

# 2017

## ANNUAL REPORT

BAOSHAN IRON & STEEL CO., LTD.



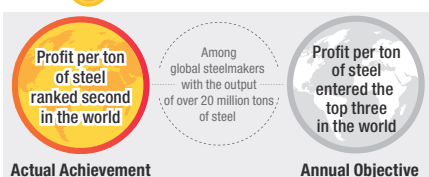


# Baosteel's 2017 Performance in One Chart

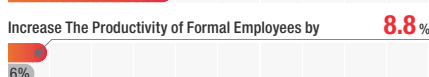
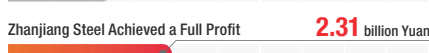
## Fulfillment of Overall Business Objectives for 2017

1

The best performance in China.

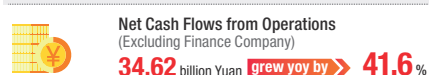


Annual Objectives **Actual Achievements**



## The Performance Hit a Record High

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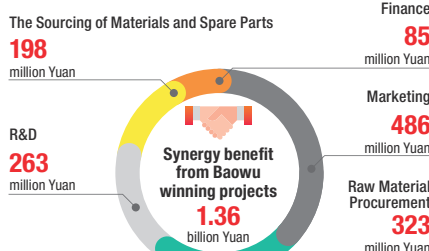
## Satisfactory Achievements in the Capital Market

3



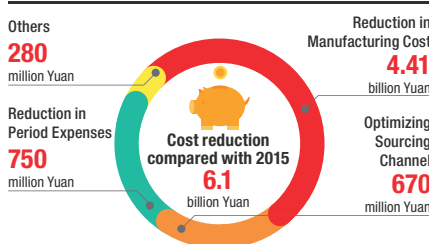
## Baowu Synergy

4



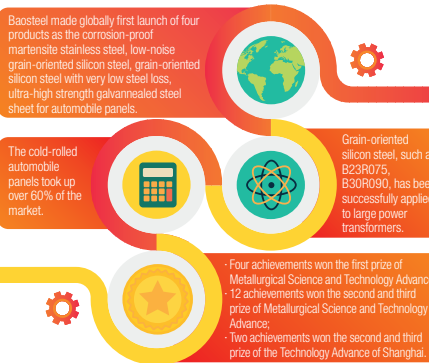
## Cost Reform

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## Leading Technology

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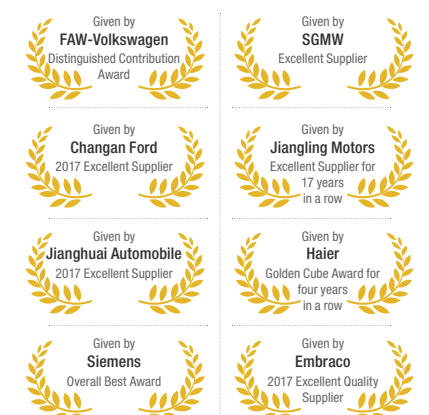


## Service Comes First

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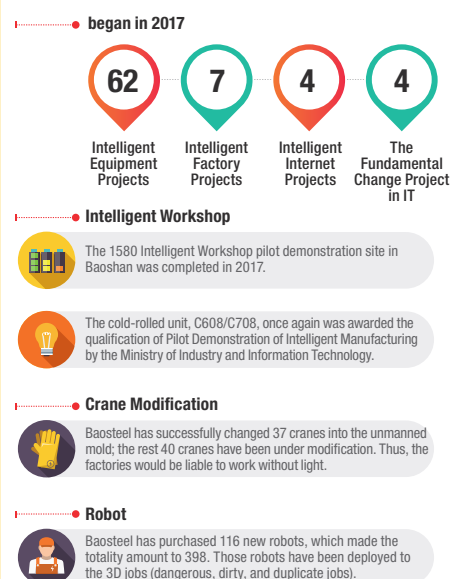


## Authentication of User



## Intelligent Manufacturing

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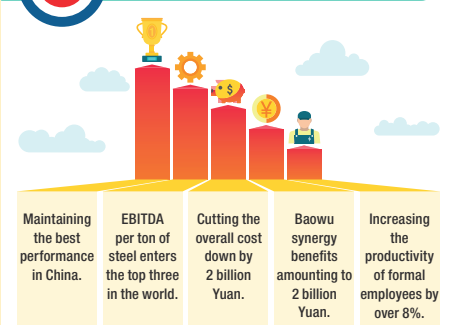


## Urban Steel Factory

9



## The Business Objectives for 2018



Creation Beyond Vision



## 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 the Annual Report is free from false statement, misleading information or grave material omission, and assume relevant separate and joint responsibilities in regard to the truth, the accuracy and the integrity of the contents of the Report.

- (II) Information of Absent Directors

Position of absent director	Name of absent director	Causes of absence of director	Name of entrusted person
Director	Zhao Changxu	Work	Zhang Jingang

- (III) Deloitte Touche Tohmatsu Certified Public Accountants LLP (special general partnership) gave standard unqualified audit report for the Company.

- (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 this Report.

- (V) Proposed Profit Appropriation Plan and Capitalizing of Reverses Plan for the Reporting Period Reviewed by the Board of Directors

According to the Company's policy that the annual dividend distribution should not be lower than 50% of the net profit in the consolidated statements attributable to the shareholders of the parent company audited in the current year, with the total cash dividend not less than RMB 9,585,168,784.82 in 2016. Whereas the Company always attaches importance to rewarding shareholders and adheres to the long-term cash dividend policy, the Company intends to allot the cash dividend at RMB 0.45 per share (incl. tax). Total cash dividend to be distributed is RMB 10,020,650,343.75 (incl. tax), accounting for 52.27% of the net profit in the consolidated statements attributable to the shareholders of the parent company.

- (VI) Risk Disclosure on forward-looking Statements

√Applicable ☐ Not applicable

The proactive future plans and developing strategies in this 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 by the controlling shareholder and its related parties?

None

- (VIII) Was guarantee found in the Company to be provided in any manner that is against the stipulated decision-making procedures?

None

- (IX) Major Risk Warning

In 2018, the company's production and operation face pressures and challenges. Firstly, the foundation of global economic recovery is still not stable, the tax reform in the US is enforced, the inflation expectation comprehensively warms up, the global trade frictions represented by the “232 Investigation” intensify, which bring uncertainty to China's export of steel products; secondly, the overcapacity contradiction of China's steel industry has not been fundamentally solved yet, the environmental protection and emission standards become increasingly rigid, which will bring uncertain influence to the steel supply and demand relations as well as the trend of steel prices; thirdly, Chinese private enterprises have gradually entered high-end market, which leads to intensified homogeneous competition, as well as the risks in the currently faced transformation of sales model and replacement for new materials.

- (X) Others

√Applicable ☐ Not applicable

On Feb. 27, 2017, the company completed the consolidation by merging Wuhan Iron & Steel Co., Ltd. (hereinafter referred to as “WISCO”, and the merger with WISCO is hereinafter referred to as “This Consolidation”), and the newly increased shares went public on the same day. According to provisions of the “Stock Swap, Absorption and Merger Agreement between Baoshan Iron & Steel Co., Ltd. and Wuhan Iron & Steel Co., Ltd.”, Mar 1, 2017 shall be the merging date for this merger. Since March 2017, the shares of WISCO shall be included into the scope of this company's consolidated statement. This merger shall be a merger of enterprises under the same control, according to regulations of ASBE, the company's consolidated income statement, consolidated statement of cash flow and consolidated change statement of owner's equity shall all include the income statement, statement of cash flow and change statement of owner's equity information of WISCO from the beginning of year to the merger date; meanwhile, this company restated the opening number of consolidated balance sheet, the consolidated income statement, consolidated statement of cash flow and consolidated change statement of owner's equity during the comparison period. If not specially noted, the related data in this report shall be the restated data.

## Table of Contents

○	Section I	Definitions	7
○	Section II	Company Profile and Financial Highlights	8
○	Section III	Summary of the Company's Business	11
○	Section IV	Discussion and Analysis about Operation	16
○	Section V	Important Matters	30
○	Section VI	Change of Common Shares and Shareholders	50
○	Section VII	Preferred Stock	55
○	Section VIII	Directors, Supervisors, Senior Executives and Employees	56
○	Section IX	Corporate Governance	66
○	Section X	Corporate Bond	69
○	Section XI	Financial Statements	72
○	Section XII	Catalog of Documents Available for Inspection	198

## Section I Definitions

### I. Definitions

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

#### commonly-used words definition

CSRC	Refers to	China Securities Regulatory Commission
SSE	Refers to	Shanghai Stock Exchange
China BAOWU, BAOWU Group, Group Company	Refers to	China BAOWU Steel Group Corp., Ltd., formerly Baosteel Group Corporation (or "Baosteel Group")
Carbon steel	Refers to	An alloy of iron and carbon. Generally speaking, its carbon content between 0.04% and 2%, while most of it less than 1.4%. Steel with no other alloy elements but iron, carbon, silicon, manganese, sulphur and phosphorus as well as silicon content no more than 0.4%, manganese no more than 0.8%.
Oriented silicon steel	Refers to	Silicon steel with certain rules and directions in crystal arrangement. Silicon content usually about 3%, low iron loss and high magnetic induction, with nominal thickness of 0.20mm, 0.23mm, 0.27mm, 0.30mm, 0.35mm etc. Used in various transformers and others aspects for electric power industry.
Four major manufacturing bases	Refers to	Baoshan Base, Qingshan Base, Meishan Base and Dongshan Base, in which Baoshan Base means Baoshan Iron & Steel Co., Ltd., Qingshan Base means Wuhan Iron & Steel Ltd., Meishan Base means Shanghai Meishan Iron & Steel Co., Ltd., and Dongshan Base means Baosteel Zhanjiang Iron & Steel Co., Ltd.

## Section II Company Profile and Financial Highlights

### 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 Kunzong	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

Registered Address	Baosteel Administration Center, 885 Fujin Road, Baoshan District, Shanghai
Zip Code of Registered Address	201900
Office Address	Baosteel Administration Center, 885 Fujin Road, Baoshan District, Shanghai
Zip Code of Office Address	201900
Internet website	http://www.baosteel.com
E-mail	ir@baosteel.com

### IV. Company announcements or disclosures & copies of the report

Company Announcements or Disclosures published in:	China Securities News, Shanghai Securities News, and Securities Times
Annual Report Website Designated by China Securities Regulatory Commission	www.sse.com.cn
Copies of the Annual Report of the Company available at:	Baosteel Administration Center, 885 Fujin Road, Baoshan District, Shanghai

### V. Profiles of stocks of the Company

Company Stock				
Type of stock	Stock listed at	Abbreviation of stock	Stock code	Abbreviation of stocks before alteration
A-share	Shanghai Stock Exchange	宝钢股份	600019	G 宝钢



## VI. Other relevant information

Accounting Firm (Mainland China)	Name	Deloitte Touche Tohmatsu Certified Public Accountants LLP
	Office address	30th Floor, Bund Center, 222 East Yan An Rd, Shanghai, China (200002)
	Signing Accountants	Xu Yusun    Dou Chengming

## VII. Major accounting data and financial indicators of the Company for the latest three years

### (I) Major accounting data

Unit: Million Yuan    Currency: RMB

Major Accounting Data	2017	2016		Increase or Decrease (%) over the Same Period of Last Year	2015	
		After restatement	Before restatement		After restatement	Before restatement
Operating revenues	289,093	246,169	185,459	17.44	221,987	163,790
Net profit attributable to shareholders of listed company	19,170	9,076	8,966	111.22	-6,570	944
Net profit attributable to shareholders of the listed company less non- recurring gains and losses	17,986	8,994	8,994	99.98	1,085	1,085
Net cash flows from operating activities	33,077	22,403	16,373	47.64	18,477	21,177
	The end of 2017	The end of 2016		Increase or Decrease (%) over the same period at the End of Last Year	The end of 2015	
		After restatement	Before restatement		After restatement	Before restatement
Net assets attributable to shareholders of listed company	164,433	149,778	121,266	9.78	141,094	112,803
Total assets	350,235	359,068	267,983	-2.46	328,561	234,123

### (II) Major financial data

Major Financial Indicators	2017	2016		Increase or Decrease (%) over the Same Period of Last Year	2015	
		After restatement	Before restatement		After restatement	Before restatement
Basic earnings per share (Yuan/ share)	0.86	0.41	0.55	109.76	-0.30	0.06
Diluted earnings per share (Yuan/ share)	0.86	0.41	0.55	109.76	-0.30	0.06
Basic earnings per share less non- recurring gains and losses (Yuan/ share)	0.81	0.55	0.55	47.27	0.07	0.07
Weighted average return-on-equity (%)	12.24	6.25	7.68	Up by 5.99 ppts	-4.52	0.84
Weighted average return-on-equity less non-recurring gains and losses (%)	12.00	7.70	7.70	Up by 4.30 ppts	0.96	0.96

## VIII. Major financial data of each quarter 2017

Unit: Million Yuan    Currency: RMB

	First quarter (Jan.-March)	Second quarter (April-June)	Third quarter (July-Sept.)	Fourth quarter (Oct.-Dec.)
Operating revenues	72,374	72,999	77,635	66,085
Net profit attributable to shareholders of listed company	3,786	2,383	5,499	7,502
Net profit attributable to shareholders of the listed company less non- recurring gains and losses	3,960	2,241	5,274	6,511
Net cash flows from operating activities	1,950	4,591	6,587	19,949

## Section II Company Profile and Financial Highlights

The company seized market window, actively promoted full-system inventory clearing and accelerated reflow of corporate sales income, in the fourth quarter, the control measures of operating funds were gradually implemented in place, the occupation of operating funds decreased by RMB 4.49 billion, the company released operating cash flow, excluding the net operating cash flow of RMB 17.8 billion of the finance company in the fourth quarter, realized double growth of profit and cash.

Notes to difference between quarterly data and already disclosed regular report data

√ Applicable □ Not applicable

After Ouyeeel completed capital and share increase at the end of July 2017, the company no longer had control over it, since August 2017, Ouyeeel was no longer included into the scope of the company's consolidated statement. With the change of e-commerce business model of Ouyeeel, its engaged steel e-commerce business changed into net amount method to confirm sales revenue, during the period from January to July in 2017, it was still in the scope of the company's consolidated statement, so the company adjusted the disclosed revenue data of the first three quarters in 2017. Such adjustment was only about the adjustment of operating revenue and operating cost amount, and had no influence on the company's total profit and the net profit attributable to the shareholders of listed company.

