indirect	
<b>I. JVs</b>						
Baosteel-NSC Automotive Steel Sheets Co., Ltd. (“BNA”)	China	Shanghai	Manufacturing	50.00		Equity Method accounting
BAO-ISLAND ENTERPRISES LIMITED (“BAO-ISLAND”)	China	Hong Kong	Ship leasing	50.00		Equity Method accounting
Guangzhou JFE Steel Sheet Co., Ltd. (Guangzhou JFE)	China	Guangzhou	Production of iron and steel		50.00	Equity Method accounting
Wuhan Pingmei-WISCO Joint Coking Co., Ltd. (“Pingmei coking”)	China	Wuhan	Production and sale of Coke and other products		50.00	Equity Method accounting
<b>II. Associated enterprises</b>						
Shanghai Baosteel & Arcelor Tailor Metal Co., Ltd. (“Welding Co.”)	China	Shanghai	Manufacturing		38.00	Equity Method accounting
Henan Pingbao Coal Industry Co., Ltd. (“Henan Pingbao”)	China	Xuchang	Mining		40.00	Equity Method accounting
Wuhan Iron and Steel Group Finance Co., Ltd. (“Wuhan Finance Co.”)	China	Wuhan	Finance		28.65	Equity Method accounting
China Pingmei Shenma Energy & Chemical Group Co., Ltd. (“Pingmei Shenma”)	China	Pingdingshan	Coal mining and sales, etc.		11.62	Equity Method accounting

Taicang Wugang Port Co., Ltd. ("Taicang Wugang")	China	Suzhou	Wharf operation		25.00	Equity Method accounting
TWB Ohio Limited("TWB")	USA	USA	Manufacture of auto parts and accessories		45.00	Equity Method accounting

## (2) Main Financial Data of Important JVs

√Applicable □Not applicable

Unit: Thousand RMB

	Ending balance/Amount in the period				Beginning balance/Amount in last period			
	BNA	BAO-ISLAND	Guangzhou JFE	Pingmei coking	BNA	BAO-ISLAND	Guangzhou JFE	Pingmei coking
Current assets	3,081,464	375,796	2,397,365	2,849,052	2,968,592	302,419	1,576,931	1,965,579
Including: Cash and cash equivalent	1,002,658	306,229	698,029	36,652	973,855	216,157	527,265	11,116
Non-current assets	1,850,052	1,239,600	3,634,170	4,512,836	2,061,187	1,279,578	3,795,306	4,609,816
Total assets	4,931,516	1,615,396	6,031,535	7,361,888	5,029,779	1,581,997	5,372,237	6,575,395
Current liabilities	1,234,656	226,096	2,642,405	5,604,356	1,500,261	251,265	2,276,977	4,833,147
Non-current liabilities	21,750	167,666	421,178	8,789	23,250	93,650	375,097	8,739
Total liabilities	1,256,406	393,762	3,063,583	5,613,145	1,523,511	344,915	2,652,074	4,841,886
Minority equity				1,891				2,532
Shareholders' equity attributable to the parent company	3,675,110	1,221,634	2,967,952	1,746,852	3,506,268	1,237,082	2,720,163	1,730,977
Net asset amount calculated by shareholding ratio	1,837,555	610,817	1,483,976	873,426	1,753,134	618,541	1,360,081	865,488
Adjusting events			232,687	121,169			246,492	-131,184
--Goodwill								
--Unrealized profits of internal transactions				121,169				-131,184
--Others			232,687				246,492	
Book value of equity investment in JVs	1,837,555	610,817	1,716,663	752,257	1,753,134	618,541	1,606,573	734,304
The fair value of the equity investment in the joint venture								



Operating revenue	7,439,728	270,881	3,816,692	4,364,449	5,334,988	211,561	2,056,382	3,744,127
Financial expense	-14,476	3,658	34,281	-35	-7,266	1,956	123,634	21,147
Income tax expense	51,076	488	82,832		57,317	152		
Net profit	165,269	13,548	248,497	12,656	122,293	5,411	62,900	19,415
Net profit of discontinued operation								
Other comprehensive income								
Total comprehensive income	165,269	13,548	248,497	12,656	122,293	5,411	62,900	19,415
Dividend from associated enterprises in the year								

**(3) Main Financial Data of Important Associated Enterprises**

√Applicable □Not applicable

Unit: Thousand RMB

	Ending balance/Amount in the period					
	Henan Pingbao	Welding Co.	Wuhan Finance Co.	Pingmei Shenma	Taicang Wugang	TWB
Current assets	18,706	554,958	28,414,158	77,182,271	410,564	947,880
Non-current assets	1,931,797	206,361	10,484,819	75,869,891	1,965,372	548,876
<b>Total assets</b>	<b>1,950,503</b>	<b>761,319</b>	<b>38,898,977</b>	<b>153,052,162</b>	<b>2,375,936</b>	<b>1,496,756</b>
Current liabilities	470,870	453,419	33,403,920	85,392,280	537,349	698,591
Non-current liabilities		5,313		41,962,585	578,250	-71,146
<b>Total liabilities</b>	<b>470,870</b>	<b>458,732</b>	<b>33,403,920</b>	<b>127,354,865</b>	<b>1,115,599</b>	<b>627,445</b>
Minority equity				13,482,436		
Shareholders' equity attributable to the parent company	1,479,633	302,587	5,495,057	12,214,861	1,260,337	869,310
Net asset amount calculated by shareholding ratio	591,853	114,983	1,574,334	1,419,367	315,084	391,190
Adjusting events						
--Goodwill						
--Unrealized profits of internal transactions						
--Others						
Book value of equity investment in associated enterprises	591,853	114,983	1,573,542	1,720,753	331,865	760,261
Fair value of equity investment in associated enterprises with public offerings						
Operating revenue	691,673	473,100	245,566	49,180,048	178,399	1,003,255

Net profit	226,855	24,016	94,075	224,543	44,729	62,312
Net profit of discontinued operation						
Other comprehensive income			-10,105			
Total comprehensive income	226,855	24,016	83,970	224,543	44,729	62,312
Dividend from associated enterprises in the year		13,961			42,270	

	Beginning balance/Amount in last period					
	Henan Pingbao	Welding Co.	Wuhan Finance Co.	Pingmei Shenma	Taicang Wugang	TWB
Current assets	101,024	554,308	29,454,071	69,453,238	392,643	779,346
Non-current assets	1,937,533	215,305	13,203,206	75,160,558	1,997,189	560,766
<b>Total assets</b>	<b>2,038,557</b>	<b>769,613</b>	<b>42,657,277</b>	<b>144,613,796</b>	<b>2,389,832</b>	<b>1,340,112</b>
Current liabilities	871,634	448,988	37,246,191	74,722,191	477,226	580,302
Non-current liabilities		5,313		44,632,924	598,250	-113,009
<b>Total liabilities</b>	<b>871,634</b>	<b>454,301</b>	<b>37,246,191</b>	<b>119,355,115</b>	<b>1,075,476</b>	<b>467,293</b>
Minority equity				13,151,938		
Shareholders' equity attributable to the parent company	1,166,923	315,312	5,411,087	12,106,744	1,314,355	872,819
Net asset amount calculated by shareholding ratio	466,769	119,818	1,550,276	1,406,803	328,589	392,768
Adjusting events						
--Goodwill						
--Unrealized profits of internal transactions						
--Others						
Book value of equity investment in associated enterprises	466,769	119,818	1,546,589	1,720,753	328,380	725,830
Fair value of equity investment in associated enterprises with public offerings						
Operating revenue	353,095	462,638	363,432	49,222,912	208,977	1,515,054
Net profit	37,973	31,398	98,662	-2,550,952	52,164	70,517
Net profit of discontinued operation						
Other comprehensive income			32,464	-8,051		
Total comprehensive income	37,973	31,398	131,126	-2,559,003	52,164	70,517
Dividend from associated enterprises in the year		21,356	72,198			27,983

**(4) Summary Financial Data of Non-important JVs and Associated Enterprises**

√Applicable   □Not applicable

Unit: Thousand RMB

	Ending balance/Amount in the period	Beginning balance/Amount in last period
<b>JVs:</b>		
Total book value of investment	376,189	397,379
Total number of following items calculated based on shareholding proportions		
--Net profit	12,322	11,287
--Other comprehensive income		
-- Total comprehensive income	12,322	11,287
<b>Associated enterprises:</b>		
Total book value of investment	601,848	466,236
Total number of following items calculated based on shareholding proportions		
--Net profit	8,764	-3,467
--Other comprehensive income	-2,295	1,866
-- Total comprehensive income	6,469	-1,601

**(5) Explanation about Major Restrictions on the Ability of Joint Venture or Associated Enterprise Transferring Funds to the Company:**

□Applicable   √Not applicable

When equity method is used for accounting, accounting policies between the Group and all joint ventures and associated companies of the Group have no significant difference, and there are no major restrictions on the investment realization of such long-term investment and repatriation of investment income.

## IX. Risks Associated with Financial Instruments

√Applicable    □Not applicable

The Group's major financial instruments include the monetary funds, financial asset measured at fair value and the change included in the current profits and losses, notes receivable, accounts receivable, interest receivable, dividends receivable, other receivables, redemptory monetary capital for sale, non-current assets due within a year, finance management products in other current assets, loan granted and advances, available-for-sale financial assets, long-term receivables, short-term loans, borrowings from the central bank, deposits from customers and interbank, borrowing funds, financial liabilities measured at fair value with change included in current gains and losses, notes payable, accounts payable, financial assets sold for repurchase, interests payable, dividends payable, other payables, non-current liabilities due within one year, other current liabilities, long-term loans, bonds payable, etc. For details of all the financial instruments please see note (V). Risks associated with these financial instruments as well as risk management policy taken by the group for reducing these risks are as described below. The Group management personnel conduct the management and monitoring of these risk exposure in order to ensure the above risks are controlled within the limited scope.

The Group conducts the analysis on the possible impact of the reasonable and possible change of risk variables upon the current profits and losses and shareholders' equity with the sensitivity analysis technique. Because any risk variables rarely change separately, and the correlation among variables will have a significant effect upon the eventual impact amount of a risk variable, the following content is given under the assumption that the change of each variable is independent.

### 1. Risk Management Objectives and Policies

The objective of the Group engaging in the risk management is to achieve the right balance between the risks and benefits, reduce the negative impact on the Group's business performance 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 determine and analyze all kinds of risks faced by the Group, set up the appropriate bottom line of risk exposure, conduct the risk management, and supervise various risks timely and reliably, controlling the risk within the limited scope.

#### 1.1 Market Risk

Market risk refers to the change of fair value of financial instruments being sensitive to market risk caused by the change of foreign currency exchange rate (foreign exchange risk), market price (price risk), market interest rate (interest rate risk) or other factors. Such change is caused by the effect on the single financial instrument or issuer, or financial instruments of all transaction of the whole market.

##### 1.1.1 Foreign Exchange Risk

Foreign exchange risk refers to the risk of losses arising from change in exchange rate. The foreign exchange risk borne by the Group is mainly associated with the business activities of the Group (when the income and expenses are settled with the foreign currency which is different from the recording currency of the Group).

The Group has the large-scale procurement demand for imported iron ore and needs to settle in dollars, also income and expenses in dollars have big deficit. For the dollar gap, the Company takes the most favorable RMB financing cost ratio obtained in the current period as the comparison basis, and makes the superior selection out of dollar or RMB financing. Meanwhile, the Company closely follows the trend of exchange rate of RMB against dollar, and conducts the dynamic assessment on the exchange rate risk of dollar debts. Under the market environment that the two-way fluctuation of exchange rate of RMB against dollar is aggravated, the Group avoids the fluctuation risk of exchange rate by carrying out the supporting forward foreign exchange purchase business of dollar financing or converting financing currencies.