### IX. Non-recurring gains and losses

√ Applicable □ Not applicable

Unit: Million Yuan Currency: RMB

Non-recurring Gains and Losses Items	2017	2016 (after restatement)	2016 (before restatement)	2015 (after statement)	2015 (before restatement)
Profits and losses arising from disposal of non-current assets	-846	-439	-439	100	100
Government subsidy calculated in current gains and losses, except closely related to normal operating activities, consecutive ration and quantitation government subsidy in lines with national policies, rules and certain standards	547	343	343	506	506
Net income and loss in current period of subsidiaries generated from consolidation of enterprises under the same control from the beginning of period to consolidation date.	60	110	-	-7,513	-
Gains and losses from change of fair value for holding trading financial assets and liabilities, investment income by the disposal of trading financial assets and liabilities, and available-for-sale financial assets, except effective hedging operations related to the Company normal operation business	1,560	626	626	252	252
Other net non-operating income and expenditure other than the above items	-43	21	21	41	41
Other gains and losses items in lines with the definition of non-recurring gains and losses items (other non-current assets depreciation reserves)	-9	-563	-563	-944	-944
Effect of income tax	-82	12	12	-82	-82
Effect of minority shareholders' interest	-3	-28	-28	-15	-15
Total	1,184	82	-28	-7,655	-141

### X. Projects using fair value measurement

√ Applicable □ Not applicable

Unit: Million Yuan Currency: RMB

Items	Initial Balance	Closing Balance	Change in the reporting period	Amount affecting balance in the reporting period
Financial assets measured by fair value and gains/losses from its change	1,123	1,726	603	112
Available-for-sale financial assets	3,633	3,378	-255	140
Financial liability measured by fair value and gains/losses from its change	35	372	337	-423
total	4,791	5,476	685	-171

## Section III Summary of the Company's Business

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

#### 1. The Company's Main Operations, Main Products and Uses, Operating Models and Main Performance Driving Factors during Reporting Period

The company is a globally leading super-large iron and steel complex, and also an internationally leading world-class iron and steel complex. The company focuses on steel industry, as well as engages in processing and distribution operations of the main steel business. On Feb 27, 2017, the company completed the consolidation by merging Wuhan Iron and Steel Co. Ltd.. So far as concerned, the company has main production bases including Shanghai Baoshan, Wuhan Qingshan, Nanjing Meishan, Zhanjiang Qingshan, etc., has globally well-known brand, world-class technological level and service capability, and is one of the steel enterprises with the most complete carbon steel varieties in the world.

The company has always been adhering to the development path of "Innovation, Coordination, Green Production, Openness and Sharing", has globally well-known brand, world-class technological level and service capability. The company's main steel business is specialized in production of high-technological-content and high-additional-value carbon steel sheets, heavy plates, steel tubes and other quality steel products, its main products have been widely applied to the industries of automobile, home appliances, petrochemical, machinery manufacturing, energy, transportation, etc.. The company focuses on core strategic product groups, from the four major dimensions of manufacturing, R&D, marketing and service, it has formed the six major strategic products of automobile steel, electrical steel, energy and pipeline steel, high-grade sheets, tin plates, and high-grade heavy plate products.

The company continues to implement the quality product development strategy featured with technological advancement, pays close attention to the high-speed growth of China's high-end manufacturing industries such as military industry, nuclear power, high-speed railway, maritime work equipments, and new-energy automobile, as well as researches, develops and reserves higher-end new material technologies, concentrating strength to develop "from steel to material". The company attaches importance to the cultivation of innovative capability, actively develops and applies the technologies of advanced manufacturing, energy conservation and environmental protection, and has established the marketing and processing service network that has covered the entire China and spreading across the world. The company's whole technological equipments are built on the basis of advanced modern technologies such as steel smelting, cold and hot processing, hydraulic pressure sensor, electronic control, computer and information telecommunication, has the large-scale, continuous and automatic characteristics, positioned in the leading status in the world's iron and steel industry, and has already crossed the industry 3.0 stage. The company focuses on the transformation "from manufacturing to service" and "from China to the world", actively provides customers with first-class products, technologies and services, while meeting the demands of domestic market, the company's products have been exported to over seventy countries and regions including Japan, South Korea, European countries, the US, etc..

The company has seized the historical opportunity of supply-side structural reform, held the active attitude of self-denial and self-transcendence, strengthened the coordination between Baosteel and Wuhan Steel, cost reform, technological advancement, service pioneering, intelligent manufacturing and capability construction of urban steel factory. The company has made fully efforts in creating the four major manufacturing bases of Shanghai Baoshan, Wuhan Qingshan, Nanjing Meishan and Zhanjiang Dongshan, released the "Comprehensive Management Manual", formed the management and operation mechanism of four major manufacturing bases, actively promoted the implementation of unified management of marketing, procurement and R&D, established the consistently managed multiple manufacturing bases management model with Baosteel characteristics. The company makes efforts to realize the prospect of "becoming the most competitive steel enterprise in the world, and the most valuable listed company".

#### 2. Development Stage, Cyclical Characteristics of the Industry and Industrial Status of the Company during the Reporting Period

In 2017, the global economy moderately recovered, the Chinese economy stabilized and tended to a better prospect, the GDP growth rate reached 6.9%, the total import/export amount grew by 14.2% compared with the same period in previous year, the Chinese infrastructure investment and real estate development maintained a relatively high growth rate, which supported the growth of steel demands in China in 2017, and provided a good macroeconomic environment for the structural adjustment of Chinese steel industry.

Driven by a series of factors including the continuous promotion of supply-side reform, steel capacity reduction, the elimination of "Substandard Steel", environmental protection supervision and examination, limited production in heating season, etc., large volume of ineffective or low-effective capacities quit the market, the supply pattern of steel industry obviously improved, the output of crude steel throughout the year was 830 million tons, the industrial profitability was extensively enhanced.

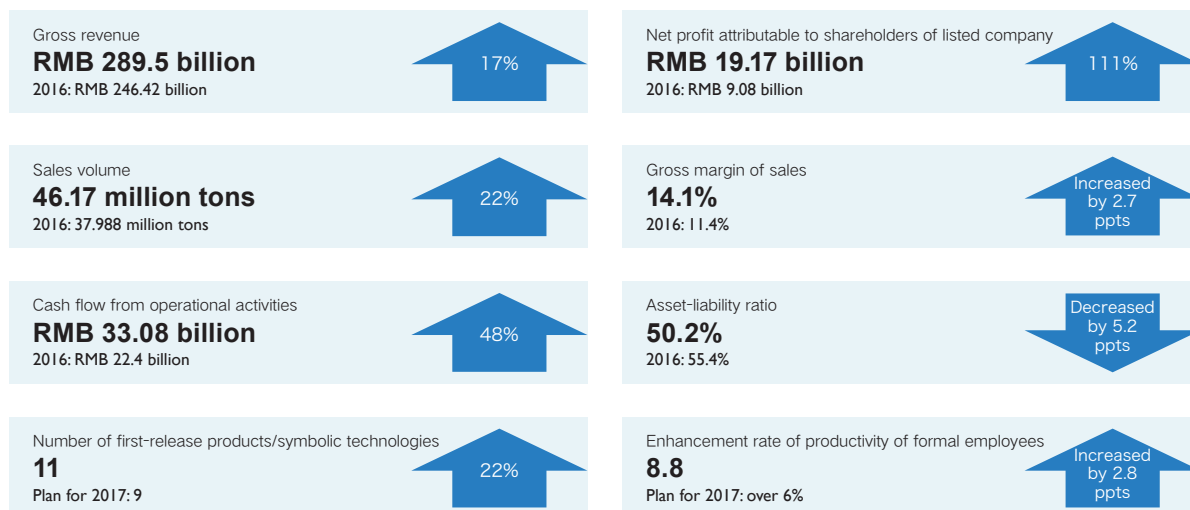
However, currently China's steel industry still faces many challenges including overcapacity, relatively low capacity utilizing rate, low industrial concentration degree, differentiated development levels, irrational industrial layout, lack of innovative capability, etc., China's steel industry is still in the long-cycle stage of capacity reduction and structural reform.

In 2017, the company made full use of the coordination advantage of the Baosteel-Wuhan Steel integration, adhered to the green, quality-product and intelligent development, continuously strengthened the differentiated competition advantage, the market competition position was further consolidated. In 2017, Baosteel realized total profit of RMB 24.04 billion, maintained the leading position of Chinese carbon steel sheets and the

## Section III Summary of the Company's Business

best performance of Chinese steel industry. After the company's consolidation by merging Wuhan Steel through share swaps, the company's sales scale of silicon steel has become the first place in the world, and its sales scale of auto sheets also became top three in the world.

### 3. Key Data



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

- Extensive enhancement of operation performance. Throughout the year, the company realized cost reduction of RMB 6.11 billion, completing the annual goal beyond expectation; realized gross profit of RMB 24.04 billion, making a record high, and increased by 102% compared with that in previous year; and realized cash flow from operational activities of RMB 33.08 billion, increased by 48% compared with the same period in previous year.
- Promising performance in capital market. Baosteel share was listed in the FTSE China A50 Index, and listed in the SSE 50 Index again; the company received the title of "Top One Hundred Chinese Enterprises Award" and "Chinese Ethical Enterprise Award", and received the award of "Golden Round Table Award – Best Board of Directors" of Chinese listed companies again.
- Fast release of coordination effect. Based on the general path of "Consolidation, Integration and Combination", the company comprehensively and energetically promoted the integration between Baosteel and Wuhan Steel, and obtained effect beyond expectation, throughout the year, Wuhan Steel realized net profit of RMB 590 million, increasing by 338% compared with the same period in previous year.
- Continuous development of quality steel products. The four products including anti-corrosion martensitic stainless steel clad plate (30CrB+Q235B) realized first release in the world. The "R&D and Application of Highly Efficient, Energy Conserving and Environmentally Protecting Sintering Technologies and Equipments" that the company participated in application received the Second Prize of National Scientific and Technological Advance Award, the 4 results including the "Research on Baosteel Products Based on LCA Production Process and Environmental-friendly Property" received the First Prize of Metallurgical Technological Advancement Award.
- Zhanjiang Steel comprehensively realized profit. The projects of Zhanjiang Steel were all completed and put into production, the main processes realized stable production and overproduction, the various technical and economic indicators rapidly advanced, and realized net profit of RMB 2.31 billion throughout the year.
- Top credit rating in the industry. The three major international rating agencies, S&P, Moody and Fitch, gave the company the long-term enterprise credit rating of BBB+, Baa1 and A respectively, the company continuously maintains the highest credit rating of comprehensive steel enterprises worldwide, in which S&P and Moody upgraded the rating prospect of the company to stable, Fitch upgraded the company's credit rating from A- to A, and upgraded the rating prospect from observed to stable.
- Intelligent manufacturing entering new stage. The company's intelligent manufacturing completed the transformation from introduction stage to systematic enforcement stage, in 2017, the 1580 intelligent workshop pilot demonstration of Baoshan Base reached the construction goals, the cold rolling C608/C708 unit (workshop) received the qualification of "Intelligent Manufacturing Pilot Demonstration of the Ministry of Industry and Information Technology" again.
- Full-process energy conservation and emission reduction. The company pushed forward the implementation of plant area greening project, increased greening area of 300 thousand m<sup>2</sup>. The No.3 sintering ORC power generation and raw material greenhouse photovoltaic power generation projects of Baoshan Base was basically completed, the plant roof photovoltaic power generation project received nomination of the Sustainable Development Excellency Award of the World Steel Association.

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

✓ Applicable ☐ Not applicable

### 1. Changes in Equity Assets

(1) The company's subsidiary Ouyeel's increase in capital and share through open listing at Shanghai United Assets and Equity Exchange. This increase in capital and share attracted six strategic investors, including BXSTEEL Group, Shagang Group, GLP, Mitsui & Co., Shougang Group Fund, CCB Principal Asset Management and Shanghai Ouji to subscribe 28% of shares of Ouyeel. This additional issue increased 933 million shares and raised RMB 1.055 billion. After the completion of increase in capital and share, the ratio of total shares held by Baosteel and Baosteel International decreased from original 51% to 36.72%.

(2) In October 2017, the company restructured the steel pipe operation of Yantai Region, Yantai Lubao Steel Pipe Co., Ltd. acquired 80% shares of Yantai Baosteel Steel Pipe Co., Ltd. held by the company and consolidated the latter by merger, meanwhile, the company increased capital of Yantai Lubao Steel Pipe Co., Ltd. by RMB 2 billion, further optimized the capital structure and enhanced profitability. After the completion of capital increase, the registered capital of Yantai Lubao Steel Pipe Co., Ltd. became RMB 2.5 billion.

(3) In December 2017, the company contributed RMB 2.2 billion to acquire 100% shares of the International Laser Welding of Tailored Blanks Co., Ltd. of Wuhan Iron & Steel Group held by the International Economic & Trade Co., Ltd. of Wuhan Iron & Steel Group, which is a wholly-owned subsidiary of Wuhan Iron & Steel Co., Ltd.

(4) In December 2017, the company contributed RMB 4.492 billion to acquire 10% shares of Shanghai Rural Commercial Bank held by Australia and New Zealand Bank Group Co., Ltd.

(5) The company enlarged the efforts in business consolidation and disposal of ineffective assets, liquidated and canceled 6 subsidiaries, including Shanghai Baosteel Industry Co., Ltd., Shanghai Baosteel International Freight Forwarder Co., Ltd., Wuhan Metal Resource Casting Technology Co., Ltd., Wuhe Co., Ltd., Wuhan Iron & Steel (Korea) Trading Co., Ltd. and Good Life (Shanghai) Information Technology Co., Ltd., and withdrew the investment of RMB 168 million in total. The company made consolidation by merger of 16 companies, such as Yantai Baosteel Steel Pipe Co., Ltd., Shenyang Baosteel Northeast Trading Co., Ltd., Shanghai Baosteel Yuexin Auto Parts Co., Ltd., and Guangzhou Wugang Southern China Sales Co., Ltd.. Through the method of listing transfer, the company transferred 15% shares of Nanjing Tiemei Transport Trading Co., Ltd., and transferred 2% shares of Wuhan Wugang Dansk Technology Magnets Co., Ltd., and no longer had actual control over the aforesaid two companies.

(6) Liuzhou Baosteel Auto Steel Material and Parts Co., Ltd., a wholly-owned subsidiary of Baosteel International invested RMB 80.5 million to acquire 100% shares of Liuzhou Wugang Steel Processing Co., Ltd. held by Wuhan Iron & Steel Group. After the completion of this acquisition, Liuzhou Baosteel Auto Steel Material and Parts Co., Ltd. implemented consolidation by merger of Liuzhou Wugang Steel Processing Co., Ltd., and the corresponding operations were succeeded by Liuzhou Baosteel Auto Steel Material and Parts Co., Ltd.

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

Fixed assets decreased by RMB 9.66 billion compared with that at the beginning of year, including transfer of project under construction to fixed assets of RMB 9.91 billion and provisioned depreciation of RMB 17.7 billion.

### 3. Situation of Overseas Assets

As of the end of 2017, the Company had overseas assets of 324.4 (unit: 100 million yuan Currency: RMB), accounting for 9.3% of the total assets.