Based on the control idea of interest rate controlling objective, comprehensive financing cost level within the duration of loan is determined at the beginning of the Company borrowing the loan, namely, consolidate the net profit or loss for the interest expense from dollar financing and delivery profit and loss of supporting forward foreign exchange purchase transaction. Within the duration of loan, the business has no substantial effect upon the Group's operation, but there will be impact due to the revaluation on exchange rate change at the end of different reporting periods.

### 1.1.2. Interest Rate Risk

Interest rate risk refers to the risk that fair value of financial instruments or future cash flow will fluctuate due to the change of market interest rate. The risk from the fluctuation of market interest rate faced by the Group is mainly associated with the liabilities with interest calculated by floating interest rate. The Group conducts the management of interest cost by maintaining proper fixed interest debt and variable rate debt portfolio.

Risk of the change of fair value of financial instruments caused by the change of interest rate is mainly associated with the available-for-sale bond investment. Risk of changes in future cash flow of financial instruments of the Group due to change in interest rate is mainly associated with loans and long-term receivables.

The table below is the interest rate risk of financial instruments listed by the due date and actual interest rate:

Unit: RMB

	June 30, 2017	June 30, 2016
	Available-for-sale financial assets	Available-for-sale financial assets
Over 1 year	2,082,560,011.70	2,279,900,591.70
Actual rate (Annual interest rate)	2.5%	2.50%-4.61%

Unit: RMB

	June 30, 2017				December 31, 2016			
	Lendings to Banks and Other Financial Institutions	Buying back the sale of financial assets	Loan granted	Long-term receivables (including within 1 year)	Lendings to Banks and Other Financial Institutions	Buying back the sale of financial assets	Loan granted	Long-term receivables (including within 1 year)
Within 1 year	-	-	3,079,598,118.83	-	-	-	3,383,079,937.05	4,500,000,000.00
Over 1 year	-	-	-	-	-	-	-	264,498,082.98
Total	-	-	3,079,598,118.83	-	-	-	3,383,079,937.05	4,764,498,082.98
Actual rate (Annual interest rate)	-	-	3.915%-4.75%	-	-	-	3.22%-7.3950%	3.915%-5.04%

Unit: RMB

	June 30, 2017							
	Short-term financing debt	Borrowing	Borrowings from bank or other financial institutions	Deposit taking	Bonds payable	Sales of repurchased financial assets	Accounts payable	Long-term payables (including within 1 year)
Within 1 year	11,173,528,493.14	69,684,438,424.55	600,000,000.00	4,655,891,575.17	3,870,450,217.58	97,106,622.39		310,000,000
Over 1 year		569,740,941.30			20,355,486,925.13			4,027,207,840.22
Total	11,173,528,493.14	70,254,179,365.85	600,000,000.00	4,655,891,575.17	24,225,937,142.71	97,106,622.39		4,337,207,840.22
Actual rate (Annual)	2.63%-3.28%	0.2%-5.39%	2.80%	0.455%-3.3%	1.625%-4.38%	2.25%		0-3.89%

interest rate)								
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	December 31, 2016							
	Short-term financing debt	Borrowing	Borrowings from bank or other financial institutions	Deposit taking	Bonds payable	Sales of repurchased financial assets	Accounts payable	Long-term payables (including within 1 year)
Within 1 year	18,052,896,712.32	53,507,559,408.95	-	9,315,966,149.03	-	152,321,609.86	-	560,000,000.00
Over 1 year	-	958,693,159.16	-	-	21,052,403,274.32	-	-	4,017,988,251.65
Total	18,052,896,712.32	54,466,252,568.11	-	9,315,966,149.03	21,052,403,274.32	152,321,609.86	-	4,577,988,251.65
Actual rate (Annual interest rate)	2.62%-2.75%	0.25%-6.00%	-	0.3500%-4.2500%	1.625%-4.38%	2.2544%-2.2690%	-	0-3.89%

### 1.1.3. Other Price Risks

Investment of available-for-sale financial assets and trading financial assets held by the Group are measured with fair value on the balance sheet date. Therefore, the Group assumes the risk of the change of financial market. The Group holds various equity security portfolios to reduce the price risk of equity securities investment.

#### *Equity instrument investment price risk*

Equity instrument investment price risk refers to the risk that the fair value of the equity securities will fluctuate due to the change of stock index level and value of individual securities. On June 30, 2017, the Group was exposed to the equity instrument investment price risk caused by the individual equity instrument investment which is classified as trading equity instrument investment (Note VII, 2) and available-for-sale equity instrument investment (Note VII, 13). The listed equity instrument investment held by the Group is listed in Shanghai Stock Exchange and Shenzhen Stock Exchange, and is measured on the balance sheet date with quoted market price. Market stock index of following stock exchanges when the market closed on the trading day which is the most close to the balance sheet date this year, as well as their respective highest and the lowest closing price this year are as follows:

	2017	High/low	2016	High/low
	June 30	The first half of 2017	December 31	2016
Shanghai - Shanghai securities composite index	3,192	3,289/3,053	3,104	3,362/2656
Shenzhen - Shenzhen securities composite index	10,530	10,669/9,713	10,177	1,1725/9083
Hong Kong - Hang Seng index	25,765	26063/22134	22001	24100/18320

The table below reflects the sensibility of pre-tax profit and equity to each 5% of change of fair value of equity instruments (based on the book value on the balance sheet date) in the case of keeping all other variables same and before any taxation impact. In terms of sensitivity analysis, for available-for-sale equity instrument investment, such impact is deemed as the impact upon the change of fair value of available-for-sale equity instrument investment, regardless of factors affecting the impairment of the income statement.

Unit: RMB

First half year of 2017	Book amount of equity investment	Increase/decrease of pre-tax profit	Increase/decrease of other comprehensive income
Investment listed in the following stock exchange			
Shanghai - Available-for-sale investment	232,423		8,716
Shenzhen - Available-for-sale investment	374,113		14,029
HongKong - Available-for-sale investment	101,775		3,817

Unit: RMB

First half year of 2016	Book amount of equity investment	Increase/decrease of pre-tax profit	Increase/decrease of other comprehensive income
Investment listed in the following stock exchange			
Shanghai - Available-for-sale investment	251,332	-	9,425
Shenzhen - Available-for-sale investment	373,998	-	14,025
HongKong - Available-for-sale investment	104,218		3,908

## 1.2. **Credit Risk**

Credit risk refers to the risk that brings financial loss to the party when the other party of financial instruments fails to perform its obligation. For fixed income investment, credit risk refers to the economic loss risk because the Group's debtor fails to pay the principal or interest when it is due. For equity investment, credit risk refers to the loss risk resulting from operation failure of the invested Group.

The Group's credit risk mainly comes from all kinds of receivables, as well as loans granted and advances. The Group controls the credit risk by conducting the transaction with the authorized and reputable third party. According to the policy of this Group, the Group shall conduct the credit check of all the customers who require conducting the transaction with the form of credit. In addition, the Group shall conduct the continuous monitoring on balances receivable in order to ensure that the Group will not face the significant risk of bad debts. In the relevant sales trade settlement, the way of picking up goods with full advances received or earnest money and loan is used for settlement. In settlement of relevant trade selling, the Group only conducts the credit assessment on a small number of strategic customers and then determines the credit line and period, and conducts the settlement through the bank acceptance as far as possible. In the settlement of relevant purchase trade, the way of cash on delivery or payment with letter of credit is used for settlement. The Group only gives certain advance payment to the project contractors, some equipment suppliers with long construction cycle and suppliers with shortage of resources through the credit line and period.

All the Group's loans granted and advances is the main business of financial Company, the debtor is only

limited to the member unit of Baosteel Group with good credit assessment, and credit risk is controlled in the appropriate level.

The credit risk of other financial assets and liabilities of the Group comes from the risk of the other party's breach of contract. In the absence of available guaranty or other credit enhancement, the Group's largest exposure to risk is equal to the book value of these financial instruments. The Group does not provide any other guarantee which may make the Group suffer from the credit risk. 17% of accounts receivable of the Group on June 30, 2016 is the account receivable of top five big customers.

### **1.3. Liquidity Risk**

Liquidity risk refers to the risk that the enterprise suffers from the shortage of funds when performing the obligations associated with financial liabilities. The Group keeps the balance between financing persistence and flexibility with the trade financing, convertible bonds, medium-term notes, short - and long-term loans and other interest-bearing loans, and get the credit with full specified amount from major financial institutions to meet the short-term and long-term capital requirements. The Group conducts the real-time monitoring of short-term and long-term capital requirements to ensure and maintain enough cash reserves and negotiable securities for realization at any time. On June 30, 2017, the Group's current liabilities were 2.066 billion Yuan more than total amount of current assets. The Group can take the bank loan as the capital source of the difference between current liabilities and current assets. On June 30, 2017, the Group's credit line having not been used was 16.08 billion Yuan. Therefore, the Company management holds the opinion that there is no major liquidity risk.

## **XI. Disclosure of the Fair Value**

### **1. Assets measured by fair value and fair value of liability at the end of the period**

Applicable   Not applicable

Fair value refers to the price received by the market participants through selling an asset or paid for transferring a liability in the orderly transaction occurring on the measurement date. Whether fair value is observable or is estimated by adopting the valuation technique, fair value measured and/or disclosed in the financial statements has been determined on this basis.

Fair value of financial assets and financial liabilities of the Group shall be determined in accordance with the following methods: fair value of financial assets and financial liabilities having standard terms and conditions and existing in the active market shall be determined by referring to the corresponding current bid and the current offer of active market; fair value of other financial assets and financial liabilities (excluding derivatives) shall be determined with the common pricing model based on the future cash flow discount method or determined according to the observable current market transaction price; and fair value of derivative instruments shall be determined with the public offer of active market. If there is no public offer, fair value of derivative tools without option shall be estimated and determined with the future cash flow discount method on the basis of the applicable yield curve, and fair value of derivatives with option shall be determined with the option pricing model (such as binomial model).

For financial assets and financial liabilities measured with the fair value, the Group shall divide the fair value of such financial instruments into three different levels according to the observable degree of input value of fair value and the importance of input value to overall fair value measurement. The details are as follows:

First level: Fair value measurement refers to the offer of same assets or liabilities achieved on the measurement date and without adjustment in the active market, mainly including listed and tradable equity instruments (stocks, funds), listed bonds in stock exchange, etc.;

Second level: Fair value measurement refers to the directly or indirectly observable input value of relevant assets or liabilities except for the input value of the first level, mainly including derivative financial



instruments of curb exchange;

Third level: Fair value measurement refers to the non-observable value of relevant assets and liabilities.