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

In 2005, the company acquired preemptive shares of Baosteel Europe, Baosteel US and other overseas marketing companies as well as Bao-Trans and Bao-Island shipping company held by original Baosteel Group through additional issue, and the consideration of such acquisition was RMB 1.11 billion. Since 2011, in order to explore the capacity of overseas manufacturing and processing service, the company gradually established seven companies such as Baoli Steel Pipe and Baosteel India through sole proprietorship or joint venture. On Feb 27, 2017, the company swapped shares and consolidated Wuhan Iron & Steel Co., Ltd., and its overseas subsidiaries were included into the company. As of the end of 2017, the company had 27 overseas subsidiaries at various levels and 8 shareholding companies in the countries and regions such as the US, Japan, Germany, Singapore, Thailand, and Hong Kong.

#### (2) Operation Condition of Overseas State-owned Assets

The overseas trade-type subsidiaries mainly include Howa, Baosteel Europe, Baosteel America, Baosteel Singapore and their subsidiaries directly held by Baosteel; the subsidiaries of Wuhan Iron & Steel Limited, including Wugang Trade, Wugang Australia, Wugang India, Wugang Europe and Wugang America; the overseas shipping service subsidiaries include Bao-Trans and Wugang (Hong Kong) Shipping Co., Ltd.; the overseas steel

## Section III Summary of the Company's Business

manufacturing and processing service subsidiaries mainly include Baoli Steel Pipe, BGM, India Shear Center, Indonesia Steel Processing Center, International Laser Welding of Tailored Blanks Co., Ltd. of Wugang International and their subsidiaries.

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

As of the end of 2017, the assets of the Company's subordinate overseas subsidiaries totaled 32.44 billion yuan, operating income totaled 71.65 billion yuan and owner's equity totaled 8.31 billion yuan. In 2017, overseas subsidiaries totally have achieved a total profit of 510 million yuan with a net profit of 310 million yuan and a net assets income ratio of 3.8%.

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

☒ Applicable ☐ Not applicable

After Baosteel merged Wuhan Steel through consolidation by share swap, the company's core competitiveness was significantly strengthened, and its leadership status in Chinese carbon sheet market was further strengthened. The company's core competitiveness is mainly referred in the aspects of technological innovation, manufacturing capacity, cost control, customer service, brand construction, sustainable development capability, etc.

### 1. Technological Innovations

The Company continued the premium product development strategy characterized by technological leadership. In 2017, Baosteel increased investment in technological innovation and made continuous progress in the aspects of product development, technological progress and so on with R&D investment rate of 1.85%, proportion of invention patent applications of 74%

### 2. Manufacturing Capacity

The company focuses on variety exploration and quality improvement, enhances stable manufacturing capability, provides powerful guarantee for user certification of new products and stable production in batches. The company emphasizes on key products, key processes and key defects to enlarge quality breakthroughs and quality enhancements, promotes the production of zero-defect slabs and significantly enhanced product quality. Meanwhile, the company energetically developed exploration of variety capacity of Zhanjiang Steel, the technological support of Meishan Steel, the implementation of BAOWU consolidation and integration manufacturing project, etc., accelerated the enhancement of manufacturing capacity of various bases.

The company's Chinese market shares of cold rolling automobile sheets reached over 60%; products such as oriented silicon steel B23R075, B30R090 were successfully applied to large-scale power transformers; the ultrahigh strength constructional steel BS1100E used for high-end crane jibs completed the first trial production in China; anti-crack steel, duplex stainless steel clad plates of chemicals ships in shipping industry, nickel base clad plates of pipeline industry, super-wide stainless steel clad pipes of electricity industry, homogeneous composite boards of nuclear power and automobile industry (super-wide, super-thick, large piece weight), etc. realized first supply in China; BG155P high-strength high-tenacity perforating barrel completed trial production; developed 110-125ksi steel-grade high-strength high-tenacity series casing pipes specially used for shale gas, and realized upgrading and updating of products.

### 3. Cost Control

The company enlarged cost benchmarking efforts, enhanced comparability of cost information in various bases, timely revealed cost improvement potential points, realized cost reduction of RMB 6.11 billion throughout the year (compared with 2015). Baoshan Base deeply dug cost reduction potential in the aspects of procurement cost reduction, manufacturing cost reduction, cash payment expense cutting, inventory loss reduction, etc.; Meishan Base strived for breakthrough in optimization of resource allocation, promoted cross-system, comprehensive and multi-layer coordinated cost reduction and explored the new model of coordinated cost reduction between production, sales and research; Dongshan Base considered "Four One Hundred" as the benchmark, reflected cost advantages by the means of fuel structure optimization, reduction of logistics entering factory, control of maintenance expense sources; Qingshan Base transformed cost control idea, established cost reform planning and promotion system, and realized the transformation from partial cost improvement to systematic improvement.

### 4. Customer Service

The company focused on differentiated competition strategy, continued to develop marketing personnel's technical service qualification certification work based on the operating mechanism of "Customer Centered", continued to promote EVI service programs, strengthened user demand management and using technology research, the technical service capability continued to enhance.

The company continued to create intelligent supply chain with automobile sheet users as the pilot, explored and promoted the intelligent supply chain programs of Great Wall Automobile and Dongfeng Nissan, penetrated internal and external systems, borrowed mobile internet means, innovated the intelligent ordering, full-process follow-up, flexible manufacturing, supply chain alarm and coordinated processing under standard cycle, and realized the lean operation of supply chain between steel plants and downstream automobile plants and auxiliary facility plants.

## 5. Brand Building

The company has determined “Creation Beyond Vision” as the company’s brand slogan, held the first brand press conference, fully explained to the public and passed on the brand connotation of Baosteel of “Innovation, Coordination, Green, Openness and Sharing”, created excellent company image.

The company participated the 17th Shanghai Auto Show and the 19th International Industrial Fair, reflected the company’s overall competitiveness and the strong strength in the aspects of technological innovation, intelligent manufacturing, etc. The company developed the theme event of “Green Baosteel Carnival”, actively passed on the company’s active results in the aspects of promoting environmental protection, energy conservation, and creation of urban steel plants, enabled the public to be fully aware of the friendly and green Baosteel. The company adopted airport media, public WeChat platform, various professional exhibitions and user forums to establish vertical communication platforms of products and brand.

## 6. Sustainable Development Capacity

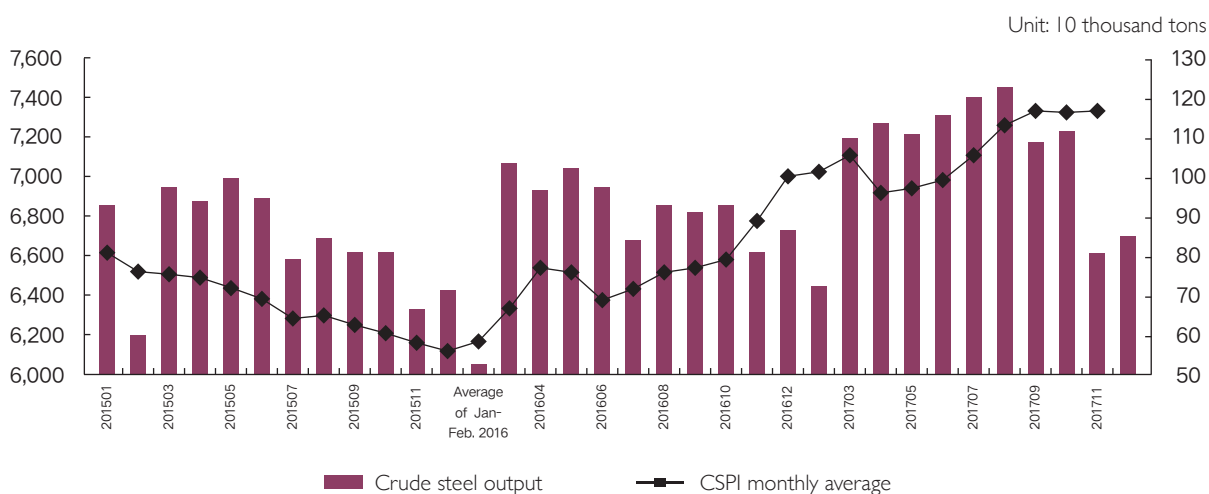
The company has been dedicating to the creation of green steel industrial chain and becoming the best practitioner of environment-friendly industry. In 2017, the company’s main measures in improving environment and creating green plants are as follows: ① Maintaining high-intensity input in environmental protection technical innovation. Baoshan Base completed the close transformation of Stage I and Stage II blending yard BA, BB and ingredients OA and OB, completed the super-clear emission comprehensive reconstruction of No.1 unit of self-owned coal-fired power plant; the main project of the flue gas desulfurization, denitration and auxiliary facility system reconstruction of No.3 sintering machine of Meishan Steel Iron Works were completed and put into operation, the company also completed the reconstruction of flue gas desulfurization, denitration and de-dusting of IAIB coke oven. ② Promotion of solid waste processing and disposing work. The ground residue production line and roller residue production line of slag processing center of Baoshan Base were put into production, the company completed the blending combustion wasted emulsion capacity reconstruction of No.2 boiler of the power plant. ③ Promotion of plant greening project. Baoshan Base completed greening construction area of 308 thousand  $\text{m}^2$ , including increased greening area of 160 thousand  $\text{m}^2$ ; Meishan Steel increased greening landscape and centralized greening cultural scenic spot area of over 180 thousand  $\text{m}^2$ . ④ Promotion of green energy project. The three sintering ORC power generation and raw material greenhouse photovoltaic power generation projects of Baoshan Base were basically completed, the plant roof photovoltaic power generation project received nomination of the Sustainable Development Excellency Award by the World Steel Association.

## Section IV Discussion and Analysis about Operation

### I. Discussion and Analysis about Operation

Since 2017, China's supply-side structural reform has been continuously promoted forward, the steel industry had significant effect in capacity reduction and cancellation of "Substandard Steel", advantageous production capacity accelerated in releasing, meanwhile, the Chinese macroeconomic situation has been operating well, which provided good support for the stable operation of the steel industry.

In 2017, China's steel market price moved upwards with fluctuations, and was generally positioned at high level, the comprehensive steel price CSPI Index of China Steel Association increased by 42.7% compared with the annual average in previous year, Raw material during the same period reflected differentiation, 62% of iron ore Platts Index annual average price increased by 22.2% compared with the same period in previous year, the annual average of coking coal in Lylang, Shanxi increased by 86.4% compared with the same period in previous year, the difference between purchase and sale prices of the company increased compared with the same period in previous year.



Source: Wind Information

The company seized the opportunity of national supply-side structural reform and steel capacity reduction, calmly handled market fluctuations, established and continuously optimized multiple base operation control model, focused on the five core capabilities of "cost reform, technological advancement, service pioneering, intelligent manufacturing and capability construction of urban steel factory", achieved great results in the aspects of Bao-Wu integration, cost reduction, production & manufacturing, product R&D, market exploration, etc., in 2017, the company sold 46.17 million tons of steel products, realized gross revenue of RMB 289.5 billion and total profit of RMB 24.04 billion.

### II. Main Operation in the Reporting Period

Main Operation in the Reporting Period is as follows:

#### (I) Analysis of Principle Business

##### Analysis Statement of Changes in Income Statement and Cash Flow Statement Related Items

Unit: Million Yuan Currency:RMB

Item	Amount in the reporting period	Amount over the same period last year	Change ratio (%)
Operating revenue	289,093	246,169	17.4
Operating cost	248,425	218,212	13.8
Sales expenses	3,366	2,928	15.0
Administrative expenses	9,632	9,155	5.2
Financial expenses	3,370	3,977	-15.2
Net cash flow from operating activities	33,077	22,403	47.6
Net cash flow from investing activities	-11,724	-21,558	45.6
Net cash flow from financing activities	-14,382	-1,460	-884.9



## 1. Analysis of Income and Cost

√Applicable ☐ Not applicable

The analysis of income and cost is as follows:

### (1) Principle business by industries, products and regions

Unit: Million Yuan Currency: RMB

Principal business by industries						
Industry	Operating revenue	Operating cost	Gross margin(%)	YoY change in revenue(%)	YoY change in cost(%)	YoY Change in gross margin
Steel manufacturing	217,331	186,508	14.2	46.1	45.0	Up by 0.6 ppts.
Processing and distribution	271,311	264,226	2.6	27.5	27.8	Down by 0.2 ppts.
Others	17,971	15,002	16.5	-64.7	-69.3	Up by 12.5 ppts.
Offset between segments	-216,958	-217,132	-	-	-	
Total	289,655	248,604	14.2	17.5	13.6	Up by 2.9 ppts.

Principal business by products						
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	87,721	73,512	16.2	35.4	35.5	Down by 0.04 ppts.
Hot-rolled carbon steel sheets and coils	76,011	61,354	19.3	69.5	67.6	Up by 0.9 ppts.
Steel tubes and pipes	10,567	10,265	2.9	68.5	64.1	Up by 2.6 ppts.
Long products	7,274	6,151	15.4	23.6	25.9	Down by 1.6 ppts.
Other steel products	13,251	12,655	4.5	91.5	87.0	Up by 2.3 ppts.
Total	194,824	163,936	15.9	51.4	50.7	Up by 0.4 ppts.

Principal business by regions						
Region	Operating revenue	Operating cost	Gross margin (%)	YoY change in revenue (%)	YoY change in cost (%)	YoY change in gross margin (%)
Domestic market	260,445	221,184	15.1	20.5	16.4	Up by 3.0 ppts.
Overseas market	29,210	27,420	6.1	-3.9	-4.7	Up by 0.7 ppts.

Notes of principle business by industries, products and regions

√Applicable ☐ Not applicable

The company divides its internal organs into three parts, namely steel manufacturing, processing & distribution, and others. The steel manufacturing part includes steel manufacturing units, the processing & distribution part includes trading units as Baosteel International and overseas companies, the others part includes Baosight software business, chemical company business, financial company business, etc..

Supported by the factors such as supply-side reform, steel production capacity reduction, growing demand from downstream industries as well as the company's internal cost reduction effort, in 2017, the gross profit rates of main products in the company increased compared with that of previous year.

## Section IV Discussion and Analysis about Operation

### (2) Production and sales volume analysis

√Applicable ☐ Not applicable

Unit: Ten thousand tons

Major items	Production volume	Sales volume	Inventory	YoY change in production (%)	YoY change in sales (%)	YoY change in inventory (%)
Cold-rolled carbon steel sheets and coils	1,705	1,724	153	12.9	11.9	-2.4
Hot-rolled carbon steel sheets and coils	2,101	2,134	55	29.9	26.3	-56.4
Steel tubes & pipes	197	213	15	28.9	36.2	-41.7
Other steel products	535	546	20	12.0	32.3	-34.8
Total	4,538	4,617	243	20.7	21.5	-28.3

Note: the sales volume in 2017 included the 2.026 million tons of hot-rolled products sold to Baosteel-NSC Auto Sheet, but excluding the sales volume of 2.38 million tons of cold-rolled carbon steel products of Baosteel-NSC Auto Sheet.

The Company exported 3.839 million tons of steel products in 2017, representing a year-on-year decrease of 273 thousand tons, with export sales channel set out as follows:

Region	2017 (ratio%)	2016 (ratio%)
East Asia and Australia	20.3	17.6
Europe and Africa	21.9	22.6
America	10.1	9.6
Southeast Asia and South Asia	47.6	50.3
Total	100.0	100.0

In 2017, Baosteel exported products to over 90 countries and regions, sales volume in traditional markets such as Korea and Italy was stable, the markets were deeper developed; and sales volume in OBOR countries, such as Indonesia, Thailand and Bangladesh, grew steadily.

In 2017, the export for six categories of strategic products (automotive steel, silicon steel, energy and pipeline steel, high-grade sheet products, tin plate, high-grade ship plate and maritime steel) of Baosteel carbon steel sheet accounted for 57% of total volume of carbon steel sheet export.

Relying on advanced technical advantages and product advantages, as well as the global marketing network to serve customers, Baosteel has established strategic partnership with many multinationals in the world. Regarding the promotion of overseas strategic layout, the company has been actively deepening the cooperation with overseas strategic users, and received the Fiat Chrysler Annual Supplier Award and Siemens Best Comprehensive Performance Award.

### (3) Cost analysis

Unit: Million Yuan Currency: RMB

By Industries							
Industry	Cost items	Amount in the period	Ratio in overall cost(%)	Amount in the same period last year	Ratio in overall cost in the same period last year(%)	Change of amount in this period from the previous period (%)	Notes
Iron & steel manufacturing	Fuel and raw materials	120,278	70.6	78,801	63.0	52.6	
	Others	50,057	29.4	46,311	37.0	8.1	
	Total	170,335	100.0	125,113	100	36.1	

Note: only including the cost of steel manufacturing units, excluding the cost of processing, distribution and other units.

Notes to other conditions of cost analysis

☐ Applicable ☒ Not applicable

#### (4) Major customers and major suppliers

√Applicable ☐ Not applicable

The sales income to the top five customers was RMB 31.17 billion, accounting for 10.8% of the total annual sales income; in which the sales income to affiliated parties among the top five customers was RMB 20.4 billion, accounting for 7.0% of the total annual sales income.

The procurement amount from the top five suppliers was RMB 27.2 billion, accounting for 42.6% of the total annual procurement amount; in which the procurement amount from the affiliated parties among the top five suppliers was RMB 3.65 billion, accounting for 5.7% of the total annual procurement amount.

## 2. Expenses

√Applicable ☐ Not applicable

### (1) Sales expenses and administrative expenses

Unit: Million Yuan Currency: RMB

Items	Amount in the period	Amount over the same period last year	Change of amount in this period from the previous period (%)
Sales expense	3,366	2,928	15.0
Administrative expense	9,632	9,155	5.2

### (2) Financial expenses

Unit: Million Yuan Currency: RMB

Items	2017	2016	Difference	Rate of difference (%)
Interest incomes	-169	-438	269	-61.5
Interest expenditures	3,634	3,998	-363	-9.1
Gains and losses from currency exchange	-159	308	-466	-151.7
Others	64	109	-45	-41.5
Total	3,370	3,977	-606	-15.2

The financial expense in this year decreased by RMB 610 million compared with the same period in previous year, in which the income from interest decreased by RMB 270 million compared with the same period in previous year, mainly because, the transfer payment of Wusong Parcel was settled in April 2017, the corresponding income from interest decreased by RMB 180 million compared with the same period in previous year. The expenditure of interest decreased by RMB 360 million compared with the same period in previous year, mainly because the company reduced the debt leverage by integrating the market situation and its own free cash flow conditions, the interest-bearing liabilities at the end of year decreased compared with that at the beginning of year. The exchange income increased by RMB 470 million compared with the same period in previous year, mainly because the Euro extensively appreciated by 13.4% against USD, the Euro bonds issued by the company had an exchange loss of RMB 470 million, while the intermediate rate of RMB against USD appreciated by 5.8%, the company's exchange income generated from USD debt was about RMB 630 million, the consolidated exchange income from the two was RMB 160 million; while the RMB extensively depreciated by 6.8% against USD in the same period in previous year, the Euro slightly depreciated against USD by 3.6%, the exchange loss generated was RMB 310 million.

## 3. R&D Investment

### R&D investment table

√ Applicable ☐ Not applicable

Unit: Million Yuan

Expenditure of R&D investment	5,350
Capitalization of R&D investment	-
Total R&D investment	5,350
Ratio of total R&D investment to operating revenue (%)	1.85
Amount of R&D personnel	1,430
Ratio of R&D staff to total staff(%)	2.11
Ratio of R&D investment capitalization (%)	-

## Section IV Discussion and Analysis about Operation

### Explanation

√ Applicable □ Not applicable

In 2017, the company continuously developed quality steel products, the four products including anti-corrosion Martensitic stainless steel clad plates, (30CrB+Q235B), low-noise oriented silicon steel (B27R095-LM), ultra-low iron-loss oriented silicon steel (B20R065) and ultra-high-strength zinc quenching auto sheets (QP980GA) realized the first release in the world.

In 2017, multiple scientific research results of the company received "Technological Advancement Award" from the national government, Shanghai municipal government and the metallurgical industry. Including: the "R&D and Application of Highly Efficient, Energy Conserving and Environmentally Protecting Sintering Technologies and Equipments" that the company participated in application received the Second Prize of National Scientific and Technological Advance Award, the 4 results including the "Research on Baosteel Products Based on LCA Production Process and Environmental-friendly Property" received the First Prize of Metallurgical Technological Advancement Award; 12 results received the Second and Third Prizes of the Metallurgical Technology Advancement Award; and 2 results received the Second and Third Prizes of Shanghai Technological Advancement Award.

### 4. Cash flow

√ Applicable □ Not applicable

In 2017, the company realized net profit of RMB 20.4 billion, depreciation and amortization of fixed assets of RMB 18.35 billion, provisioning of asset devaluation reserve and disposal of asset loss of RMB 1.97 billion, the financial expense, loss from fair value change, investment loss, change of deferred income tax and other items of RMB 290 million in total, and the receivable cash from operation throughout the year of RMB 41.02 billion. The capital occupation from inventory deceased by RMB 6.73 billion, the capital occupation from operational receivable and payable items increased by RMB 14.68 billion, the actually received cash from operation throughout the year was RMB 33.08 billion.

Unit: Million Yuan Currency: RMB

Items	2017		2016		Variation year on year	
	Including Finance Co.	Excluding Finance Co.	Including Finance CO.	Excluding Finance Co.	Including Finance Co.	Excluding Finance Co.
Net cash flow arising from operating activities	33,077	34,617	22,403	24,442	10,674	10,175
Net cash flow arising from investing activities	-11,724	-12,443	-21,558	-21,498	9,835	9,055
Net cash flow arising from financing activities	-14,382	-14,390	-1,460	-1,197	-12,922	-13,193
Effect of fluctuation in exchange rate on cash	-81	-75	60	48	-142	-122
Net increase in cash and cash equivalents	6,891	7,709	-555	1,794	7,446	5,915

Without regard to the impact of Finance Co., the net cash flow arising from operating activities was RMB 34.62 billion, an increase of RMB 10.18 billion from the RMB 24.44 billion at the same period last year. This is mainly caused by the following factors:

- (1) The net profit this year was RMB 20.1 billion, RMB 11 billion more than RMB 9.1 billion at the same period last year.
- (2) Depreciation and amortization was RMB 18.34 billion, RMB 910 million more than RMB 17.44 billion at the same period last year.
- (3) Assets impairment was RMB 1.18 billion, RMB 530 million less than RMB 660 million at the same period last year.
- (4) Financial expense was RMB 3.35 billion, RMB 610 million less than RMB 3.96 billion at the same period last year.
- (5) The income from investment was RMB 2.93 billion, RMB 1.95 billion less than RMB 980 million at the same period last year.
- (6) Asset disposal loss, fair value change loss, deferred tax asset and liabilities increased RMB 900 million of cash flow, with an increase of RMB 690 million at the same period last year, representing an increased cash flow of RMB 210 million.
- (7) Inventory decreased than that at the beginning of the year and increased RMB 6.73 billion, with a decrease of cash flow of RMB 15.08 billion due to decrease of inventory at the same period last year, representing an increased cash flow of RMB 21.81 billion for two years.
- (8) Operational receivable items decreased cash flow by RMB 12.59 billion than that at the beginning of the year, with a decrease of cash flow of RMB 5.86 billion due to increase of receivables at the same period last year, representing a decreased cash flow of 6.74 billion for two years.

(9) Operational payable items decreased cash flow by RMB 470 million than that at the beginning of the year, with an increase of cash flow of RMB 14.51 billion due to the increase of payables at the same period last year, representing a decreased cash flow of RMB 14.98 billion for two years.

Without regard to the impact of Finance Co., the net cash flow of investing activities was RMB -12.44 billion, RMB 9.06 billion more than the RMB -21.5 billion at the same period last year. This is mainly caused by the following factors:

(1) The net expenditure from investment was RMB 4.5 billion, which was RMB 12.78 billion in the same period in previous year, with a decrease of RMB 8.28 billion year-on-year. Mainly because the company increased financing scale based on liquidity arrangement and bond issuing window, and used the staged idle funds for capital operation; while the capital operation scale at the end of this year basically maintained the level at the beginning of the year, the net investment was mainly for acquiring 10% shares of Shanghai Rural Commercial Bank for RMB 4.49 billion.

(2) The cash paid for purchasing and establishing fixed assets, intangible asset and other long-term assets was RMB 13.27 billion, which was RMB 14.93 billion during the same period in previous year, the outflow decreased by RMB 1.66 billion compared year-on-year, in which the increase of RMB 280 million for Baoshan Base, increase of RMB 450 million for Meishan Base, increase of RMB 350 million for Dongshan Base, and decrease of RMB 2.6 billion for Qingshan Base.

(3) The company obtained increased flow of income from investment of RMB 1.75 billion, which was RMB 1.29 billion during the same period in previous year, increasing the flow by RMB 460 million year-on-year, which was mainly the income from capital operation of RMB 960 million received in this year; the income from capital operation received during the same period in previous year was RMB 770 million, increasing the flow by RMB 190 million year-on-year; the bonus from equity investment received in this year was RMB 780 million, which was RMB 510 million during the same period in previous year, increasing the flow by RMB 270 million year-on-year.

(4) The cash from disposing fixed assets, intangible assets, other long-term assets as well as expenditures of subsidiaries was RMB 1.18 billion, the withdrawal during the same period in previous year was RMB 130 million, decreasing the flow by RMB 1.31 billion year-on-year, mainly because Ouyeel is no longer included in the company's consolidated statement in current year.

(5) The increased flow from cash receipt and expenditure related to other investment activities was RMB 4.75 billion, the increase of flow during the same period in previous year was RMB 4.81 billion, decreasing the flow by RMB 50 million year-on-year.

Unit: Million Yuan Currency: RMB			
Items (without regard to Finance Co.)	2017	2016	Year-on-Year Variation
Cash inflow arising from investing activities	93,937	64,728	29,209
Cash outflow arising from investing activities	106,380	86,226	20,154
Net cash flow arising from investing activities	-12,443	-21,498	9,055

Without regard to the impact of Finance Co., the net cash flow arising from financing activities was RMB -14.39 billion, RMB 13.19 billion more than the RMB -1.2 billion at the same period last year. Details are as follow:

(1) The decrease of flow from reduction of debt financing scale in current year was RMB 7.5 billion, while the increase of flow from expanding financing scale in previous year was RMB 3.6 billion, the decrease of flow was RMB 11.1 billion for two years.

(2) The decreased flow of cash from dividend distribution and interest payment was RMB 8.56 billion, the decrease during the same period in previous year was RMB 5.48 billion, the decrease of flow was RMB 3.08 billion for two years, mainly because the cash dividends in current year was RMB 4.64 billion, the dividend distribution during the same period in previous year was RMB 990 million, decreasing the flow of RMB 3.65 billion for two years.

(3) The cash received from investment increased cash flow by RMB 870 million compared with the same period in previous year, mainly including the attraction of minority shareholder investment of RMB 920 million by Ouyeel and Huangshi, the receipt of Stage II equity incentive planning fund of RMB 670 million; and the Ouyeel's attraction of capital increase of RMB 600 million from the Group company during the same period in previous year.

Unit: Million Yuan Currency: RMB			
Items (without regard to Finance Co.)	2017	2016	Year-on-year variation
Impact of change in financing scale on flow	-7,498	3,598	-11,096
Cash paid for distribution of dividends and profits or repayment of interest	-8,560	-5,479	-3,082
Cash paid for repurchase of stocks	0	0	0
Cash received from investors	1,590	720	870
Net cash flow arising from financing activities	-14,390	-1,197	-13,193

## Section IV Discussion and Analysis about Operation

### (II) Analysis of assets and liabilities

√ Applicable □ Not applicable

#### 1. Assets and liabilities status

Unit: Million Yuan Currency: RMB

Items	Amount at the end of the reporting period	Ratio against total assets at the end of the reporting period (%)	Amount at the end of last reporting period	Ratio against total assets at the end of last reporting period (%)	YoY ratio change (%)	Notes
Current assets	133,293	38.1	136,763	38.1	-2.5	
Including: Cash and cash equivalents	17,857	5.1	14,025	3.9	27.3	
Inventory	39,488	11.3	49,581	13.8	-20.4	
Bill receivable	31,857	9.1	17,236	4.8	84.8	
Receivables	12,079	3.4	15,472	4.3	-21.9	
Prepayments	8,018	2.3	11,159	3.1	-28.1	
Non-current assets	216,942	61.9	222,305	61.9	-2.4	
Including: Fixed assets	154,222	44.0	163,882	45.6	-5.9	
Construction-in-progress	9,975	2.8	12,476	3.5	-20.0	
Long-term equity investment	17,286	4.9	10,484	2.9	64.9	Mainly for the company's acquisition of 10% shares of Rural Commercial Bank
Total assets	350,235	100.0	359,068	100.0	-2.5	
Current liabilities	163,207	46.6	170,306	47.4	-4.2	
Including: Short-term borrowings	60,282	17.2	52,081	14.5	15.7	
Notes payable	10,517	3.0	17,000	4.7	-38.1	Cashing of bill to mature
Payables	29,156	8.3	34,972	9.7	-16.6	
Deposit received	23,745	6.8	27,302	7.6	-13.0	
Non-current liabilities due within one year	20,407	5.8	1,987	0.6	927.1	To be transferred in from the payables of Wugang bonds, MTN, Euro bonds, USD bonds and finance leases that are about to mature in 2018
Other current liabilities	53	-	18,136	5.1	-99.7	Cashing of super-short financing to mature
Non-current liabilities	12,556	3.6	28,509	7.9	-56.0	
Including: Long-term borrowings	413	0.1	959	0.3	-56.9	The company shall adjust financing structure based on financing arrangements
Notes payables	8,553	2.4	21,052	5.9	-59.4	To be transferred to current liabilities of Wugang bonds, MTN, Euro bonds, USD bonds and finance leases that are about to mature in 2018
Total liabilities	175,762	50.2	198,815	55.4	-11.6	
Shareholders' equity	174,472	49.8	160,252	44.6	8.9	
Total Liabilities and shareholders' equity	350,235	100.0	359,068	100.0	-2.5	