Unit: RMB Yuan

Item	Ending fair value			
	Fair value measurement at first level	Fair value measurement at second level	Fair value measurement at third level	Total
<b>I. Continuous fair value measurement</b>				
(I) Financial asset measured at fair value and the change included in the current profits and losses	34,274,641.57	119,249,251.56		153,523,893.13
1. Trading financial assets	34,274,641.57	119,249,251.56		153,523,893.13
(1) Debt instruments investment	1,901,013.20			1,901,013.20
(2) Equity instruments investment	32,373,628.37			32,373,628.37
(3) Derivative financial assets		119,249,251.56		119,249,251.56
2. Financial asset designatedly measured at fair value and the change included in the current profits and losses				
(1) Debt instruments investment				
(2) Equity instruments investment				
(II) Available-for-sale financial assets	3,338,605,341.12			3,338,605,341.12
(1) Debt instruments investment	2,032,320,000.00			2,032,320,000.00
(2) Equity instruments investment	1,306,285,341.12			1,306,285,341.12
(3) Others				
(III) Investment real estate				
1. Land use right for rental				
2. Building for rental				
3. Land use right held and ready to be sold after appreciation				
(IV) Biological assets				
1. Consumptive biological assets				
2. productive biological assets				
<b>Total assets measured at fair value continuously</b>	<b>3,372,879,982.69</b>	<b>119,249,251.56</b>		<b>3,492,129,234.25</b>
(V) Trading financial liabilities				
Among them: issued trading bonds				
Derivative financial liabilities				
Others				

(VI) Financial liabilities designatedly measured at fair value and the change included in the current profits and losses				
<b>Total liabilities continuously measured at fair value</b>		18,966,805.98		18,966,805.98
<b>II. Non-sustainable fair value measurement</b>				
<b>Total assets discontinuously measured at fair value</b>				
<b>Total liabilities discontinuously measured at fair value</b>				

## 2. Determination Basis of the Market Value of Continuous and Discontinuous First Level Fair Value Measurement Items

Applicable Not applicable

First level fair value measurement basis is based on the unadjusted quotation of the same assets or liability in an active market on the measuring day, mainly including tradeable equity instruments ( stock, funds), listed bonds of the exchange, etc.

## 3. Continuous and Discontinuous Second Level Fair Value Measurement Item, Valuation Technique Adopted and Narrative and Quantative Information of Important Parameters

Applicable Not applicable

Second level fair value measurement basis refers to the input value of relevant assets or liabilities which can be directly or indirectly observed, excluding the first level input value, mainly including OTC derivative financial instruments.

## 4. Continuous and Discontinuous Third Level Fair Value Measurement Item, Valuation Technique Adopted and Narrative and Quantative Information of Important Parameters

Applicable Not applicable

## 5. Continuous Third Level Fair Value Measurement, Adjustment Information of beginning and Ending Book Value and Sensitivity Analysis of Nonobservable Parameters

Applicable Not applicable

## 6. Continuous Fair Value Measurement Item, Current Conversion between All Levels, Reason of Conversion and Policy for Determining Conversion Time Point

Applicable Not applicable

## XII. Related Parties and Connected Transactions

### 1. Particulars about the Parent Company of the Company

Applicable Not applicable

Unit:Yuan Currency:RMB

Name of parent company	Registration place	Nature of business	Registered capital	Shareholding ratio of parent company in the Company (%)	Voting right ratio of parent company in the Company (%)
China Baowu Iron	Shanghai	Iron & Steel	52,791,100,998.89	52.14	52.14

& Steel Group Co.,Ltd		smelting and processing		
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Baowu Group, through WISCO, indirectly holds 2,982,172,472 shares of the Company with shareholding ratio of 13.49%. Baowu Group totally holds 14,505,558,305 shares of the Company with shareholding ratio of 65.63% and voting right ratio of 65.63%.

The final controlling party of the Company is State-owned Assets Supervision and Administration Commission of the State Council.

## 2. Particulars about the Subsidiaries of the Company

For particulars about the subsidiaries of the Company, please refer to the note.

Applicable Not applicable

For particulars about the subsidiaries of the Company, please refer to Note (IX).

## 3. Particulars about Joint Ventures and Associated Enterprises of the Company

For particulars about important joint ventures and associated enterprises, please refer to the note.

Applicable Not applicable

For particulars about important joint ventures and associated enterprises, please refer to the Note (IX).

Information about other joint ventures and associated enterprises that have related-party transactions with the Company during this period or that had related-party transactions with the Company in previous periods that generated balance.

Applicable Not applicable

Name of joint ventures and associated enterprises	Relationship with the Company
Wuxi Baojing Steel Processing & Distribution Co., Ltd. (“Wuxi Baojing”)	associated company
Tianjin Baosteel Chuling Materials Distribution Co., Ltd. (“Tianjin Chuling”)	associated company
Shanghai Renwei Software Co., Ltd. (“Renwei Software”)	associated company
Beijing Qingkechuangtong Information Technology Co., Ltd. (“Beijing Qingke”)	associated company
Hangzhou Baowei Auto Parts Co., Ltd. (“Hangzhou Baowei”)	joint venture
Shandong Baohua Abrasion Resistant Steel Co., Ltd. (“Shandong Baohua”)	associated company
Wuhan Baozhang Auto Steel Parts Co., Ltd. (“Wuhan Baozhang”)	joint venture
Wuxi Baomeifeng Metal Processing & Distribution Co., Ltd. (“Wuxi Baomeifeng”)	associated company

## 4. Particulars about Other Related Parties

Applicable Not applicable

Name of other related parties	Relationship of other related parties with the Company
Baosteel Resources (International) Co., Ltd. (“Baosteel Resources (International) and its subsidiaries”)	Brother corporation
Baosteel Metal Co., Ltd. and its subsidiaries (“Baosteel Metal and its subsidiaries”)	Brother corporation

Shanghai Baosteel Engineering & Technology Group Co., Ltd. and its subsidiaries("Engineering & Technology Co. and its subsidiaries")	Brother corporation
Hwabao Trust Co., Ltd.("Hwabao Trust")	Brother corporation
Hwabao Investment Co., Ltd. ("Hwabao Investment")	Brother corporation
Baosteel Group Baoshan Hotel("Baoshan Hotel")	Brother corporation
Baoshan Development Co., Ltd. And its subsidiaries("Baosteel Development" and its subsidiaries")	Brother corporation
Baosteel Group Shanghai No. 1 Iron & Steel Co., Ltd. and its subsidiaries("No. 1 Iron & Steel Co., Ltd. and its subsidiaries")	Brother corporation
Baosteel Group Shanghai Steel Pipe Co., Ltd. ("Steel Pipe Company")	Brother corporation
Baosteel Group Shanghai Meishan Co., Ltd. and its subsidiaries("Meishan Company and its subsidiaries")	Brother corporation
Baosteel Group Shanghai Pudong Iron & Steel Co., Ltd. and its subsidiaries("Pudong Steel and its subsidiaries")	Brother corporation
Baosteel Group Shanghai No. 5 Co., Ltd and its subsidiaries("No. 5 Steel Company and its subsidiaries")	Brother corporation
Baosteel Group Xinjiang Bayi Iron & Steel Co., Ltd. and its subsidiaries("Xinjiang Bayi and its subsidiaries")	Brother corporation
Baosteel Resources Co., Ltd. and its subsidiaries("Baosteel Resources and its subsidiaries")	Brother corporation
Shanghai Iron & Steel Research Institute("Iron & Steel Research Institute")	Brother corporation
Baosteel Desheng Stainless Steel Co., Ltd.("Baosteel Desheng")	Brother corporation
Guangdong Baosteel Properties Co., Ltd.("Guangdong Properties")	Brother corporation
Guangdong Shaoguan Iron & Steel Group Co., Ltd.("Guangdong Shaoguan Steel and its subsidiaries")	Brother corporation
Shanghai Baosteel Stainless Steel Co., Ltd.("Shanghai Stainless")	Brother corporation
Baosteel Stainless Steel Co., Ltd.("Baosteel Stainless")	Brother corporation
Baosteel Special Steel Co., Ltd.("Baosteel Special Steel and its subsidiaries")	Brother corporation
Shanghai Baohua International Tendering Co., Ltd.("Baohua Tendering")	Brother corporation
Beijing Huili Property Development Co., Ltd.("Beijing Huili")	Brother corporation
Shanghai Baosteel Technical and Economic Development Co., Ltd. ("Technical & Economic and its subsidiaries")	Brother corporation
Baosteel (Australia) Mining Co., Ltd. ("Baosteel Australia Mining")	Brother corporation
Ningbo Baoxin Stainless Steel Co., Ltd. ("Ningbo Baoxin and its subsidiaries")	Brother corporation
Baosteel Group (Shanghai) Properties Co., Ltd ("Baosteel Properties (Shanghai) ")	Brother corporation
Fujian Baosteel Properties Co., Ltd.("Fujian Properties")	Brother corporation
Baosteel Hong Kong Investment Co., Ltd. ("Baosteel Hong Kong")	Brother corporation
Shanghai Baoland Co, Ltd. ("Baoland")	Brother corporation
Shanghai Baosteel Aeronautical Materials Co., Ltd (Aeronautical Materials)	Brother corporation
Shanghai Iron & Steel Research Institute("Iron & Steel Research Institute")	Brother corporation
Baowu Group Environment Resources Science & Technology Co., Ltd. and its subsidiaries ("Baowu Environment Technology and its subsidiaries ")	Brother corporation
Wuhan Iron & Steel (Group) Co., Ltd. and its subsidiaries ("WISCO and its subsidiaries")	Brother corporation
Shanghai Baosteel Xinyue Human Resources Service Co., Ltd("Baosteel Xinyue")	Brother corporation
Shanghai Wusongkou Innovation Park Co.,Ltd("Wusongkou")	Brother corporation

## 5. Particulars about Connected Transactions

### (1) Connected Transactions of Purchases and Sales of Commodities and Provisions and Acceptance of Labor Services

Purchases of Commodities/Acceptance of Labor Services

√Applicable □Not applicable

#### Purchases of Commodities

Unit: Thousand RMB

Related party	Details of connected transaction	Amount in the period	Amount in last period
Xinjiang Bayi and its subsidiaries	Iron & steel products, etc.	209,935	30,393
Baosteel Development and its subsidiaries	Iron & steel products, auxiliary materials, etc.	466,643	476,626
Engineering & Technology Co. and its subsidiaries	Equipment, etc.	701,221	851,762
Baosteel Metal and its subsidiaries	Auxiliary materials, etc.	28,815	52,194
Meishan Company and its subsidiaries	Raw materials, auxiliary materials, etc.	317,127	233,014
Baosteel Resources and its subsidiaries	Raw materials	3,285,685	1,589,744
Baosteel Resources (International) Co., Ltd.	Raw materials	218,371	
Baosteel Stainless	Iron & steel products, etc.	3,061,462	3,859,281
Baosteel Special Steel and its subsidiaries	Iron & steel products	2,870,585	2,311,674
Baosteel Desheng	Iron & steel products	399,515	227,121
Ningbo Baoxin and its subsidiaries	Iron & steel products	2,947,841	2,200,589
WISCO and its subsidiaries	Raw materials, auxiliary materials, etc.	3,666,538	4,829,430
BNA	Iron & steel products, etc.	6,761,841	4,982,458
Guangzhou JFE	Iron & steel products, etc.	780,901	259,389
Pingmei Scorch	Crude fuel	5,885,912	2,959,016
Guangdong Shaoguan and its subsidiaries	Iron & steel products, etc.	1,038,028	91,099
Others	Auxiliary materials, energy, etc.	12,816	13,931
Total		32,653,236	24,967,720

#### Acceptance of Labor Services

Unit: Thousand RMB

Related party	Details of connected transaction	Amount in the period	Amount in last period
Baosteel Development and its subsidiaries	Comprehensive logistics, engineering, transportation, maintenance service, etc.	474,829	556,687
Engineering & Technology Co. and its subsidiaries	Engineering, maintenance, detection service, etc.	815,785	829,009
Meishan Group and its subsidiaries	Comprehensive logistics, engineering, transportation, maintenance service, etc.	408,452	369,566