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

✓ Applicable ☐ Not applicable

Unit: Million Yuan Currency: RMB

Items	Carrying value at the end of the year	Limited cause
Cash and cash equivalents	1,529.0	Legal required reserve that financial company deposited at Central Bank
Notes receivables	2.0	Pledged to bank for issuing commercial papers
Receivables	36.6	Obtain short-term borrowings through factoring business as collateral security
Fixed assets	3,907.7	For further details, please refer to Note V. 18(3), (6)
Intangible assets	93.9	For further details, please refer to Note V. 21
Total	5,569.1	

## (III) Analysis of industrial operations

✓ Applicable ☐ Not applicable

### Analysis of steel industry operations

#### 1. Steel manufacturing and sales by processing

✓ Applicable ☐ Not applicable

Unit: Million Yuan Currency: RMB

By processing	Production (ton)		Sales volume (ton )		Operating revenue		Operating cost		Gross margin (%)	
	This year	Previous year	This year	Previous year	This year	Previous year	This year	Previous year	This year	Previous year
Cold-rolled steel	17,051,694	15,109,893	17,236,999	15,400,189	87,721	64,796	73,512	54,273	16.2	16.2
Hot-rolled steel	21,007,971	16,175,937	21,342,374	16,895,910	76,011	44,849	61,354	36,606	19.3	18.4
others	7,317,755	6,305,525	7,590,401	5,691,562	31,092	19,079	29,071	17,908	6.5	6.1

#### 2. Steel manufacturing and sales by form of product

✓ Applicable ☐ Not applicable

Unit: Million Yuan Currency: RMB

By form	production (ton)		Sales volume (ton)		Operating revenue		Operating cost		Gross margin (%)	
	This year	Previous year	This year	Previous year	This year	Previous year	This year	Previous year	This year	Previous year
Strips	40,543,901	33,656,254	41,085,472	34,021,825	172,605	114,292	143,517	95,651	16.9	16.3
Tubes & pipes	1,965,775	1,525,339	2,128,625	1,562,650	10,567	6,271	10,265	6,254	2.9	0.3
others	2,867,744	2,409,762	2,955,677	2,403,187	11,652	8,161	10,155	6,882	12.9	15.7

#### 3. Steel sales by marketing channels

☐ Applicable ✓ Not applicable

#### 4. Iron ore supplies

✓ Applicable ☐ Not applicable

Unit: Million Yuan Currency: RMB

Iron ore source of supply	Supply (ton)		Expenditure	
	This year	Previous year	This year	Previous year
Domestic procurement	4,410,000	5,450,000	2,976	2,858
Overseas import	67,810,000	60,630,000	36,811	22,648

#### 5. Other Notes

☐ Applicable ✓ Not applicable

## Section IV Discussion and Analysis about Operation

### (IV) Investment analysis

#### 1. Analysis of equity investment outside Baosteel

√ Applicable ☐ Not applicable

In 2017, the Company spent RMB 9.54 billion in equity investment, RMB 7.57 billion more than that in the previous year.

The main equity investment

√ Applicable ☐ Not applicable

Unit: Million Currency: RMB

Name of investee	Main business	Proportion of Baosteel's equity in the investee	Actual capital contribution from Baosteel
Shanghai Rural Commercial Bank Corporation	Banking	10%	4,492
Wuhan Iron & Steel Group International Laser Welding of Tailored Blanks Co., Ltd.	Steel material processing	100%	2,200
Yantai Lubao Steel Pipe Co., Ltd.	Steel pipe processing and sales	100%	2,000
Yantai Baosteel Steel Pipe Co., Ltd.	Steel pipe business restructuring, Lubao Steel Pipe acquired the shares of Yanbao Steel Pipe held by this company, and completed the merger of Yanbao Steel Pipe	100%	414
Total			9,106

#### 2. Main non-equity investment

√ Applicable ☐ Not applicable

In 2017, the Company completed the fixed-asset investment of RMB 10.99 billion.

(1) Raised fund project situation

None.

(2) Non-raised fund project

① Projects put into production

Close transformation of Stage I and Stage II blending yard BA, BB and ingredients OA and OB: in order to solve the material dust and loss at blending yard and auxiliary stock ground at Stage I and Stage II, and reduce the material pollution to surrounding environment, the close transformation of the blending material ground piled outdoors was implemented. The project was put into operation at the end of July 2017.

② Newly established projects

No.1 and No.2 sintering integration overhaul and reconstruction: in order to enhance the energy conservation and environmental protection level of sintering process, as well as further enhance sinter furnace entering ratio, and reduce production cost, the company dismantled the existing No.1 and No.2 sintering machine, and newly built a sintering machine. So far the existing sintering machines have been completely dismantled, the new sintering pile foundation was completely constructed, the main plant foundation and platform framework are under construction.

Structure optimization project of oriented silicon steel products: in order to further enhance the class of oriented silicon steel products of Baosteel, fill up the gap, and better meet the demand for high-end oriented silicon steel products by the national extra-high voltage power transmission, transformation and distribution transform industry, the company optimized the structure of oriented silicon steel products. Based on the principle of coordinated planning and stepped implementation, the first step of the project is to comprehensively start hot run test since the end of December 2018. Currently the project is at the stage of civil construction ending, plant steel structure and wall roof tile installation.

Structure optimization project of tin plate products: in order to create conditions for the closing and relocation of original cold-rolled sheet plant area, as well as adjust the structure of tin plate products, and realize the most competitive packing material development strategy, the first step is to build 2 relocation transmission units at 1420 cold-rolled area; the second step is to relocate the existing part of units at original cold-rolled sheet plant. The first step planned to hot run test since the end of October 2018. Currently the relocation and transmission of unit is at the stage of civil construction ending, plant steel structure and wall roof tile installation.



### 3. Financial Assets by Fair Value and Measurement

☒ Applicable ☐ Not applicable

Unit: Million Yuan Currency: RMB					
Items	At the end of 2016	At the end of 2017	Purchase in the reporting period	Sales in the reporting period	Change of fair value
Assets by fair value and measurement and its change recorded in the gains/losses in the reporting period	1,123	1,726	13,432	12,876	47
Available-for-sale financial assets	3,633	3,378	363	758	262
Total	4,756	5,104	13,795	13,634	309

### (V) Sales of Major Assets and Equities

☐ Applicable ☒ Not applicable

### (VI) Main holding and joint-stock company analysis

☒ Applicable ☐ Not applicable

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

As of the end of 2017, the Company owned 77.0% of the equity. With a registered capital of RMB 7.08 billion, Meishan Steel specializes in the processing and sales of black metal smelting and rolling, sales etc.. By the end of 2017, Meishan Steel had a total asset of RMB 28.33 billion, a net asset of RMB 12.06 billion, and a net yearly profit of RMB 2.32 billion.

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

As of the end of 2017, the Company owned 90% of the equity. With a registered capital of RMB 20 billion, Zhanjiang Steel specializes in the processing and sales of black metal smelting and rolling, sales etc.. By the end of 2017, Zhanjiang Steel had a total asset of RMB 60.31 billion, a net asset of RMB 20.19 billion, and a net yearly profit of RMB 2.31 billion.

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

On Feb 27, 2017, Baoshan Iron & Steel Co., Ltd. consolidated Wuhan Iron & Steel Co., Ltd. by merging through share swaps, the entire assets and businesses under Wuhan Iron & Steel Co., Ltd. will be transferred to its wholly-owned subsidiary Wuhan Iron & Steel Ltd., which company has the registered capital of RMB 500 million, and its main business scope includes manufacturing of metallurgical products and by-products, extended steel products, etc. As of the end of 2017, the company had a total asset of RMB 85.15 billion, a net asset of RMB 29.26 billion, and realized net profit of RMB 590 million in current year.

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

As of the end of 2017, the Company owned 50% of the equity. With a registered capital of RMB 3 billion, BNA's main business includes manufacturing and sales of cold-rolled steel sheets and hot-dip galvanized steel sheets for automobile, automotive parts and other services related to its principal business. By the end of 2017, BNA had a total asset of RMB 5.03 billion, a net asset of RMB 3.92 billion, and a net yearly profit of RMB 410 million.

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

In 2017, Yantai Lubao Steel Pipe Co., Ltd. consolidated Yantao Baosteel Steel Pipe Co., Ltd. by merger; the Company increased its capital by RMB 2 billion. As of the end of 2017, the company had 100% of its shares, the company's registered capital is RMB 2.5 billion, and its main business scope includes processing and sales of seamless steel pipes, with main products of hydraulic prop seamless steel pipes, seamless steel pipes used for high-pressure boilers, seamless steel pipes used for petroleum equipments, pipes used for geological drilling, petroleum smooth pipes, oxygen cylinder pipes, etc. As of the end of 2017, the company had a total asset of RMB 4.45 billion, a net asset of RMB 2.36 billion, and realized net profit of RMB 8.286 million in current year.

#### 6. Baosteel Huangshi Coating Plate Co., Ltd.

As of the end of 2017, the Company had 50.63% of its shares, the company's registered capital is RMB 167 million, and its main business scope includes production and sales of cold-rolled sheets, aluminum coated sheets, color-coated sheets, and related coated layer products. As of the end of 2017, the company had a total asset of RMB 1.36 billion, a net asset of RMB 530 million, and realized net profit of RMB 40 million in current year.

## Section IV Discussion and Analysis about Operation

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

As of the end of 2017, the Company owned 100% of the equity. With a registered capital of RMB 2.25 billion, Baosteel International's main business includes imports and exports of goods and technology approved by the government, the imports of steel and scrap steel, processing with imported materials and compensation trade. By the end of 2017, Baosteel International had a total asset of RMB 56.39 billion, a net asset of RMB 16.44 billion, and reporting a net yearly profit of RMB 2.15 billion.

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

As of the end of 2017, the Company owned 55.5% of the equity. With a registered capital of RMB 783 million, Baosight's main business includes computer, automation, network communication and the research, design, development, manufacturing and integration of software and hardware. By the end of 2017, Baosight had a total asset of RMB 8.62 billion, a net asset of RMB 4.91 billion, and reporting a net yearly profit of RMB 460 million.

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

As of the end of 2017, the Company owned 100% of the equity. With a registered capital of RMB 2.11 billion, Baosteel Chemical's main business includes production and sales of chemical raw materials and products, "four techniques" services in chemical industry, and import and export activities of its own products. By the end of 2017, Baosteel Chemical had a total asset of RMB 5.61 billion, a net asset of RMB 3.96 billion, and reporting a net yearly profit of RMB 400 million.

### 10. Shanghai Baosteel Asset Management Co., Ltd.

As of the end of 2017, the Company had 100% of its shares, and its main business scope includes asset management; maintenance of engineering machinery and metallurgical equipments; design, production, installation and maintenance of electromechanical equipments (excluding special equipments); import/export business of goods and technologies; technological development, technological transfer, technological consultation, technological service, etc. within the field of metallurgical technology. As of the end of 2017, the company had a total asset of RMB 1.05 billion, a net asset of RMB 1 billion, and realized net profit of RMB 1.139 million in current year.

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

By the end of 2017, the Company owned 62.1% of equities of this company whose registered capital is RMB 1.4 billion, the main business for the company is absorbing deposits from member units, applying for loans to member units, internal transfer and settlement between the member units, entrusted loans and entrusted investment for member units, inter-bank borrowing, etc. By the end of 2017, this company' had a total asset of RMB 20.21 billion, a net asset of RMB 2.09 billion, and a net profit of RMB 210 million in this year.

### 12. Overseas Company

By the end of 2017, the Company has set up foreign subsidiaries in the US, Japan, Germany, Singapore and Hong Kong, played a significant role in expanding sales and purchasing network of the Company, and improving the competitiveness of the Company in the international market.

## III. Discussion and Analysis of the Company's Future Development

### (I) Industry structure and trend

☒ Applicable ☐ Not applicable

In 2018, the global economy is expected to maintain moderate recovery, and the economic growth is estimated to level with that of 2017, which is good for Chinese foreign trade to maintain stable growth. The risks of global financial risks, such as reverse globalization and geopolitical conflict, are relatively prominent, the global economy is highly uncertain.

In 2018, Chinese economy continues the general key of seeking improvement in stability, based on the requirements of high-quality development, it emphasizes on the deepening of supply-side structural reform. It is estimated that the consumption and export will grow stably, the fixed assets investment growth is going to be in downturn, and the economic growth throughout the year is expected to maintain around 6.7%.

In 2018, the global demands for steel are expected to slightly grow, China's crude steel output, and apparent consumption of crude steel will level with or slightly decline compared with that of 2017.

### (II) Company's Development Strategy

☒ Applicable ☐ Not applicable

The company has the prospect of “becoming the most competitive steel enterprise in the world, and the most valuable listed company”; adheres to considering steel as the main business, and enhance comprehensive competitiveness by strengthening core capabilities such as Bao-Wu coordination, cost reform, technology advancement, service pioneering, intelligent manufacturing, and urban steel plant. The company fully seizes China's development opportunities in the new era, establishes the company's new development dynamics in the era of internet and intelligence through active exploration and practice of intelligent steel manufacturing, and establishes advanced generation of new advantages in China. The company's development strategy fully connects with the national strategy, tightly meets the pulse of our time, having clear strategic positioning, determined paths and measures, and in accordance with the general development environment of China's steel industry.

### (III) Operation Plan

√Applicable ☐ Not applicable

#### 1. Development of Early-stage Development Strategies and Operation Plans during Reporting Period

Compared with the annual operation goals, the company's operating performance in 2017 was the best in China's steel industry; the profit per ton of steel ranked top three among major steel enterprises across the globe; the company comprehensively reduced cost by RMB 6.11 billion; the Bao-Wu coordination effect was completed excessively; Zhanjiang Steel realized net profit of RMB 2.31 billion; formal employee labor efficiency was enhanced by 8.8%, which completed the annual operating goal excessively.

#### 2. The Company's Operating Goals, Plans and Key Works Planned to Develop in 2018

In 2018, working around the general operating guideline of “One Body and Two Wings, Coordination of Four Places, Seeking Development through Reform and Innovation; Differentiated Competition, Cost Reform, and Creating Performance through Green and Lean Production”, the company will make efforts to realize the general operating goals of “Maintaining No.1 place in terms of operating performance; challenging top three in the world in terms of EBITDA per ton of steel; reduction of full-caliber cost by RMB 2 billion on yearly basis; realization of benefit from Bao-Wu coordination of RMB 2 billion; and enhancement of labor efficiency of formal employees by over 8%”.

In 2018, Baoshan Iron & Steel Co., Ltd. plans to produce 45.63 million tons of iron, produce 47.37 million tons of steel, sell 45.68 million tons of steel products, realize total operating revenue of RMB 278.6 billion and operating cost of RMB 242 billion. Focusing on the key work tasks of product operation, technology advancement, service pioneering, cost reduction, intelligent manufacturing and urban steel plant, etc. the company shall continuously deepen reform, fully develop the coordination effect of Bao-Wu integration, comprehensively complete the annual goals and tasks of production and operation, and continue to consolidate the leadership status in the carbon sheet industry in China.

Focusing on the company's general operating guidelines and general operating goals in 2018, as well as integrating the requirements of plans and the requirements of the group company, the company will primarily promote the works in the following aspects:

(1) Deepen Bao-Wu integration, thoroughly promote integration work. The company shall complete the transplantation and coverage of 7 information systems, basically complete Bao-Wu information integration tasks in 2018; deepen the “Three Unification” management of procurement, sales and R&D, obtain the staged and substantial effect of integration in the second year; promote integration work towards integrated development by implementing marketing management, equipment management and other embedded support projects.

(2) Adhere to technology advancement, guiding advancement of industrial technologies. The company shall adhere to the differentiated new product development path, take care of forward-looking product planning and layout; closely follow up the development direction and industrial trend of advanced technology, drive the enhancement of regional processing and technical level by symbolic technical breakthroughs; play the role of “One Institute and Multiple Centers” R&D organization system, organize the planning of the direction, objective, path and measure of technology advancement, share innovation results and experiences.

(3) Strengthen multi-base coordination, enhance product manufacturing capability. The company shall emphasize on the enhancement of the control capability of consistent system of multiple bases, the “Centralized Management + Local Management” of manufacturing management system shall cover all the bases, the company shall strengthen the management of bottleneck process and unfinished product inventory at all the bases, enhance the resource guaranteeing capability of key products, and ensure the timely delivery of contracts.

(4) End the first round of cost reduction, start new three years of cost reduction. 2018 is the beginning year of the new three years' cost reduction plan, the company shall realize, based on unified principle and methods, the extension and coverage of cost reduction at all manufacturing bases and subsidiaries, promote the enforcement of cost reduction measures in the four major steel production bases and business departments and subsidiaries, and effectively support the realization of the overall operating performance goals of the company.

(5) Deepen urban steel plants, promote green development. Baoshan Base shall solidly promote the seventh round of three-year environmental protection action plan and clean air plan. Qingshan Base shall implement raw material yard treatment project of iron making plant, flue gas desulfurization and denitrification projects, and comprehensively enhance the capability of comprehensively reaching standards. Dongshan Base shall strengthen the control of waste water sources, strengthen the supervision on the operation of environmental protection facilities and environmental-protection emission, and ensure reaching the standards of environmental-protection emission. Meishan Base shall emphasize on the implementation of denitration reconstruction of 4# sintering machine head end, electrostatic precipitator reconstruing of 5# sintering machine head end, coke

## Section IV Discussion and Analysis about Operation

discharging and dedusting reconstruction of 1# coke oven, environmental-protection closed reconstruction of 8# material yard and the construction of environmental-protection treatment projects.

(6) Deepen marketing management, maintain market guiding position. The company shall strengthen multi-base mutual supply coordination, enhance the company's flexibility and risk resistance ability of overall production organization. The company shall enlarge market exploration, continue to maintain the market shares of variety steels. The company shall further explore i-service model, promote the construction of intelligent supply chain and information project, and develop the establishment and pilot application of intelligent creation platform DTC (Marketing Data Center of Baoshan Iron & Steel Co., Ltd.).

(7) Continuous deepening of enterprise reform. The company shall optimize the configuration of functional bodies of various manufacturing bases, deepen the centralized and unified management of marketing, procurement and R&D, realize lean and highly efficient operation. The company shall promote multi-manufacturing-base management model, deepen the integrated operation and coordination mechanism, gradually realize equal quality, equal service, equal brand and equal price. The company shall continue to promote concentrated sharing of technicians, establish human resource sharing mechanism of multiple bases. The company shall integrate and use intelligent manufacturing to develop redesigning of positions.

(8) Deepen intelligent manufacturing and strengthen competitive advantages. Baoshan Base shall promote 1580 hot rolled intelligent manufacturing result, comprehensively launch the construction tasks of cold-rolled C008 intelligent workshops; launch the intelligent factory and intelligent network reform application projects, comprehensively enhance the company's digitalized and intelligent level of operation and management. Qingshan Base shall comprehensively launch the 2019-2021 three-year rolling information plan and general plan of intelligent manufacturing. Dongshan Base shall fully develop the advantages of information and intelligence of new production lines, and comprehensively promote intelligent manufacturing work. Meishan Base shall focus on intelligent logistics, promote the full-process intelligent logistic blueprint planning of Meishan Base, emphasize on the promotion of the 13 units of unmanned driving and iron area logistic centralized control project.

3. The company's operating plan in 2018 shall not constitute the company's commitment to investors about performances, so investors should maintain sufficient risk awareness about this.
4. The funding demands for maintaining the company's current businesses and completing the investment projects under construction, as well as the investment fund sources, costs and usage designed for the company's operation plans

In the company's budget for 2018, the company arranges fixed asset investment of RMB 12.39 billion, which is mainly for the No.1 and No.2 sintering integration overhaul reconstruction of Baoshan Base, structural optimization of oriented silicon steel products, structural optimization of tin plate products, "Coals in Warehouse, Ores in Shed" series reconstruction of raw materials and a batch of other key projects, and input certain funds for technical reconstruction projects.

### (IV) Possibly Faced Risks

☒ Applicable ☐ Not applicable

#### 1. Overall Risk Situation and Related Risk Handling Measures of the Company

Based on the analysis and comprehensive review of the company's internal and external environment in 2017, comprehensive evaluation was made from two dimensions, namely the possibility of risk occurrence and the degree of influence on operating goals, the 8 risk points were concluded that could affect the realization of the operating goals of Baoshan Iron & Steel Co., Ltd. in 2017, which were mainly the Bao-Wu integration, environmental protection, safety production, raw material and fuel price fluctuation risks that involving four major fields, including the company's strategy, market, finance and operating risks. By organizing and implementing key risk evaluation and handling, as well as practically strengthening risk control, there was no occurrence of major risk events, the overall risk was controllable.

The effect of Bao-Wu integration was significant and beyond expectation. The company arranged three-year, annual, hundred-day and initial-day plans based on the general path of "Four Steps", namely union, consolidation, integration and combination, arranged five specialized work teams of marketing, procurement, R&D, finance and information as the core teams of integration promotion, the effect of Bao-Wu coordination completed goals excessively; quickly "Transplanted and Covered" information system, and reestablished the management process of Qingshan Base, as of the end of 2017, the company had already realized the online release of 15 operation and management information systems including standard finance, collaborative office, human resource management, sales integration, etc., and created "Three Order" process management model for the first time. The "Three Unification" was comprehensively launched, the subdivision operations of R&D, sales and procurement realized centralized management, collaborative operation, striving for double enhancement of benefit and efficiency without decline of service level.

Urban steel plants, adherence to green development. Based on the principle of coexisting with cities, the company shall continuously allocate the resources needed for meeting urban development, actively explore the opportunities of serving cities, and create green plants of steel manufacturing and demonstrative-type urban steel plants. The company shall promote the seventh round of three-year action plan and clean air plan, complete ultra-low-emission reconstruction of power plants based on plans, the raw material area environmental treatment project that lasts for five year shall enter the stage of final battle; the company shall implement converter batch handling of urban waste paint barrels, absorption of wasted emulsion

by coal-fired boiler of power plants, processing center of hazardous, wasted and slag by destructors and other key construction projects, which shall independently or together dispose 15 thousand tons of hazardous and wasted materials, completely solve the historical problem of steel slag yard of Baoshan Region; ensure the key environmental protection indicators to reach standards in emission, the total indicator of environmental protection shall be controlled within the annual target scope, the main environmental protection indicators shall maintain the improving development; the various bases shall promote regional environmental treatment, dismantle illegal buildings, recover to greening, so as to extensively enhance the environment of plant area.

## 2. Additional Risk Factors in 2018

The foundation of global economic recovery is still not stable, the tax reform in the US is enforced, the inflation expectation comprehensively warms up, the global trade frictions represented by the "232 Investigation" intensify, which bring uncertainty to China's export of steel products.

The external environment for the development of Chinese steel industry had somewhat improved, but the overcapacity contradiction of China's steel industry has not been fundamentally solved yet, the capacity reduction task is still tough; meanwhile, the environmental protection and emission standards become increasingly rigid, the governmental regulation continues to strengthen, which would bring influence on the supply-demand trend of steel products in China, steel material price trend and the operation cost of steel enterprises.

Besides, Chinese private enterprises have gradually entered high-end market, which leads to intensified homogeneous competition, as well as the risks in the currently faced transformation of sales model and replacement for new materials.

## Section V Important Matters

### I. Proposed Plan of Profit Appropriation of Common Shares or Capitalizing of Capital Reserves

#### (I) Formulation, implementation or adjustment of cash dividend policy

√ Applicable ☐ Not applicable

The Company's dividend distribution schemes in previous years were all in line with the Company's Articles of Association and were approved by the Resolutions of the Shareholders' Meeting. The cash dividend stipulated by the Company followed clear standard and percentage requirement, and the related decision-making procedures and mechanism were self-contained. The independent directors have fulfilled their obligations and played active roles. It was also ensured that the medium and small shareholders could fully air their views and concerns. Measures were taken to protect the legal rights and interests of the medium and small shareholders.

In 2017, since the Company recorded a net profit of RMB 9,401,183,384.64, plus the undistributed profit of RMB 38,436,472,191.53 at the beginning of 2017 and minus the cash dividend of RMB 4,641,557,954.25 distributed in 2016, it is predicted that the Company's distributable profit would amount to RMB 43,196,097,621.92 at the end of 2017. In order to achieve the Company's long-term, sustainable development and better repay investors, according to the Company's Articles of Association, it is proposed for the following profit appropriation scheme for 2017:

1. Ten percent of the net profit, or RMB 940,118,338.46, was allocated as a statutory reserve fund for the year 2017;

2. Ten percent of the net profit, or RMB 940,118,338.46, was allocated as an optional reserve fund for the year 2017;

3. According to the Proposal of Baoshan Iron & Steel Co., Ltd. on Modification of Articles of Association approved by the General Meeting of Shareholders in 2012, the annual cash dividend to be distributed should not be less than 50% of the net profit attributable to the parent company in the consolidated statements audited in that year; therefore the total cash dividend in 2017 that should be distributed shall not be less than RMB 9,585,168,784.82. In view of the Company's usual policy of attaching importance to repay shareholders and cash dividend in long terms, the Company intends to distribute cash dividend of 0.45 yuan / share (including tax) to all shareholders specified in the dividend notice and listed in equity registration, totaling RMB 10,020,650,343.75 (including tax), accounting for 52.27% of net profit in the consolidated statements attributable to shareholders of the parent company;

4. Other models of distribution, such as capitalizing of capital reserves, would not be adopted.

5. Cash dividend-net profit ratio from 2014 to 2017

Item	2017	2016	2015	2014
1 Cash dividend per share (including tax) (RMB)	0.45	0.21	0.06	0.18
2 Total amount of cash dividend (incl. cash for repurchase) (RMB 100 million )	100.21	46.42	9.88	29.65
3 Net profit for legal person presented in the statements according to corporation (RMB 100 million )	94.01	68.89	33.27	67.12
4 Net profit attributable to parent company in consolidated statements (RMB 100 million)	191.70	89.66	10.13	57.92
5 Cash dividend against net profit for legal person	106.59%	67.37%	29.69%	44.17%
6 Cash dividend against net profit attributable to parent company in consolidated statements	52.27%	51.77%	97.55%	51.19%

Note: the cash bonus amount of 2017 was the profit distribution plan by the Board of Directors, which hasn't been reviewed and approved by the company's 2017 shareholders meeting yet; the financial data in previous years didn't consider the influence of retroactive adjustment.

#### (II) Common stock dividends and Capitalizing of Capital Reserves Plan or Proposal in Last Three Years (Including the reporting period)

Unit: Million Yuan Currency: RMB

Dividend Year	Bonus shares per 10 shares (share)	Dividend payout per 10 shares (Yuan)(tax-inclusive)	Number of increase by transferring per 10 shares (share)	Cash dividends amount (tax-inclusive)	The net profit belonging to the listed company common share's shareholders in the annual dividend consolidated statements	Percentage (%) accounting for the net profit of listed company common shareholders in consolidated statements
2017	0	4.5	0	10,021	19,170	52.27
2016	0	2.1	0	4,642	8,966	51.77
2015	0	0.6	0	988	1,013	97.55

Notes: 2017 cash dividend is an estimated amount.