Baosteel Resources and its subsidiaries	Transportation service	311,640	263,193
Baosteel Resource (International) and its subsidiaries	Transportation service	24,618	8,197
Baowu Environment Technology and its subsidiaries	Waste disposal service	55,846	
Baojin Co.	Transportation service	108,110	85,900
BNA	Processing, etc.	51,433	69,632
Baosteel Group	Education, training, etc.	3,325	5,018
Baosteel Special Steel and its subsidiaries	Processing service, etc.	1,943	1,740
WISCO and its subsidiaries	maintenance, processing, transportation, maintenance service, etc.	501,583	494,756
Others	Transportation service, etc.	38,220	23,191
Total		2,795,785	2,706,890

## Sales of Commodities/Provisions and Acceptance of Labor Services

√Applicable □Not applicable

**Sales of Commodities**

Unit: Thousand RMB

Related party	Details of connected transaction	Amount in the period	Amount in last period
Baowu Group	Energy, auxiliary materials	4,358	2,460
Xinjiang Bayi and its subsidiaries	Auxiliary materials, etc.	1,873	
Baosteel Development and its subsidiaries	Iron and steel products, auxiliary materials, energy, etc.	293,331	322,037
Engineering & Technology Co. and its subsidiaries	Iron and steel products, energy, auxiliary materials, etc.	80,189	110,475
Baosteel Metal and its subsidiaries	Iron and steel products, energy, etc.	1,104,996	681,545
Meishan Company and its subsidiaries	Iron and steel products, energy and auxiliary materials	332,350	863,018
Baosteel Resources and its subsidiaries	Raw materials	302,789	78,765
Baosteel Resources (International)	Raw materials	479,135	827,173
Baosteel Stainless	Raw materials, auxiliary materials, energy, etc.	251,201	569,924
Baosteel Special Steel and its subsidiaries	Raw materials, auxiliary materials, energy, etc.	921,920	879,941
Ningbo Baoxin and its subsidiaries	Iron and steel products, etc.	184,810	70,556
Guangdong Shaoguan Steel and its subsidiaries	Raw materials, etc.	176,354	69,957
WISCO and its subsidiaries	Iron and steel products, raw and auxiliary materials, energy, etc.	3,089,366	2,191,884
Baowu Environment Technology and its subsidiaries	Iron and steel by-product	185,304	

BNA	Iron and steel products, energy and auxiliary materials	6,313,521	4,442,395
Pingmei Scorch	Energy and raw material	5,715,008	3,592,878
Welding Co.	Iron and steel products, etc.	175,442	154,367
Guangzhou JFE	Iron and steel products, etc.	810,789	215,913
Others	Auxiliary materials, etc.	90,527	47,754
<b>Total</b>		<b>20,513,265</b>	<b>15,121,041</b>

**Provision of Transportation and Technical Services.**

Unit: Thousand RMB

<b>Related party</b>	<b>Details of connected transaction</b>	<b>Amount in the period</b>	<b>Amount in last period</b>
Baosteel Resources and its subsidiaries	Transportation and technical services, etc.	36,786	33,648
Engineering & Technology Co. and its subsidiaries	Technical services	35,082	56,338
Meishan Company and its subsidiaries	Transportation and technical services	24,181	68,088
Baosteel Special Steel and its subsidiaries	Transportation and technical services	52,185	21,404
Baosteel Stainless	Transportation and technical services	18,821	19,216
Baosteel Development and its subsidiaries	Technical services	2,870	9,671
Baowu Group	Technical services	11,017	21,573
Baosteel Resources (International) and its subsidiaries	Transportation and technical services	6,940	14,824
Ningbo Baoxin and its subsidiaries	Technical services	6,948	11,170
Xinjiang Bayi and its subsidiaries	Technical services	19,075	19,411
Guangdong Shaoguan and its subsidiaries	Transportation and technical services	17,769	
WISCO and its subsidiaries	Time-chartered vessel contract cost		861,798
BNA	Transportation and technical services	71,661	71,986
Guangzhou JFE Steel Sheet Company Ltd.	Transportation and technical service	3,280	10,253
Others	Transportation and technical services	50,226	66,457
<b>Total</b>		<b>356,841</b>	<b>1,285,839</b>

**(2) Related Commissioned Management/Contracting and Entrusted Management/Contract Awarding**

The Company's entrusted management/contract awarding:

√Applicable    □Not applicable

Unit: 1,000 Yuan    Currency: RMB

Name of commissioning party	Name of commissioned party	Type of commissioned assets	Amount of commissioned management assets at the end of the reporting period	Amount of accumulative commissioned management assets at the end of the reporting period	Income achieved in this reporting period
Baoshan Iron & Steel Co., Ltd.	Hwabao Trust	Funds and trust financial management products	5,217,500	3,582,000	101,238
Baoshan Iron & Steel Co., Ltd.	Hwabao Investment	Funds and trust financial management products	300,000	300,000	1,313

Related Commissioned Management/contract awarding:

□Applicable    √Not applicable

**(3) Other Connected Transactions**

√Applicable    □Not applicable

Unit: Thousand RMB

Category of connected transaction	Note	Amount in the period	Amount in the same period last year
Payment for land use rights and leasing of houses, vehicles	Note1	282,252	206,980
Revenues from leasing of houses, vehicles and equipment	Note1	7,474	47,050
Financial service revenues	Note 2	13,516	56,593
Financial service expenditures	Note 3	80,485	88,555
Interest revenues	Note 4	3,272	31,113
Interest expenditures	Note 4	2,129	2,115
Issuance of trust products	Note 5	2,971,465	
Acceptance of entrusted loans	Note 6	800,000	

Note 1: Upon the establishment of the Company, a 20-year Lease Agreement was entered into by and between Baowu Group and the Company, whereby Baowu Group will rent out the plant land to the Company. In September 2001, Baowu Group signed another 20-year Lease Agreement with the Company for the plant land under the phase-III assets acquisition project. In November 2002, Baowu Group signed another 20-year Lease Agreement with the Company for the plant land of some newly-acquired assets under custody. In November 2010, due to the increase in the tenure tax, the Supplementary Agreement on Tenure Lease was signed by and between Baowu Group and the Company, whereby the land-use fees of the



Company have been increased.

The Group rents houses from Baowu Group, Baosteel-NSC Automotive Steel Sheets Co., Ltd. and Baosteel Metal Co., Ltd., rents automobile from Baosteel Developing Co., Ltd. and its subsidiaries as well as Baosteel Metal Co., Ltd. and its subsidiaries. Meanwhile, Baosteel Resources Limited and its subsidiaries, Baosteel-NSC Automotive Steel Sheets Co., Ltd. rent the house from the Group, Shanghai Meishan Iron & Steel Co., Ltd. rents land use right from the Group, and Baosteel Special Steel rents the equipment from the Group.

Note 2: The Group, through the Finance Co., a subsidiary of the Company, provides Baowu Group and its subsidiaries with financial services (loans, discounting, entrusted loans, etc.), and as a result receives interest incomes from loans, discount interest incomes, entrusted loan handling charges, etc.

Note 3: The Group takes the deposits from Baosteel Group and its subsidiaries and pays them the interest thereon. The RMB deposit interest rates are subject to the interest rates specified by the People's Bank of China.

Note 4: Wugang Ltd, a subsidiary of the Group, deposits money in Wugang Finance Co., Ltd, a subsidiary of WISCO and obtains interest revenues. It receives loans from Wugang Finance Co., Ltd and paid interest. The RMB deposit and loan interest rates are subject to the interest rates specified by the People's Bank of China.

Note 5: Ouyeel Financial Information Service Co., Ltd., a subsidiary of the Group, through Hwabao Trust issued trust products of RMB2,971,464,873.79 Yuan, with the highest balance of RMB1,343,643,800 Yuan.

Note 6: During the reporting period, Ouyeel Co., Ltd., a subsidiary of the Group, receives a entrusted loan of RMB 800,000,000.00 Yuan

## 6. Accounts Receivable and Payable of Related Parties

### (1) Items Receivable

Applicable Not applicable

#### 1) Notes Receivable

Unit: Thousand RMB

Item	Related party	Ending balance		Beginning balance	
		Book balance	Bad debt reserve	Book balance	Bad debt reserve
Notes receivable	Baosteel Metal and its subsidiaries	204,370		404,031	
Notes receivable	Baosteel Special Steel and its subsidiaries	145,318		268,417	
Notes receivable	Baosteel Development and its subsidiaries			87,537	
Notes receivable	Meishan Company and its subsidiaries	222,829		26,686	
Notes receivable	Engineering & Technology Co. and its subsidiaries	36,118		23,980	
Notes receivable	Guangdong Shaoguan Steel and its subsidiaries	64,560		21,980	
Notes receivable	Guangzhou JFE	4,155		4,920	
Notes receivable	Baosteel Resource and its subsidiaries	2,813		3,957	
Notes receivable	Xinjiang Bayi and its	95,257		2,962	

	subsidiaries				
Notes receivable	Shandong Baohua			2,526	
Notes receivable	WISCO and its subsidiaries	691,451		1,319,925	
Notes receivable	Baosteel-NSC	155,526			
Notes receivable	Baowu Environment Technology and its subsidiaries	93,735			
Notes receivable	Other	8,090		99	
	<b>Total</b>	1,724,222		2,167,020	

## 2) Accounts Receivable

Unit: Thousand RMB

Item	Related party	Ending balance		Beginning balance	
		Book balance	Bad debt reserve	Book balance	Bad debt reserve
Accounts receivable	Meishan Company and its subsidiaries	640,050		911,439	
Accounts receivable	Baosteel Special Steel and its subsidiaries	561,523		529,057	
Accounts receivable	BNA	158,940		212,387	
Accounts receivable	Engineering & Technology Co. and its subsidiaries	115,710		144,838	
Accounts receivable	Baosteel Stainless	81,432		103,954	
Accounts receivable	Baosteel Development” and its subsidiaries	21,906		87,989	
Accounts receivable	Xinjiang Bayi and its subsidiaries	149,725		85,436	
Accounts receivable	Baosteel Resources and its subsidiaries	43,262		37,599	
Accounts receivable	Guangdong ShaoguanSteel and its subsidiaries	25,812		33,480	
Accounts receivable	Ningbo Baoxin and its subsidiaries	15,454		21,615	
Accounts receivable	Baosteel Metal and its subsidiaries	15,365		17,260	
Accounts receivable	WISCO and its subsidiaries	895,661		1,291,302	
Accounts receivable	Baosteel Desheng	10,713		11,192	
Accounts receivable	Guangzhou JFE	8,815		14,138	
Accounts receivable	Baosteel Resources(International) and its subsidiaries	509		10,371	
Accounts receivable	Hwabao Investment	7,969		3,984	
Accounts receivable	Baowu Group	9,620		2,479	
Accounts receivable	Beijing Qingke	705		1,530	
Accounts receivable	Hwabao Trust	1,587		1,010	
Accounts receivable	Welding Co.	1,615		356	
Accounts receivable	Baodi Property	10,309		3,245	

Accounts receivable	Baowu Environment Technology and its subsidiaries	139,972			
Accounts receivable	Pingmei Scorch	1,639,490		1,990,721	
Accounts receivable	Others	19,259		8,611	
	<b>Total</b>	4,575,403		5,523,991	