## II. Performance situation of commitment matters

### (I) Commitments of actual controllers, shareholders, relevant party and acquirer, the company and other committed parties in and continuing to the reporting period

√ Applicable □ Not applicable

Commitment background	Commitment Type	Commitment Party	Commitment Content	Commitment time and duration	If strictly perform the duration	If strictly perform in time	Specific reasons for nonperformance in time	Notes for next plan if nonperformance in time
	Commitment regarding practical performance of filling and returning measures for share swap and consolidation by merger & affiliated transactions	All the Directors and Senior Management of Baosteel	1. I commit not to transfer interest to other units or individuals without compensation or in unfair conditions, nor adopt other means to damage the company's interests; 2. I commit to restrain my position-related consumption behaviors; 3. I commit not to use the company's assets to engage in or perform any investment or consumption activities unrelated to performance of duties; 4. I commit the linking between the remuneration system formed by the Board of Directors or the Remuneration and Assessment Committee and the performance situation of the company's filling and return measures; 5. I commit that I will support the linking between the planned execution conditions of the stock incentive programs to be released by the company and the performance situation of the company's filling and return measures if the company subsequently releases stock incentive programs. 6. I commit to practically perform this commitment, and am willing to bear any and all legal liabilities generated from violation of foresaid commitments. For the aforesaid commitments, please refer to the China Securities Journal, the Shanghai Securities News, the Securities Times as well as the website of Shanghai Stock Exchange <a href="http://www.sse.com.cn/">http://www.sse.com.cn/</a> on Sept. 23, 2016.	Sept. 22, 2016	No	Yes		
Report on Baoshan Iron & Steel Co., Ltd. Swapping Shares and merger of Wuhan Iron & Steel Co., Ltd. & Affiliated Transactions	Commitment regarding maintaining the independence of Baoshan Iron & Steel Co., Ltd.	Baosteel Group, Wuhan Iron & Steel Group	I. Maintain the independence of the personnel of Baoshan Iron & Steel Co., Ltd., this company commits to maintain the independence of the personnel of Baosteel after the completion of this transaction, the senior management of Baosteel, including the General Manager, Deputy General Manager, CFO and Board Secretary, shall not serve as other positions than directors and supervisors in this company and other enterprises controlled by this company, and shall not receive salary at other subsidiaries of this company. The financial personnel of Baosteel shall not have part-time job at this company and other enterprises controlled by this company. II. Guarantee the independence and completeness of the assets of Baoshan Iron & Steel Co., Ltd., 1. Guarantee Baosteel to have independent and complete assets. 2. Guarantee Baosteel to be free of the situation where the funds or assets are occupied by this company and other enterprises controlled by this company. 3. Guarantee the residence of Baosteel to be independent from that of shareholders. III. Guarantee the financial independence of Baoshan Iron & Steel Co., Ltd., 1. Guarantee Baosteel to establish independent financial department and independent financial accounting system. 2. Guarantee Baosteel to have standard and independent financial accounting system. 3. Guarantee Baosteel to open independent account at banks and not to share a bank account with shareholders. 4. Guarantee the financial personnel of Baosteel not to have part-time job at this company and other enterprises controlled by this company. 5. Guarantee Baosteel to be able to make independent financial decisions, and this company and other enterprises controlled by this company shall not intervene the use of funds of Baosteel. IV. Guarantee the independence of the organs of Baoshan Iron & Steel Co., Ltd., guarantee Baosteel to have independent and complete organs, which shall be completely separated from the organs of shareholders, especially this company and other enterprises controlled by this company. V. Guarantee the independence of businesses of Baoshan Iron & Steel Co., Ltd., This company commits to maintain the business independence of Baosteel after completion of this transaction, and free of substantial peer competition nor obviously unfair affiliated transactions. Guarantee Baosteel to have independent assets, personnel, qualifications and capabilities to develop operational activities, and have the capability of independent operation facing the market. VI. This company commits not to intervene the operational and management activities of Baosteel, not to embezzle interests of the company. For the aforesaid commitments, please refer to the China Securities Journal, the Shanghai Securities News, the Securities Times as well as the website of Shanghai Stock Exchange <a href="http://www.sse.com.cn/">http://www.sse.com.cn/</a> on Sept. 23, 2016.	Sept. 22, 2016	No	Yes		
	Commitment regarding avoiding horizontal competition with the new company after consolidation	Baosteel Group Corporation	1. After the completion of this transaction, this company shall not directly or indirectly (including but not limited to sole proprietorship, shareholding or other methods) participate in or engage in any business activity that poses substantial competition or may pose substantial competition with the business of Baosteel. 2. When this company or its subsidiaries intend to engage in any new business, investment or research that may generates competition with the business of Baosteel, Baosteel shall have preemptive development right and preemptive project acquisition right, this company will make the most efforts in promoting that the price of related transaction is determined fairly and rationally and based on normal business transaction with an independent third party. 3. After the completion of this transaction, this company will promote the performance of related commitments issued by various parties of this transaction regarding peer competition by executing lawful rights. 4. The aforesaid commitments shall all be valid during the period when this company serves as the controlling shareholder of Baosteel. In case any right or interest of Baosteel is damaged due to any violation of the aforesaid commitments, this company is willing to bear corresponding damage compensatory liabilities. For the aforesaid commitments, please refer to the China Securities Journal, the Shanghai Securities News, the Securities Times as well as the website of Shanghai Stock Exchange <a href="http://www.sse.com.cn/">http://www.sse.com.cn/</a> on Sept. 23, 2016.	Sept. 22, 2016	No	Yes		

## Section V Important Matters

Commitment background	Commitment Type	Commitment Party	Commitment Content	Commitment time and duration	If strictly perform the duration	If strictly perform in time	Specific reasons for nonperformance in time	Notes for next plan if nonperformance in time
Report on Baoshan Iron & Steel Co., Ltd. Swapping Shares and merger of Wuhan Iron & Steel Co., Ltd. & Affiliated Transactions	Commitment regarding avoiding horizontal competition with the new company after consolidation	Wuhan Iron & Steel Group Corporation	1. This company commits not to control Guangxi Steel Group Co., Ltd. or dominate the company's operation any longer three years after the completion date of this transaction or after the Fangchenggang Steel Project is comprehensively put into operation (whichever earlier). 2. After the completion of this transaction, this company shall not directly or indirectly (including but not limited to sole proprietorship, shareholding or other methods) participate in or engage in any business activity that poses substantial competition or may pose substantial competition with the business of Baosteel. 3. When this company or its subsidiaries intend to engage in any new business, investment or research that may generate competition with the business of Baosteel, Baosteel shall have preemptive development right and preemptive project acquisition right, this company will make the most efforts in promoting that the price of related transaction is determined fairly and rationally and based on normal business transaction with an independent third party. 4. Except Guangxi Steel Group Co., Ltd. performs based on the solution committed at this time and the commitment exempted through performance procedure, the commitment currently being performed by this company regarding the peer competition with Wuhan Iron & Steel Corporation shall be continuously performed after the completion of this transaction, and shall be valid for Baosteel. 5. The aforesaid commitments shall all be valid during the period when this company serves as the controlling shareholder of Baosteel. In case any right or interest of Baosteel is damaged due to any violation of the aforesaid commitments, this company is willing to bear corresponding damage compensatory liabilities. For the aforesaid commitments, please refer to the China Securities Journal, the Shanghai Securities News, the Securities Times as well as the website of Shanghai Stock Exchange <a href="http://www.sse.com.cn/">http://www.sse.com.cn/</a> on Sept. 23, 2016.	Sept. 22, 2016	No	Yes		
	Commitment regarding regulating affiliated transactions	Baosteel Group Corporation	1. This company shall ensure Baoshan Iron & Steel Co., Ltd. to have independent business, complete assets as well as independent and complete system of production, supply, distribution and other auxiliary facilities. 2. This company and other enterprises controlled by this company shall not use the identity as shareholder of Baosteel to seek preemptive deal making with Baosteel and its subsidiary enterprises. 3. This company and other enterprises controlled by this company shall avoid and reduce unnecessary transactions with Baosteel and its subsidiary enterprises. If there is any indeed necessary and unavoidable transaction, this company and other enterprises controlled by this company shall sign agreement with Baosteel and its subsidiary enterprises in the principle of fairness, fair value and compensation of equal value, perform legal procedures, and legally perform information disclosure obligations and perform related internal decision-making and application procedures according to requirements of related laws, regulations and normative documents as well as the regulations in the "Articles of Association of Baoshan Iron & Steel Co., Ltd.", and guarantee not to transact with Baosteel and its subsidiary enterprises in obviously unfair conditions compared with market price, nor use such transaction to engage in any behavior that would damage the lawful rights and interests of Baosteel and its other shareholders. 4. If this company violates any of the aforesaid commitments, this company shall bear and compensate Baosteel for any loss incurred hereof. For the aforesaid commitments, please refer to the China Securities Journal, the Shanghai Securities News, the Securities Times as well as the website of Shanghai Stock Exchange <a href="http://www.sse.com.cn/">http://www.sse.com.cn/</a> on Sept. 23, 2016.	Sept. 22, 2016	No	Yes		
	Commitment regarding regulating affiliated transactions	Wuhan Iron & Steel Group Corporation	1. This company and other enterprises controlled by this company shall not use the identity as shareholder of Baoshan Iron & Steel Co., Ltd. to seek preemptive deal making with Baosteel and its subsidiary enterprises. 2. This company and other enterprises controlled by this company shall avoid and reduce unnecessary transactions with Baosteel and its subsidiary enterprises. If there is any indeed necessary and unavoidable transaction, this company and other enterprises controlled by this company shall sign agreement with Baosteel and its subsidiary enterprises in the principle of fairness, fair value and compensation of equal value, perform legal procedures, and legally perform information disclosure obligations and perform related internal decision-making and application procedures according to requirements of related laws, regulations and normative documents as well as the regulations in the "Articles of Association of Baoshan Iron & Steel Co., Ltd.", and guarantee not to transact with Baosteel and its subsidiary enterprises in obviously unfair conditions compared with market price, nor use such transaction to engage in any behavior that would damage the lawful rights and interests of Baosteel and its other shareholders. 3. If this company violates any of the aforesaid commitments, this company shall bear and compensate Baosteel for any loss incurred hereof. For the aforesaid commitments, please refer to the China Securities Journal, the Shanghai Securities News, the Securities Times as well as the website of Shanghai Stock Exchange <a href="http://www.sse.com.cn/">http://www.sse.com.cn/</a> on Sept. 23, 2016.	Sept. 22, 2016	No	Yes		



Commitment background	Commitment Type	Commitment Party	Commitment Content	Commitment time and duration	If strictly perform the duration	If strictly perform in time	Specific reasons for nonperformance in time	Notes for next plan if nonperformance in time
Report on Baoshan Iron & Steel Co., Ltd. Swapping Shares and merger of Wuhan Iron & Steel Co., Ltd. & Affiliated Transactions	Notes and commitment regarding the transaction-related matters of Baoshan Iron & Steel Co., Ltd. Swapping Shares and Merger of Wuhan Iron & Steel Co., Ltd.	Wuhan Iron & Steel Group Corporation	<p>I. Notes and commitments regarding land lease matters. 1. For the 39 authorized operating parcels that have obtained "Letter of Authorization for Operation and Management of State-owned Land Use Right", the company commits to complete, within 3 years after the completion date of the implementation of this consolidation, the state-owned land use right registration procedures over this land parcels of authorized operation, and handle related registration procedures regarding allocating such land parcels to Wuhan Iron &amp; Steel Co., Ltd. in form of lease, there is no substantial obstacles in handling the aforesaid registration procedures. 2. For the 2 authorized operation lease parcels that have not obtained "Letter of Authorization for Operation and Management of State-owned Land Use Right", the company shall obtain, within 3 years after the completion date of the implementation of this consolidation, the "Letter of Authorization for Operation and Management of State-owned Land Use Right" for such two parcels of authorized operation land, and complete state-owned land use right registration procedures at competent land authorities according to regulations, as well as handle related registration procedures regarding allocating such land parcels to Wuhan Iron &amp; Steel Co., Ltd. in form of lease, there is no substantial obstacles in handling the aforesaid registration procedures. 3. For the lands used in the Stage II project of Wuxin Corporation, under the precondition that the competent land department transfers related land through public tender, auction and listing, the company commits to obtain, within 3 years after the completion date of the implementation of this consolidation, the land use right certificate of such land or ensure Wuxin Corporation to obtain the land use right certificate of such land. If Wuxin Corporation obtains the land use right certificate of such land by then, this company and Wuxin Corporation shall terminate the "Land Lease Agreement" regarding such land. If Wuxin Corporation is unable to continuously use such land because this company or Wuxin Corporation fails to obtain the land use right certificate of such land, then this company shall adopt all reasonable and feasible measures to eliminate related obstacles or influences, as well as bear the related loss that Wuxin Corporation suffers for this reason. 4. This company shall ensure Wuhan Iron &amp; Steel Co., Ltd. (or the receiver of the assets of Wuhan Iron &amp; Steel Co., Ltd. as determined by the scheme of this consolidation by merger) and its subsidiaries to continuously and stably use the lands including the aforesaid lease land; if Wuhan Iron &amp; Steel Co., Ltd. (or the receiver of the assets of Wuhan Iron &amp; Steel Co., Ltd. as determined by the scheme of this consolidation) and its subsidiaries are unable to use such land because the authorized operation land involved in the lease land hasn't handled state-owned land use right registration procedure or related leases haven't handled registration procedures, then this company shall adopt all reasonable and feasible measures to eliminate related obstacles or influences, as well as bear the related loss that Wuhan Iron &amp; Steel Co., Ltd. (or the receiver of the assets of Wuhan Iron &amp; Steel Co., Ltd. as determined by the scheme of this consolidation) and its subsidiaries suffer for this reason. For the aforesaid commitments, please refer to the China Securities Journal, the Shanghai Securities News, the Securities Times as well as the website of Shanghai Stock Exchange <a href="http://www.sse.com.cn/">http://www.sse.com.cn/</a> on Sept. 23, 2016.</p>	Sept. 22, 2016	Yes	Yes		
			<p>II. Notes and commitments regarding real-estate-related matters. 1. For the real estates that are registered under the name of Wuhan Iron &amp; Steel Co., Ltd. and various levels of subsidiaries of Wuhan Iron &amp; Steel Co., Ltd., but the corresponding land use right holder is this company, this company confirms that the actual property owner of such real estates shall be Wuhan Iron &amp; Steel Co., Ltd. and various levels of subsidiaries of Wuhan Iron &amp; Steel Co., Ltd., Wuhan Iron &amp; Steel Co., Ltd. (or the receiver of the assets of Wuhan Iron &amp; Steel Co., Ltd. as determined by the scheme of this consolidation) and its subsidiaries may continue to occupy and use such properties as is, such properties shall have no property dispute, disagreement or potential dispute. For such real estates, this company commits to transfer, according to the scheme of this consolidation and prior to the completion of this consolidation, to the receiver of the assets of Wuhan Iron &amp; Steel Co., Ltd. as determined by the scheme of this consolidation, and there is no substantial obstacles in handling the aforesaid transfer procedures. 2. For the real estates that are owned by Wuhan Iron &amp; Steel Co., Ltd. and various levels of subsidiaries of Wuhan Iron &amp; Steel Co., Ltd., but still registered under the name of this company, the company shall confirm that Wuhan Iron &amp; Steel Co., Ltd. and related subsidiaries have fully paid related consideration to this company for obtaining the aforesaid real estates or the properties are independently invested and constructed by themselves, then the actual property owner of aforesaid real estates shall be Wuhan Iron &amp; Steel Co., Ltd. and related subsidiaries; this company commits to ensure, before completely handling transfer procedures, that Wuhan Iron &amp; Steel Co., Ltd. (or the receiver of the assets of Wuhan Iron &amp; Steel Co., Ltd. as determined by the scheme of this consolidation) and its subsidiaries may use the aforesaid real estates in long-term, continuous, stable and free manner, and utilize and dispose such properties as instructed by Wuhan Iron &amp; Steel Co., Ltd. (or the receiver of the assets of Wuhan Iron &amp; Steel Co., Ltd. as determined by the scheme of this consolidation) and its subsidiaries, if generating any income, it shall be owned by Wuhan Iron &amp; Steel Co., Ltd. (or the receiver of the assets of Wuhan Iron &amp; Steel Co., Ltd. as determined by the scheme of this consolidation) and its subsidiaries. For such real estates, this company commits to transfer, based on the scheme of this consolidation by merger and within 2 years after the completion of this consolidation, to the receiver of the assets of Wuhan Iron &amp; Steel Co., Ltd. as determined by the scheme of this consolidation or related subsidiaries, and there is no substantial obstacles in handling the aforesaid transfer procedures, the transfer and related expenses generated hereof shall be at this company's cost. 3. For the real estates that are owned by Wuhan Iron &amp; Steel Co., Ltd. and various levels of subsidiaries of Wuhan Iron &amp; Steel Co., Ltd., but still haven't handled "Property Ownership Certificate", this company confirms that the actual property owner of such real estates shall be Wuhan Iron &amp; Steel Co., Ltd. and various levels of subsidiaries of Wuhan Iron &amp; Steel Co., Ltd., Wuhan Iron &amp; Steel Co., Ltd. (or the receiver of the assets of Wuhan Iron &amp; Steel Co., Ltd. as determined by the scheme of this consolidation) and its subsidiaries may continue to occupy and use such properties as is now, such properties shall have no property dispute, disagreement or potential dispute. This company commits to assist, within 3 days after the completion date of the implementation of this consolidation, Wuhan Iron &amp; Steel Co., Ltd. (or the receiver of the assets of Wuhan Iron &amp; Steel Co., Ltd. as determined by the scheme of this consolidation) and its subsidiaries to obtain the "Property Ownership Certificate" of the aforesaid real estates. 4. If this company violates any of the aforesaid commitments and causes any loss to Wuhan Iron &amp; Steel Co., Ltd. (or the receiver of the assets of Wuhan Iron &amp; Steel Co., Ltd. as determined by the scheme of this consolidation) and its subsidiaries, this company commits to make compensation. For the aforesaid commitments, please refer to the China Securities Journal, the Shanghai Securities News, the Securities Times as well as the website of Shanghai Stock Exchange <a href="http://www.sse.com.cn/">http://www.sse.com.cn/</a> on Sept. 23, 2016.</p>	Sept. 22, 2016	Yes	Yes		