### 3) Prepayment

Unit: Thousand RMB

Item	Related party	Ending balance		Beginning balance	
		Book balance	Bad debt reserve	Book balance	Bad debt reserve
Prepayment	BNA	266,681		554,139	
Prepayment	Guangdong Shaoguan Steel and its subsidiaries	392,455		477,122	
Prepayment	Xinjiang Bayi and its subsidiaries	131,180		236,486	
Prepayment	Baosteel Resources and its subsidiaries	224,319		166,615	
Prepayment	WISCO and its subsidiaries	1,087,252		913,416	
Prepayment	Engineering & Technology Co. and its subsidiaries	182,926		48,004	
Prepayment	Baosteel Metal and its subsidiaries	24,900		45,717	
Prepayment	Guangzhou JFE	19,800		37,779	
Prepayment	Baosteel Stainless	19,183		25,199	
Prepayment	Baosteel Development” and its subsidiaries	17,758		23,856	
Prepayment	Wuhan Baozhang			21,740	
Prepayment	Baosteel Special Steel and its subsidiaries	128,425		19,559	
Prepayment	Meishan Company and its subsidiaries	997		14,725	
Prepayment	Baosteel Desheng	629		1,216	
Prepayment	Baowu Group	125,417			
Prepayment	Pingmei Scorch	2,170,867		486,556	
Prepayment	Others	9,244		488,758	
	<b>Total</b>	4,802,033		3,074,331	

### 4) Interest Receivable

Unit: Thousand RMB

Item	Related party	Ending balance		Beginning balance	
		Book balance	Bad debt reserve	Book balance	Bad debt reserve
Interest Receivable	Shanghai Stainless			76,203	
Interest Receivable	Baosteel Special Steel			55,687	
Interest Receivable	Others	342		231	

	<b>Total</b>	342		132,121	
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### 5) Other Accounts Receivable

Unit: Thousand RMB

Item	Related party	Ending balance		Beginning balance	
		Book balance	Bad debt reserve	Book balance	Bad debt reserve
Other Accounts Receivable	Hwabao Investment	7		20,500	
Other Accounts Receivable	Baosteel Development and its subsidiaries	7,162		10,654	
Other Accounts Receivable	Meishan Company and its subsidiaries	7,668		6,208	
Other Accounts Receivable	Baowu Group	15		3,826	
Other Accounts Receivable	Hwabao Trust	3,043		2,997	
Other Accounts Receivable	Xinjiang Bayi and its subsidiaries	2,316		2,042	
Other Accounts Receivable	Baosteel Bidding	2,181		1,692	
Other Accounts Receivable	Guangdong Shaoguan Steel and its subsidiaries	766		1,166	
Other Accounts Receivable	Welding Co.	943		1,109	
Other Accounts Receivable	Engineering & Technology Co. and its subsidiaries	744		342	
Other Accounts Receivable	Ningbo Baoxin and its subsidiaries	129		135	
Other Accounts Receivable	Baosteel Special Steel and its subsidiaries			9	
Other Accounts Receivable	Baosteel Stainless	6		2	
Other Accounts Receivable	WISCO and its subsidiaries	144,209		137,795	
Other Accounts Receivable	Others	3,478		2,992	
	<b>Total</b>	172,667		191,469	

### 6) Non-current Assets Due Within One Year

Unit: Thousand RMB

Item	Related party	Ending balance		Beginning balance	
		Book balance	Bad debt reserve	Book balance	Bad debt reserve
Non-current Assets Due Within One Year	Shanghai Stainless			2,600,000	

Non-current Assets Due Within One Year	Baosteel Special Steel			1,900,000	
	<b>Total</b>			4,500,000	

Note: Please refer to Note (VII), 10 note 1 for non-current assets due within one year of Shanghai Stainless and Baosteel Special Steel.

## 7) Loans and Advances to Customers

Unit: Thousand RMB

Item	Related party	Ending balance		Beginning balance	
		Book balance	Bad debt reserve	Book balance	Bad debt reserve
Loan and discount	Baosteel Resources and its subsidiaries	197,596		296,503	
Loan and discount	Engineering & Technology Co. and its subsidiaries	197,650		139,257	
Loan and discount	Baosteel Metal and its subsidiaries			32,000	
Loan and discount	Baosteel Development and its subsidiaries	23,495			
Loan and discount	Welding Co.			50,000	
Loan and discount	Guangdong Shaoguan Steel and its subsidiaries				
	<b>Total</b>	<b>418,741</b>		<b>517,760</b>	

## (2.) Items Payable

√Applicable   □Not applicable

### 1) Deposits and Due to Banks

Unit: Thousand RMB

Item	Related party	Ending balance	Beginning balance
Deposits and Due to Banks	Baowu Group	3,489,559	8,250,821
Deposits and Due to Banks	BNA		374,231
Deposits and Due to Banks	Hwabao Trust	284,269	358,706
Deposits and Due to Banks	Guangdong Shaoguan Steel and its subsidiaries	54,543	100,430
Deposits and Due to Banks	Baosteel Resources and its subsidiaries	93,460	39,742
Deposits and Due to Banks	Baosteel Development and its subsidiaries	104,221	20,104
Deposits and Due to Banks	Engineering & Technology Co. and its subsidiaries	14,104	4,265
Deposits and Due to Banks	Hwabao Investment	175	292
Deposits and Due to Banks	Others	63,140	74,265

	<b>Total</b>	4,103,471	9,222,856
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**2) Notes Payable**

Unit: Thousand RMB

Item	Related party	Ending book balance	Beginning book balance
Notes Payable	Baosteel Resources and its subsidiaries	756,011	1,282,680
Notes Payable	BNA	779,306	644,485
Notes Payable	Engineering & Technology Co. and its subsidiaries	56,802	150,169
Notes Payable	Ningbo Baoxin and its subsidiaries	118,635	146,692
Notes Payable	Baosteel Development and its subsidiaries	118,936	126,536
Notes Payable	Baosteel Stainless	51,607	73,599
Notes Payable	Baosteel Special Steel and its subsidiaries	20,559	21,648
Notes Payable	WISCO and its subsidiaries	3,336,460	3,369,226
Notes Payable	Meishan Company and its subsidiaries	8,085	
Notes Payable	Pingmei Scorch		1,610,000
	<b>Total</b>	5,246,401	7,425,035

**3) Accounts Payable**

Unit: Thousand RMB

Item	Related party	Ending book balance	Beginning book balance
Accounts Payable	Engineering & Technology Co. and its subsidiaries	921,878	1,024,011
Accounts Payable	Meishan Company and its subsidiaries	701,587	618,233
Accounts Payable	Baosteel Resources and its subsidiaries	883,488	571,988
Accounts Payable	Baosteel Stainless	263,399	414,094
Accounts Payable	Baosteel Development and its subsidiaries	417,680	351,414
Accounts Payable	Baosteel Special Steel and its subsidiaries	245,165	329,652
Accounts Payable	Baowu Group	43,735	250,563
Accounts Payable	Ningbo Baoxin and its subsidiaries	181,723	187,365
Accounts Payable	Guangdong Shaoguan Steel and its subsidiaries	20,943	76,635
Accounts Payable	BNA	291,964	70,777
Accounts Payable	Baosteel Metal and its subsidiaries	15,895	22,013
Accounts Payable	Xinjiang Bayi and its subsidiaries	18,770	9,490
Accounts Payable	Welding Co.	2,270	2,757

Accounts Payable	WISCO and its subsidiaries	1,074,709	931,218
Accounts Payable	Guangzhou JFE	224,933	
Accounts Payable	Others	89,852	2,037
	<b>Total</b>	<b>5,397,991</b>	<b>4,862,247</b>

#### 4) Advance Receipts

Unit: Thousand RMB

Item	Related party	Ending book balance	Beginning book balance
Advance Receipts	Baosteel Metal and its subsidiaries	190,051	342,208
Advance Receipts	WISCO and its subsidiaries	369,427	67,735
Advance Receipts	Guangzhou JFE	37,298	67,042
Advance Receipts	Baosteel Development and its subsidiaries	23,553	36,866
Advance Receipts	Engineering & Technology Co. and its subsidiaries	82,883	24,210
Advance Receipts	Xinjiang Bayi and its subsidiaries	8,496	22,377
Advance Receipts	Welding Co.	5,972	16,290
Advance Receipts	Guangdong Shaoguan Steel and its subsidiaries	14,882	14,324
Advance Receipts	Hangzhou Baowei	85,636	
Advance Receipts	Meishan Company and its subsidiaries	76,291	13,989
Advance Receipts	Wuxi Baojing	12,188	11,019
Advance Receipts	Baosteel Special Steel and its subsidiaries	6,623	6,623
Advance Receipts	Ningbo Baoxin and its subsidiaries	4,194	4,194
Advance Receipts	Baosteel Stainless	2,166	1,878
Advance Receipts	Baosteel Desheng	10,310	1,105
Advance Receipts	Baosteel Resources and its subsidiaries	3,451	771
Advance Receipts	Ergang Co. and its subsidiaries		200
Advance Receipts	Pudong Steel Co. and its subsidiaries	153	153
Advance Receipts	Tianjin Chuling		14
Advance Receipts	Others	100,056	47,346
	<b>Total</b>	<b>1,033,630</b>	<b>678,344</b>

#### 5) Interests payable

Unit: Thousand RMB

Item	Related party	Ending book balance	Beginning book balance
Interests payable	Baowu Group	111,450	92,441
Interests payable	Hwabao Trust	280	2,438
Interests payable	Others	713	586
	<b>Total</b>	<b>112,443</b>	<b>95,465</b>

#### 6) Other accounts payable

Unit: Thousand RMB

Item	Related party	Ending book balance	Beginning book balance
Other accounts payable	Baowu Group	5,845	5,911
Other accounts payable	Xinjiang Bayi and its subsidiaries	601	2,526
Other accounts payable	Engineering Technology Co. and its subsidiaries	3,083	2,314
Other accounts payable	Baosteel Development and its subsidiaries	3,749	2,255
Other accounts payable	Baosteel Resources and its subsidiaries	2,105	2,104
Other accounts payable	Baosteel Metals and its subsidiaries	649	680
Other accounts payable	Baosteel Special Steel and its subsidiaries	200	200
Other accounts payable	WISCO and its subsidiaries	112,033	88,318
Other accounts payable	Others	1,758	9,333
	Total	130,023	113,641

### XIII. Share-based Payment

#### 1. Summary of share-based payments

√Applicable □Not applicable

On 20 May, 2014, the Group's first temporary general meeting of shareholders in Year 2014 reviewed and approved *Baoshan Iron & Steel Co., Ltd. Restricted Stock Ownership Incentive Plan; Baoshan Iron&Steel Co. Ltd Restricted Stock Ownership Incentive Plan Phase I Grant Program* and relevant administrative rules. On 22 May, 2014, the 15th meeting of the 5<sup>th</sup> Board of Directors of the Group reviewed and approved *Proposal for Determination of the Incentive Targets and Respective Grant Quantities of A-share Restricted Stock Ownership Incentive Plan* and *Proposal for the Implementation of Phase I Program of the A-share Restricted Stock Ownership Incentive Plan*. According to the incentive target list and grant quantities, starting from 23 May, 2014, the Group repurchased A-share stock from Shanghai Stock Exchange through open market as the source of the restricted stock granted to the incentive targets. The lock-up period will be the subsequent two years from the grant date. During the lock-up period, the restricted stock granted will be prohibited from trading. The vesting period will be the subsequent three years from the end of lock-up period. During any year of the vesting period, the incentive target can apply for a proportionate vesting (i.e. vest one third of the restricted stock each year during the vesting period) of the restricted stock once the vesting conditions are met. For unvested restricted stock, the Group will repurchase it at the grant price.

As of 11 Jun., 2014, the stock repurchase of the incentive plan has been completed. The Group repurchased a total of 47,446,100 shares of stock at a total cost of RMB 187,734,750.08. The repurchased stock was recognized as treasury stock.

There are a total of 136 persons qualified as the incentive targets of this stock incentive plan and a total of 47,446,100 shares of stock are granted. The grant price is RMB 1.91 per share. The incentive targets have paid RMB 90,622,051.00 to subscribe the restricted stock. The Group has recognized the obligation to repurchase the restricted stock as a liability and treated it as treasury stock repurchase. By 24 June, 2014, the 47,446,100 shares of stock granted in Phase I plan had changed from tradable shares to shares subject to conditional sale, for which all the transfer procedures had been completed.

On 16 December, 2014, the Group repurchased and terminated 434,400 shares of stock held by Mr. Zhang Yong; 264,500 shares of stock held by Ms Zhang Xiaobo respectively as the vesting conditions are not met. The



repurchase cost is RMB 1,334,899.00. The above 698,900 shares of stock have been transferred to the special securities account established for the repurchase and canceled on 16 Dec., 2014, decreasing the treasury stock by RMB 698,900.00.

In 2015, Baosteel conducted the repurchase and cancellation of restricted stocks not meeting the unlocking conditions in the initial granting scheme of the above restricted stock plan for the incentive objects, such as Li Zhiping, Fu Jianguo, Hu Yuliang, Jia Yiyun, Pei Shibing, Sun Dale, Lu Yunyong, Guo Bin and Hou Angui, respectively holding stocks 488,700, 434,400, 434,400, 380,100, 264,500, 264,500, 264,500, 488,700 and 488,700 based on the granting price. The above restricted stocks in 3,508,500 in total have been transferred to the special repurchase security account opened by the company, and have been cancelled in 2015. At the same time, the decreased capital stock is RMB 3,508,500.

In 2016, Baosteel conducted the repurchase and cancellation of restricted stocks not meeting the unlocking conditions in the initial granting scheme of the above restricted stock plan for the incentive objects, such as Jiang Laizhu (holding 325,800 stocks), Huang Aihui (holding 264,500 stocks), Zhao Zhouli and other two persons (totaling 1,592,800 stocks), as well as Wei Chengwen, Zhu Jianchun and Wang Huaqiang (totaling 724,000 stocks) based on the granting price. In addition, on Apr. 28, 2016, the Seventh Session of the 6<sup>th</sup> Board of Directors of the company was convened to have passed the *Proposal on Initial Repurchase of Restricted Stocks Not Meeting the Unlocking Conditions* upon the approval, to cancel the initially repurchased stocks of Baosteel, namely, 14,216,800 stocks not meeting the unlocking conditions. The above restricted stocks, namely, 17,123,900 stocks have been transferred to the special repurchase security account opened by the company, and have been canceled in 2016. Therefore, the decreased capital stock is RMB 17,123,900.00.

On November 30, 2016, the Company convened the 14th Session of the Sixth Board of Directors, and discussed and approved *Proposal on Adjustment of Incentive Objects of Restricted Share Plan*. The Company repurchased 253,400 restricted shares (not yet reaching the unlocking conditions) of incentive objects quitting class-A restricted share plan on January 26, 2017 and canceled the shares on February 7, 2017.

On May 23, 2017, the Company convened the 18th Session of the Sixth Board of Directors, and discussed and approved *Proposal on Baosteel Unlocking Restricted Share Plan in the Second Vesting Period*. On June 19, 2017, 12,930,700 shares of restricted shares unlocked according to restricted share plan in the second vesting period were listed and circulated,

Unit: Share Currency: RMB

Total amount of all equity instruments granted for the company in current period	
Total amount of all equity instruments exercised for the company in current period	12,930,700
Total amount of all equity instruments invalid for the company in current period	253,400
Scope of exercise price of outstanding stock option at the end of period and remaining contract term	
Scope of exercise price of other outstanding equity instruments at the end of period and remaining contract term	

## 2. Conditions of equity-settled share-based payment

Applicable Not applicable

Unit: Share Currency: RMB

Determination method for the fair value of the equity instrument on the grant date	Make the estimation based on the market value of the company's stocks on the grant date by adopting the B-S option pricing model and combing with the terms and conditions of the granted share option.
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Determination basis of vesting equity instrument quantity	Estimate and determine according to the performance conditions in each unlocking period as regulated in the restricted stock plan
Reasons for the significant difference between estimation in current period and estimation in previous period	
Total amount of exchanging employee services with the method of equity-settled share-based payment	39,448,979.56
Accumulated amount of including into the capital reserves with the method of equity-settled share-based payment	35,157,549.63
Total expenses confirmed by equity-settled share-based payment method in current period	5,218,938.27

#### XIV. Commitments and Contingencies

##### 1. Important commitment matters

Applicable Not applicable

Existing external important commitment, nature and amount on the balance sheet date

##### (1) Capital commitment

Unit: Thousand RMB

	Period-end balance	Year-beginning balance
Have been signed but not be recognized in the financial statement:		
Have been signed but not be appropriated	14,660,134	18,966,073
Have been approved by the Board of Directors but have not been signed	5,007,783	4,741,263
Total	19,667,917	23,707,336

##### (2) Operating lease commitment

As of the balance sheet date, the conditions for the irrevocable operating lease contract externally signed by the group are as follows:

Unit: Thousand RMB

	Period-end balance	Year-beginning balance
Minimum leasing payment amount of the irrevocable operating lease:		
First year after balance sheet date	310,818	331,375
Second year after balance sheet date	297,856	298,727
Third year after balance sheet date	173,066	287,927
Future years	392,043	555,423

Total	1,173,783	1,473,452
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## 2. Contingencies

### (1) Existing important contingencies on the balance sheet date

Applicable Not applicable

### (2) Instructions for the important contingencies to be not disclosed by the company:

Applicable Not applicable

## XV. Matters after Balance Sheet Date

### 1. Conditions of profit distribution

Applicable Not applicable

Unit: Thousand RMB

Profits or dividends proposed to be distributed	
Profits or dividends declared to be distributed after review and approval	4,641,557,954.25

### 2. Explanation of Other Matters after Balance Sheet Date

Applicable Not applicable

Ouyeel Co., Ltd. subordinate to the Company was listed publicly on Shanghai United Asset and Equity Exchange for augmented equity financing and six strategic investors including Bxsteel Group, Shasteel Group, ProLogis, Mitsui & Co., Ltd., Shougang Fund, CCB Fund and Shanghai Ouji Co., Ltd. purchased 28% of the Company's shares. 933 million shares were issued and 1.055 billion Yuan was raised in this augmented equity financing, after which the proportion of total shares held by Baosteel and Baosteel International was diluted from 51% to 36.72%. The Company no longer has control over Ouyeel Co., Ltd. In accordance with Accounting Standards for Business Enterprises, the Company will not incorporate Ouyeel Co., Ltd. into its consolidated financial statement since August, 2017 and the latter will be accounted for according to the equity method. For details, please refer to the Company's Temporary 2017-056 Announcement published on *China Securities Journal*, *Shanghai Securities Journal*, *Securities Times* and the website <http://www.sse.com.cn> of Shanghai Stock Exchange on August 1, 2017.

## XVI. Other Significant Events

### 1. Annuity Plan

Applicable Not applicable

In accordance with the Reply to Trial Implementation of Enterprise Annuity System by Baosteel Group (GZFP [2008] No. 1268) issued by the State-owned Assets Supervision and Administration Commission of the State Council and the Notification on Clarifying Relevant Issues on Ratio of Enterprise Annuity Payment Made by Enterprise issued by the HR Dept. of Baosteel Group, since January 1, 2008, the Company has implemented the enterprise annuity plan. Wherein, the portions paid by enterprises shall be accrued by 4% of the base of payment made by employees in person (wage incomes in the previous year subject to capping and minimum guarantee); the portions paid by employees in person shall be paid by 1%-7% of the base of payment made by employees in person and for the account of employees in person. Since 2009, Hwabao Trust Co., Ltd., a subsidiary of Baosteel Group, has been authorized to conduct management for the aforesaid enterprises annuities.

## 2. Segments

### (1) Determination Basis and Accounting Policy of Reporting Segments

Applicable Not applicable

According to the internal organizational structure, management requirement and internal reporting system of the Group, the operating business is classified into six operating segments, whose operating results are regularly evaluated by the management personnel of the Group to determine the allocated resources and business performance. Six reporting segments are determined on the basis of operating segments, including the iron & steel manufacturing segment, processing and distribution segment, IT segment, e-commerce segment, chemical segment and financial segment. The day-to-day activities of Finance Co. are of a financial nature, so the operating revenue of each segment includes investment incomes of the Finance Co. These reporting segments are determined based on the business structure of the Group.

Segments are summarized as follows:

Operating segments include the following subsidiaries

- (1) Iron & steel manufacturing subsidiaries: the Company, Meishan Steel, Lubao Steel Tube, Huangshi Coating & Galvanizing, Yantai Lubao Steel Tube, Baosteel Nantong Steel, Baoma Steel Pipe, Poly Pipe, Zhanjiang Steel and so on;
- (2) Iron & steel sales trading subsidiaries: Baosteel International, Baosteel America, Baosteel Europe, Baosteel Singapore, Howa Trading, Bao-Island Enterprises, BGM and other trading subsidiaries;
- (3) IT: Baosight Software;
- (4) E-commerce: Ouyeel, B-chem;
- (5) Chemical: Baosteel Chemical;
- (6) Finance: Finance Co.

For the disclosure of the operating information of the Group, the revenues shall be disclosed by the regions where the customers are located; the assets shall be disclosed by the regions where assets are located.

The operating profit of each segment does not include financial costs, assets impairment losses, changes in fair value recognized in profit or loss, and investment incomes (other than the Finance Co.) incurred by each segment. The assets of each segment do not include deferred income tax assets. The liabilities of each segment do not include short-term borrowings, non-current liabilities due in one year, long-term borrowings, long-term accounts payable, bonds payable and deferred income tax liabilities.

The information contained in the segmental report shall be disclosed according to the accounting policies and measuring criterion with which each segment reports to the management. The measuring basis remains identical with the accounting and measuring basis for the compilation of the financial statements.

The sales to individual customer of the Group has not accounted for more than 10% of the total revenue.

**(2) Financial Information of Reporting Segments**

√Applicable □Not applicable

Unit: Thousand RMB

Item (Current period)	Iron and steel manufacture	Processing and distribution	Information technology	E-commerce	Chemical	Finance	Inter-segment offset	Total
Operating revenues								
Revenues from transactions with external parties								
	15,699,547	120,110,333	1,452,386	30,635,000	2,034,816	271,438		170,203,520
Revenues from inter-segment transactions	90,879,154	24,174,368	592,343	2,241,191	3,423,997	86,131	121,397,184	
Total operating revenue of segments	106,578,701	144,284,701	2,044,729	32,876,191	5,458,813	357,569	121,397,184	170,203,520
Operating expenses	97,207,019	143,303,254	1,827,499	32,945,094	5,123,994	184,335	120,629,072	159,962,123
Operating profit	9,371,682	981,448	217,230	-68,903	334,819	173,233	768,112	10,241,397
Total assets of segments	342,333,855	89,663,884	7,010,798	14,091,243	5,554,324	15,023,814	119,573,144	354,104,774
Total liabilities of segments	101,685,925	47,025,916	2,678,857	6,849,719	1,637,094	15,038,992	91,501,271	83,415,232
Supplementary information:								
Depreciation and amortization expenses	8,317,483	535,764	74,220	56,311	192,013	5,210		9,181,001
Losses on impairment recognized for the current period	-80,748	389,269	-12,940	13,266	13,847	29,375	-347,487	699,556
capital expenditure	1,769,291	439,270	212,891	51,890	55,633	3,230		2,532,205

Unit: Thousand RMB

Item (Same period last year)	Iron and steel manufacture	Processing and distribution	Information technology	E-commerce	Chemical	Finance	Inter-segment offset	Total
Operating revenues								
Revenues from transactions with external parties	11,631,915	82,032,426	1,154,024	10,538,568	1,249,169	178,776		106,784,878
Revenues from inter-segment transactions	58,895,725	14,714,357	562,951	1,445,013	2,318,483	68,463	78,004,992	
Total operating revenue of segments	70,527,640	96,746,783	1,716,975	11,983,581	3,567,652	247,239	78,004,992	106,784,878
Operating expenses	63,906,704	95,145,732	1,557,271	12,108,093	3,456,285	152,650	77,107,938	99,218,797
Operating profit	6,620,936	1,601,051	159,704	-124,513	111,367	94,589	897,054	7,566,080
Total assets of segments	330,288,659	90,054,467	6,791,534	14,343,073	5,256,269	15,023,814	104,971,803	356,786,013
Total liabilities of segments	136,114,098	47,365,131	2,581,355	8,429,222	1,539,082	13,118,771	109,258,733	99,888,926
Supplementary information:								
	6,932,465	526,049	57,305	34,999	179,087	4,627		7,734,532
Depreciation and amortization expenses	212,781	-86,697	-22,880	1,076	-7,374	14,596	1,985	109,517
Losses on impairment recognized for the current period	10,259,413	311,698	264,185	79,504	70,477	32		10,985,309

**(3) Other information:**

√Applicable □Not applicable

## Foreign Transaction Revenue by Income Source and Non-current Assets by Location

Unit: Thousand RMB

Item	Amount in the period	Amount in the same period last year
Revenues from transactions with external parties in China	159,296,997	97,461,757
Revenues from transactions with external parties outside China	10,906,523	9,323,121
Total	170,203,520	106,784,878

Unit: Thousand RMB

Item	Ending balance	Balance at the beginning of the year
Non-current assets located in China	207,894,389	215,835,688
Non-current assets located outside China	6,485,760	6,468,939
Total	214,380,149	222,304,627

Revenues from transactions with external parties include:

Unit: Thousand RMB

Item	Amount in the period	Amount in the same period last year
Investment incomes of the Finance Co.	56,408	60,211

Items not included in segment-specific operating profits, assets and liabilities are presented as follows:

Segment-specific operating profits do not include:

Unit: Thousand RMB

Item	Amount in the period	Amount in the same period last year
Financial costs	1,933,497	2,046,699
Losses from assets impairment/(write-back)	699,556	109,517
Losses/gains on variation in fair values	-7,548	-47,255
Investment incomes (other than the Finance Co.)	1,395,768	89,087
Other incomes	87,895	132,679
Total	4,109,168	2,330,727

Segment-specific assets do not include:

Unit: Thousand RMB

Item	Ending balance	Balance at the beginning
------	----------------	--------------------------

		of the year
Deferred income tax assets	2,375,422	2,281,734

Segment-specific liabilities do not include:

Unit: Thousand RMB

Item	Ending balance	Balance at the beginning of the year
Short-term borrowings	67,910,455	52,080,729
Non-current liabilities due within one year	2,083,983	1,986,830
Other current liabilities	11,257,423	18,136,460
Long-term borrowings	569,741	958,693
Long-term payables	4,027,208	4,017,988
Bonds payable	24,225,937	21,052,403
Deferred income tax liabilities	667,631	693,446
Total	110,742,378	98,926,549



**XVII. Notes to Main Items of the Financial Statement of the Parent Company****1. Accounts Receivable****(1) Account Age of Accounts Receivable**

Unit: RMB

Age	Ending balance				Balance at the beginning of the year			
	Amount	Ratio (%)	Bad debt reserve	Book value	Amount	Ratio (%)	Bad debt reserve	Book value
Within 1 year	12,302,033,041.76	95	12,927,015.46	12,289,106,026.30	17,952,186,378.45	87	14,596,566.88	17,937,589,811.57
1-2 years	426,350,053.53	4	1,526.47	426,348,527.06	2,512,365,308.16	12	8,928.71	2,512,356,379.45
2-3 years	17,785,018.45	0	190,902.29	17,594,116.16	29,387,232.48	0	173,045.51	29,214,186.97
Over 3years	171,024,281.68	1	22,332,724.05	148,691,557.63	160,370,911.69	1	22,361,492.44	138,009,419.25
Total	12,917,192,395.42	100	35,452,168.27	12,881,740,227.15	20,654,309,830.78	100	37,140,033.54	20,617,169,797.24

**(2) Accounts Receivable Disclosed by Category:**

√Applicable □Not applicable

Unit: RMB

Category	Ending balance					Beginning balance				
	Book balance		Bad-debt provision		Book Value	Book balance		Bad-debt provision		Book Value
	Amount	Proportion (%)	Amount	Provision proportion (%)		Amount	Proportion (%)	Amount	Provision proportion (%)	
Other accounts receivable with significant single amount and individual bad debt provision	8,585,753,015.76	66			8,585,753,015.76	17,645,736,286.64	85			17,645,736,286.64

Other accounts receivable with bad debt provision according to credit risk characteristics combination	4,309,106,655.61	33	13,119,444.22		4,295,987,211.39	2,986,212,051.70	15	14,778,541.10		2,971,433,510.60
Receivables with bad-debt provisions made individually in spite of insignificant single amounts	22,332,724.05	0	22,332,724.05	100		22,361,492.44		22,361,492.44	100	
Total	12,917,192,395.42	/	35,452,168.27	/	12,881,740,227.15	20,654,309,830.78	/	37,140,033.54	/	20,617,169,797.24

EOP accounts receivable with significant single amounts or without significant single amount but with individual bad-debt provisions

√Applicable □Not applicable

Unit: RMB

Accounts receivables (By unit)	Ending balance			Beginning balance			
	Accounts receivables	Bad-debt provisions	Provision proportion (%)	Accounts receivables	Bad-debt provisions	Provision proportion (%)	Cause
Large-amount receivables	8,585,753,015.76			17,645,736,286.64			Note 1
Receivables with relatively long age	22,332,724.05	22,332,724.05	100	22,361,492.44	22,361,492.44	100	Note 2
Total	8,608,085,739.81	22,332,724.05	/	17,668,097,779.08	22,361,492.44	/	

Note 1: There is no major problem in making collections within a year of account age, and large receivables are all from related parties. According to Company's provision policy of bad debts reserves, bad debts reserves will not be made with provision.

Note 2: Account age is long and possibility of recovery is small, so receivables with long account age beyond the related parties shall conduct the provision of bad debts reserves in full.

In the combination, receivables using account age for bad debts reserves provision:

√Applicable □Not applicable

Unit: RMB

Account age	Ending balance			Beginning balance		
	Accounts receivable	Bad-debt provisions	Provision proportion (%)	Accounts receivable	Bad-debt provisions	Provision proportion (%)
Subtotal of within 1 year	4,250,909,526.24	12,927,015.46	0	2,949,656,460.69	14,596,566.88	0
1-2 years	43,995,483.57	1,526.47	0	22,889,374.10	8,928.71	0
2-3 years	14,201,645.80	190,902.29	1	11,835,875.20	173,045.51	1
3 years or more				1,830,341.71		
Total	4,309,106,655.61	13,119,444.22	0	2,986,212,051.70	14,778,541.10	1

**(3) Bad Debts Reserves Provisioned, Recovered or Transferred back in Current Period:**

Bad debts reserves provision in the current period was 0 Yuan; and bad debts reserves recovered or transferred back was 1,687,865.27 Yuan.

**(4) Actual Written-off Accounts Receivable in the Reporting Period**

□Applicable√Not applicable

**(5) Particulars about the accounts receivable, in this reporting period, due from the shareholders each holding shares representing 5% or more of voting rights of the Company**

Unit: RMB

Name of Entity	Ending balance		Balance at the beginning of the year	
	Amount	Amount of bad-debt provision	Amount	Amount of bad-debt provision
Baowu Group	2,878,961.59		1,904,345.05	

**(6) Accounts Receivable with Top Five Ending Balance Collected according to the Debtor:**

Applicable Not applicable

On June 30, 2017, total amounts receivable of top five units was RMB 8,585,753,015.76, accounting for 66% of the total amount of receivables.

**(7) Accounts Receivable under Derecognition due to the Transfer of Financial Assets:**

Applicable Not applicable

**(8) Amount of Assets and Liabilities Formed by Transfer of Accounts Receivable and Continuous Involvement:**

Applicable Not applicable

**2. Other Accounts Receivable**

**(1) Account Age of Other Accounts Receivable**

Unit: RMB

Age	Ending amount				Beginning amount			
	Amount	Ratio (%)	Bad debt reserve	Book value	Amount	Ratio (%)	Bad debt reserve	Book value
Within 1 year	240,273,920.35	59	2,766,975.88	237,506,944.47	208,076,742.23	60	2,688,183.46	205,388,558.77
1-2 years	35,946,852.83	9	10,695,482.40	25,251,370.43	3,130,358.80	1	667,126.95	2,463,231.85
2-3 years	1,395,457.45	0	63,028.69	1,332,428.76	1,001,731.01	0	329,212.69	672,518.32
Over 3years	129,646,286.44	32	5,391,435.33	124,254,851.11	137,181,247.44	39	4,947,795.33	132,233,452.11
Total	407,262,517.07	100	18,916,922.30	388,345,594.77	349,390,079.48	100	8,632,318.43	340,757,761.05

**(2) Other Accounts Receivable Disclosed by Category:**

Applicable Not applicable

Unit: RMB

Category	Ending balance	Beginning balance

	Book balance		Bad-debt provision		Book Value	Book balance		Bad-debt provision		Book Value
	Amount	Proportion (%)	Amount	Provision Proportion (%)		Amount	Proportion (%)	Amount	Provision Proportion (%)	
Other accounts receivable with significant single amount and individual bad debt provision	340,382,293.03	84	11,506,731.62	3	328,875,561.41	285,730,445.71	82	1,676,150.00	1	284,054,295.71
Other accounts receivable with bad debt provision according to credit risk characteristics combination	61,488,788.71	15	2,018,755.35	3	59,470,033.36	58,711,838.44	17	2,008,373.10	3	56,703,465.34
Receivables with bad-debt provisions made individually in spite of insignificant single amounts	5,391,435.33	1	5,391,435.33	100		4,947,795.33	1	4,947,795.33	100	
<b>Total</b>	<b>407,262,517.07</b>	<b>100</b>	<b>18,916,922.30</b>	<b>/</b>	<b>388,345,594.77</b>	<b>349,390,079.48</b>	<b>100</b>	<b>8,632,318.43</b>	<b>/</b>	<b>340,757,761.05</b>

Other EOP accounts receivable with significant single amounts or without significant single amounts but with individual bad-debt provision:

Applicable Not applicable

Unit: RMB

Accounts receivables (By unit)	Ending balance			Beginning balance			
	Other accounts receivables	Bad debt provision	Provision proportion (%)	Other accounts receivables	Bad debt provision	Provision proportion (%)	Cause
Other large-amount receivables	340,382,293.03	11,506,731.62	3	285,730,445.71	1,676,150.00	1	
Other receivables with bad debt fully provisioned	5,391,435.33	5,391,435.33	100.00	4,947,795.33	4,947,795.33	100	Note 1
Total	345,773,728.36	16,898,166.95	/	290,678,241.04	6,623,945.33		

Note 1: Account age is rather big and the possibility of recovering is low so other receivables of non-relating parties are accrued for bad debt reserve completely.

In combination, other receivables using account age for bad debt reserves provision:

Applicable Not applicable

Unit: RMB

Account age	Ending balance			Beginning balance		
	Other accounts receivable	Bad-debt reserve	Provision proportion (%)	Other accounts receivable	Bad-debt reserve	Provision proportion (%)
Within 1 year	45,465,267.42	1,317,144.26	3	34,396,936.62	1,012,033.46	3
1-2 years	2,423,852.83	638,582.40	26	3,130,358.80	667,126.95	21
2-3 years	1,395,457.45	63,028.69	5	1,001,731.01	329,212.69	33
Total	12,204,211.01			20,182,812.01		
	61,488,788.71	2,018,755.35	3	58,711,838.44	2,008,373.10	3

**(3) Bad Debts Reserves Provisioned, Recovered or Transferred back in Current Period:**

Bad debts reserves provision in the current period was RMB 10,284,603.87 Yuan; and bad debts reserves recovered or transferred back was RMB 0 Yuan.

**(4) Other Actual Written-off Account Receivable in the Reporting Period**

Applicable Not applicable

**(5) Particulars about the accounts receivable, in this reporting period, due from the shareholders each holding shares representing 5% or more of voting rights of the Company**

Unit: RMB

Entity Name	Ending balance		Balance at the beginning of the year	
	Amount	Bad-debt provisions	Amount	Bad-debt provisions

Baowu Group	14,930.68		3,826,272.62	
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**(6) Other Receivables with Top Five Ending Balance Collected according to the Debtor:**√Applicable Not applicable

Unit: RMB

Entity Name	Nature of amount	Ending balance	Amount age	Proportion of total ending balance of other receivables (%)	Bad debt reserve Ending balance
total amount of top five units	Other receivables	340,382,293.03		84	0
Total	/	340,382,293.03	/	84	0

**3. Long-term Equity Investment**√Applicable Not applicable

Unit: RMB

Item	Ending balance			Beginning balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Investment in subsidiaries	72,952,825,351.05		72,952,825,351.05	44,317,971,120.33		44,317,971,120.33
Investment in JV and associated enterprises	2,448,372,150.80		2,448,372,150.80	2,371,674,691.54		2,371,674,691.54
Total	75,401,197,501.85		75,401,197,501.85	46,689,645,811.87		46,689,645,811.87

**(1) Investment in Subsidiaries**√Applicable Not applicable

Unit: RMB

Investee	Beginning balance	Current adds	Current cuts	Ending balance	Current provision for impairment	Ending balance of reserves for impairment
Lubao Steel Tube	872,484,905.16			872,484,905.16		
Huangshi Coating & Galvanizing	175,658,477.39			175,658,477.39		
Baosteel International	6,013,886,552.67			6,013,886,552.67		
Meishan Steel	8,938,982,988.14			8,938,982,988.14		
Baosight Software	1,291,314,360.40			1,291,314,360.40		
Baosteel America	187,562,180.98			187,562,180.98		
Howa Trading	221,975,780.12			221,975,780.12		
Baosteel Europe	328,631,981.58			328,631,981.58		
Baosteel Singapore	154,883,364.09			154,883,364.09		
Bao-Trans Enterprises	370,550,495.27			370,550,495.27		
Baosteel Chemical	3,006,227,819.74			3,006,227,819.74		
Finance Co.	754,570,003.65			754,570,003.65		
Zhanjiang Steel	17,262,206,889.41			17,262,206,889.41		
Yantai Lubao Steel Tube	3,200,000,000.00			3,200,000,000.00		
Baoma Steel Pipe	36,673,650.00			36,673,650.00		
Baosteel Brazil Trading (Note 1)	728,647.73			728,647.73		
Ouyeel Commerce Co., Ltd (Note 2)	208,080,000.00			208,080,000.00		
Ouyeel Finance (Note 3)	293,553,024.00			293,553,024.00		
Baosteel capital	1,000,000,000.00			1,000,000,000.00		
Baosteel stock		28,634,854,230.72		28,634,854,230.72		
Total	44,317,971,120.33	28,634,854,230.72		72,952,825,351.05		

Note 1: The Company indirectly held 73.04% of stock equity of Baosteel Brazil, which accordingly was considered as a subsidiary and accounted in long term equity investment as per cost method.

Note 2: 8.67% of stock equity is directly held by the Company and 42.33% of stock equity is held by Baosteel International, a wholly-owned subsidiary of the Company. Therefore, the Company has indirectly and directly held 51% stock equity of Ouyeel Commerce, which accordingly was considered as a subsidiary to the Company and accounted in long term equity investment as per cost method. Ouyeel Commerce has increased in capital and share in July 2017 and will be accounted as per equity



method from August 2017

Note 3: Ouyeel Commerce held 34% stock equity of Ouyeel Finance. Therefore, the Company has indirectly and directly held 54.91% stock equity of Ouyeel Finance, which accordingly was considered as a subsidiary to the Company and accounted in long term equity investment as per cost method. Ouyeel Commerce has increased in capital and share in July 2017 and will be accounted as per equity method from August 2017.

## (2) Investment in JV and Associated Enterprises

√Applicable □Not applicable

Unit: RMB

Investor	Beginning balance	Current change								Ending balance	Ending balance of impairment reserve
		Added investment	Reduced investment	Investment gains and losses confirmed under the Equity Method	Other comprehensive income adjustment	Other equity change	Cash dividend or profit declared to issue	Provision for depreciation reserve	Others		
I.JV											
BNA	1,753,133,618.0 4			82,634,703.3 6		1,786,666.2 0				1,837,554,987.6 0	
Bao-Island	618,541,073.50			6,774,400.00	-14,498,310.30					610,817,163.20	
Subtotal	2,371,674,691.5 4			89,409,103.3 6	-14,498,310.30	1,786,666.2 0				2,448,372,150.8 0	
II.associated Enterprises											
Subtotal											
Total	2,371,674,691.5 4			89,409,103.3 6	-14,498,310.30	1,786,666.2 0				2,448,372,150.8 0	

**4. Operating Revenues and Operating Costs**

√Applicable □Not applicable

Unit: RMB Yuan

Item	Amount in the period		Amount in last period	
	Revenues	Costs	Revenues	Costs
Main operating revenues	62,503,144,192.89	53,987,881,436.84	43,635,442,094.92	35,641,695,134.28
Other operating revenues	311,701,263.83	333,820,967.01	155,089,410.50	122,542,141.23
Total	62,814,845,456.72	54,321,702,403.85	43,790,531,505.42	35,764,237,275.51

**5. Investment Income**

√Applicable □Not applicable

Unit: RMB Yuan

Item	Amount in the period	Amount in last period
Long-term equity investment incomes calculated using the cost method	172,845,718.45	80,442,935.49
Long-term equity investment incomes calculated using the equity method	89,409,103.36	63,852,271.11
Incomes from held-to-maturity investments	241,752,419.35	94,243,960.98
Incomes/(losses) from disposal of derivative financial instruments	33,952,305.61	-73,809,000.00
Incomes from financial assets available-for-sale	452,597,154.43	
<b>Total</b>	<b>990,556,701.20</b>	<b>164,730,167.58</b>

**6. Bank Lines of Credit**

Up to June 30, 2017, the bank lines of credit not used had amounted to RMB 79,983 billion. In the opinion of the management of the Company, in view of the cash flows arising from the bank lines of credit and operating activities, the Company will have sufficient funds in the next year to pay various current liabilities at maturity.

**7. Supplements to Cash Flow statement**

Unit: RMB

Supplementary data	Amount in the period	Amount last year
Net profit	4,800,500,358.19	1,703,296,531.08
Add: Provision for impairment losses of assets	-58,647,097.24	2,539,576,428.19
Depreciation of fixed assets and investment property	3,127,542,927.83	3,354,653,962.21
Amortization of intangible assets	41,083,991.82	41,084,183.00
Amortization of long-term deferred expenses	7,992,790.22	12,978,540.22
Losses (gains) on disposal of fixed, intangible and other long-term assets	426,584,296.35	196,689,299.36
Losses (gains) on the changes in fair value	129,146,280.01	57,873,954.55

Financial expenses	-72,236,654.33	573,539,387.72
Investment losses	-990,556,701.20	-164,730,167.58
Increase in deferred tax assets	-68,621,943.95	-635,160,377.66
Increase in deferred tax liabilities	-26,475,263.67	33,061,924.29
Decrease in inventory	1,115,354,205.60	49,177,885.36
Decrease (increase) in receivables from operating activities	3,565,949,487.79	-3,801,220,287.83
Increase (decrease) in payables for operating activities	-184,117,506.63	327,008,155.99
<b>Net cash flow from operating activities</b>	<b>11,813,499,170.79</b>	<b>4,287,829,418.90</b>
<b>2. Net changes in cash and cash equivalents:</b>		
<b>EOP balance of cash and cash equivalents</b>	<b>11,616,968,659.53</b>	<b>7,586,762,617.66</b>
Less: Balance of cash and cash equivalents at the beginning of the year	3,761,841,278.83	2,609,809,152.05
<b>Net decrease of cash and cash equivalents</b>	<b>7,855,127,380.70</b>	<b>4,976,953,465.61</b>

## XVIII. Supplements

### 1. List of Non-current Profits and Losses

√Applicable □Not applicable

Unit: RMB Million

Item	Amount	Notes
Profits and losses on disposal of non-current assets	-440	
Government subsidies recognized in profits or losses of current period (excluding government subsidies closely related to corporate operations, or granted on a quota or quantitative basis in accordance with the uniform criteria of the government)	88	
Profits and losses from changes in fair value of held-for-trading financial assets and held-for-trading financial liabilities, as well as investment revenue from disposal of held-for-trading financial assets and held-for-trading financial liabilities, available-for-sale financial assets, in addition to the effective hedging operations related to the normal operating business of the Company	267	
Current net gains and losses from the merge of companies under the same control up to the merge date	60	
Other non-operating revenue and expenses except above items	-18	
Effect of income tax	12	
Effect of minority interests	-0.25	
Total	-31	

Note: Since the principal business scope of Finance Co. and Ouyeel Commerce included financial instrument investment, the investment income of relevant financing products has not been included in non-current gains and losses.

### 2. Return on Net Assets and EPS

√Applicable □Not applicable

Profits in the reporting period	Weighted average return on net assets (%)	EPS	
		Basic EPS	Basic EPS

---

Net profits attributable to ordinary shareholders of the Company	4.06	0.28	0.28
Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	4.08	0.28	0.28

## Section XI Reference Documents Dictionary

Reference Documents Dictionary	Financial statement bearing the signature and seal of legal representative, person responsible for accounting work and person in charge of accounting department
	The original copies of all documents and manuscripts of announcements disclosed on the newspaper specified by China Securities Regulatory Commission in the reporting period

Chairman: Dai Zhihao

Submission date approved by Board of Directors: August 24, 2017

### Revision

Applicable Not applicable