## Section V Important Matters

Commitment background	Commitment Type	Commitment Party	Commitment Content	Commitment time and duration	If strictly perform the duration	If strictly perform in time	Specific reasons for nonperformance in time	Notes for next plan if nonperformance in time
Report on Baoshan Iron & Steel Co., Ltd. Swapping Shares and merger of Wuhan Iron & Steel Co., Ltd. & Affiliated Transactions	Notes and commitment regarding the transaction-related matters of Baoshan Iron & Steel Co., Ltd. Swapping Shares and Merger of Wuhan Iron & Steel Co., Ltd.	Wuhan Iron & Steel Group Corporation	III. Notes and commitments regarding the land use situation of Wuhan Weishike Steel Processing and Distribution Co., Ltd. This company commits to ensure Wuhan Weishike to obtain the land use right of the aforesaid land parcel within 1 year after the completion of this consolidation by merger; if Wuhan Weishike is subject to any administrative penalty or order of dismantling buildings above ground or order of relocation by any competent governmental agency due to actual use of the aforesaid land parcel before obtaining the "State-owned Land Use Certificate", or subsequently Wuhan Weishike fails to obtain the "State-owned Land Use Certificate" based on legal procedures, this company shall compensate Wuhan Weishike for related losses incurred hereof. For the aforesaid commitments, please refer to the China Securities Journal, the Shanghai Securities News, the Securities Times as well as the website of Shanghai Stock Exchange <a href="http://www.sse.com.cn/">http://www.sse.com.cn/</a> on Sept. 23, 2016.	Sept. 22, 2016	Yes	Yes		
			IV. Notes and commitments regarding trademark. 1. The registered trademark listed in Appendix II of this Notes and Letter of Commitments (hereinafter referred to as "This Trademark") is applied and registered by this company, this trademark is legal and valid, and its exclusive rights are protected by law and free of any ownership dispute. This trademark is currently used by Wuhan Iron & Steel Co., Ltd. and its subsidiaries for free. 2. This company confirms that Wuhan Iron & Steel Co., Ltd. and its subsidiaries shall have the right to continuously use this trademark for free, this company shall continue to protect the validity of this trademark, and guarantee the using rights of Wuhan Iron & Steel Co., Ltd.. Without a consent from Wuhan Iron & Steel Co., Ltd., this company shall not waive the extended protection of this trademark, nor transfer it to any third party. 3. After the completion of this consolidation, the receiver of the assets of Wuhan Iron & Steel Co., Ltd. as determined by the scheme of this consolidation (hereinafter referred to as "the receiver of the assets of Wuhan Iron & Steel Co., Ltd.") shall have the right to continuously use this trademark in long-term and free manner during the valid term of this trademark, and this company commits that if it is required by any law, regulation or regulatory agency that this company shall transfer the used trademark to the receiver of the assets of Wuhan Iron & Steel Co., Ltd., this company shall coordinate. Without a consent from the receiver of the assets of Wuhan Iron & Steel Co., Ltd., this company shall not waive the extended protection of this trademark, nor transfer it to any third party. For the aforesaid commitments, please refer to the China Securities Journal, the Shanghai Securities News, the Securities Times as well as the website of Shanghai Stock Exchange <a href="http://www.sse.com.cn/">http://www.sse.com.cn/</a> on Sept. 23, 2016.	Sept. 22, 2016	No	Yes		
			V. Notes and commitments regarding patents. 1. The patent listed in Appendix III of this Notes and Letter of Commitments (hereinafter referred to as "This Patent") is applied and maintained by this company, this patent is legal and valid, and its exclusive rights are protected by law and free of any ownership dispute. Such patent is currently used by Wuhan Iron & Steel Co., Ltd. and its subsidiaries for free. 2. This company confirms that Wuhan Iron & Steel Co., Ltd. and its subsidiaries shall have the right to continuously use such patent in free and exclusive manner, this company shall continue to protect the validity of this patent, and guarantee the using rights of Wuhan Iron & Steel Co., Ltd.. Without a consent by Wuhan Iron & Steel Co., Ltd., this company shall not waive the maintenance of such patent, nor transfer it to any third party nor authorize any third party to use it. 3. After the completion of this consolidation, the receiver of the assets of Wuhan Iron & Steel Co., Ltd. as determined by the scheme of this consolidation (hereinafter referred to as "the receiver of the assets of Wuhan Iron & Steel Co., Ltd.") shall have the right to continuously use this patent in long-term and free manner during the valid term of this patent, and this company commits that once the listed company proposes any requirement of transfer and going to public, this company shall coordinate, as well as transfer, within 12 months, the related patents used by the receiver of the assets of Wuhan Iron & Steel Co., Ltd. and its subsidiaries as required by the listed company after consolidation to the receiver of the assets of Wuhan Iron & Steel Co., Ltd.. For the aforesaid commitments, please refer to the China Securities Journal, the Shanghai Securities News, the Securities Times as well as the website of Shanghai Stock Exchange <a href="http://www.sse.com.cn/">http://www.sse.com.cn/</a> on Sept. 23, 2016.	Sept. 22, 2016	No	Yes		
			VI. Notes and commitments regarding the litigation matters of Wuhan Iron & Steel Group International Economic & Trade Co., Ltd., this company confirms that Wuhan Steel International had no correlation with the aforesaid borrowing matters, it was because a third party was suspected of forging the related seals of Wuhan Steel International, causing Ping An Bank filed a lawsuit against Wuhan Steel International as the defendant. Besides, this company commits that if Wuhan Steel International finally bears related compensatory liabilities due to the aforesaid litigation matter, or Wuhan Steel International has any other loss due to the aforesaid litigation matter, this company will make compensation. For the aforesaid commitments, please refer to the China Securities Journal, the Shanghai Securities News, the Securities Times as well as the website of Shanghai Stock Exchange <a href="http://www.sse.com.cn/">http://www.sse.com.cn/</a> on Sept. 23, 2016.	Sept. 22, 2016	No	Yes		
			VII. Notes and commitments regarding other matters. This company commits that in order to protect the interest of the listed company after going to public, if the listed company after consolidation has any loss due to any legal flaw of Wuhan Iron & Steel Group existing before this consolidation, Wuhan Iron & Steel Group shall compensate the listed company after the consolidation to ensure the listed company after consolidation to be free of actual losses. For the aforesaid commitments, please refer to the China Securities Journal, the Shanghai Securities News, the Securities Times as well as the website of Shanghai Stock Exchange <a href="http://www.sse.com.cn/">http://www.sse.com.cn/</a> on Sept. 23, 2016.	Sept. 22, 2016	No	Yes		

Commitment background	Commitment Type	Commitment Party	Commitment Content	Commitment time and duration	If strictly perform the duration	If strictly perform in time	Specific reasons for nonperformance in time	Notes for next plan if nonperformance in time
Commitment related to initial public offering	Solving horizontal competition	Baosteel Group Corporation	Baosteel Group makes two commitments at the establishment of the company: (1) Baosteel Group commits that any and all affiliated transactions made with the company shall be implemented in accordance with the provisions of related laws, administrative regulations and rules of competent authorities, and shall not damage the lawful interests of the company and the company's non-controlling shareholders. (2) Baosteel Group commits not to directly participate in any business or activity that poses any competition with the company, nor directly hold any equity of any business, activity or entity that poses competition with the company. But Baosteel Group may hold the company's shares and continue to operate and develop the existing businesses (including the business that has or may have competition with the company). Baosteel Group commits that when Baosteel Group or its subsidiaries intend to engage in any new business, investment or research that may generate competition with the business of the company, the company shall have preemptive development right and preemptive project acquisition right. The aforesaid commitments shall be valid under the following circumstances: A. The company goes public at Hong Kong Exchanges and Clearing Limited and stock exchange within Chinese territory; B. Baosteel Group holds no less than 30% of the outstanding shares of the company. Besides, Baosteel Group further made the following commitments to the company, after the company acquires partial Stage III engineering assets and residual assets of Baosteel Group, the aforesaid two commitments shall remain valid. For the aforesaid commitments, please refer to the China Securities Journal, the Shanghai Securities News, the Securities Times as well as the website of Shanghai Stock Exchange <a href="http://www.sse.com.cn/">http://www.sse.com.cn/</a> on Jun 21, 2001 and Sept. 12, 2002.	Feb 3, 2000	No	Yes		
Commitment related to refinancing	Solving horizontal competition	Baosteel Group Corporation	Baosteel Group's commitments in the company's opinion paper of additional issue and share offer: (1) For the assets and businesses that the group company currently holds and may generate peer competition with Baoshan Iron & Steel Co., Ltd., Baosteel shall have the right to choose proper opportunity to acquire from the group company. (2) For any business opportunity that the group company obtains in the future to engage in any similar business with that of Baosteel, the group company shall give that opportunity to Baosteel, only after Baosteel gives up such business opportunity, the group company may make investment. For the aforesaid commitments, please refer to the website of Shanghai Stock Exchange <a href="http://www.sse.com.cn/">http://www.sse.com.cn/</a> on Apr. 15, 2005.	Aug. 10, 2004	No	Yes		
Other commitments made to intermediate and minority shareholders of the company	Others	Baosteel Group Corporation	Baosteel Group's commitments regarding Luojing land: the wholly-owned subsidiary company of Baosteel Group, Shanghai Pudong Steel Co., Ltd. of Baosteel Group (hereinafter referred to as "Pudong Steel Company") plans to sell its owned Luojing project under construction and related fixed assets (hereinafter referred to as "Related Assets of Luojing Project"), and this company plans to acquire the related assets of Luojing Project. The related assets of Luojing Project occupies 3.228 million m <sup>2</sup> of land in total (hereinafter referred to as "Luoqing Project Land"). As for Luojing Project Land, Pudong Steel Company has paid certain early-stage expense, but hasn't paid the land transferring fee. If this company acquires the related assets of Luojing Project, this company needs to bear the unpaid land transferring fee, and compensate Pudong Steel Company for the early-stage expenses already paid as of the appraisal benchmark date of the related assets of Luojing Project (meaning Sept. 30, 2007). Based on preliminary estimation, such expenses totaled about RMB 2.8 billion. Baosteel Group commits that (1) If the company acquires related assets of Luojing Project, Baosteel Group and/or Pudong Steel Company shall actively coordinate with this company in completing the land transferring procedures of Luojing project land, and provide corresponding assistance as rationally required by this company. (2) If the actually incurred amount of the aforesaid total expense exceeds RMB 2.8 billion, the exceeding part shall be borne by Baosteel Group and/or Pudong Steel Company, and shall be timely and fully paid to this company and/or competent government agency (depending on specific circumstance). For the aforesaid commitments, please refer to the China Securities Journal, the Shanghai Securities News, the Securities Times as well as the website of Shanghai Stock Exchange <a href="http://www.sse.com.cn/">http://www.sse.com.cn/</a> on Dec. 12, 2007. The land involved in the aforesaid commitment shall include the west area of Luojing Project Land, east area of Luojing Project Land and northern energy corridor. As of the end of this reporting period, the company has paid the land fee for the west area of Luojing project land of RMB 2.34 billion and obtained land ownership certificate; has paid the land fee of northern energy corridor of RMB 20 million and obtained land ownership certificate; the related ownership certificate for the land of east area is under application, and the land transferring fee hasn't been paid yet.	Dec. 11, 2007	No	Yes		
	Others	Baosteel Group Corporation	On Dec. 16, 2010, Baosteel Group sent the "Enquiry Letter Regarding Desheng Nickel Industry Project" and the "Commitment Letter Regarding Desheng Nickel Industry Project" to enquire whether this company is willing to invest in Desheng Nickel Industry Project or not. This company agreed to let Baosteel Group to invest in Desheng Nickel Industry Project, but shall reserve the right to acquire this project by opportunity in the future. Baosteel Group committed that when this company proposes acquisition offer in the future, it shall transfer the held equities of Desheng Nickel Industry to this company based on asset appraisal by independent appraisal institution, in accordance with related laws, regulations and other normative documents, and at rational price. The aforesaid commitments shall be valid under the following circumstances: (1) The company goes public at stock exchange; B. Baosteel Group holds no less than 30% of the outstanding shares of the company. For the aforesaid commitments, please refer to the China Securities Journal, the Shanghai Securities News, the Securities Times as well as the website of Shanghai Stock Exchange <a href="http://www.sse.com.cn/">http://www.sse.com.cn/</a> on Dec 23, 2010.	Dec. 16, 2010	No	Yes		

## Section V Important Matters

- (II) There is a profit forecast of the Company's assets or projects that is still in the profit forecast period during the reporting period. The Company makes an explanation for whether the Company's assets or projects can achieve the original profit forecast.

☐ Reached ☐ Not reached ☒ Not applicable

### III. Capital occupied situation and clearing up defaults progress situation within reporting period

☐ Applicable ☒ Not applicable

### IV. The Company's instruction on accounting firm "nonstandard opinion on audit report"

☐ Applicable ☒ Not applicable

### V. The Company's analysis instructions on accounting policy, accounting estimation change or major accounting error's correct reasons and effects

- (I) The analysis instruction for the reasons and effect of changes in accounting policies and accounting estimates

☒ Applicable ☐ Not applicable

On Apr. 28, 2017, the Ministry of Finance issued the ASBE No.42 --- Held and Waiting-for-sale Non-current Assets, Disposing Group and Operation Termination (CK [2017] No.3), which regulated the accounting processing and listing of the held and waiting-for-sale non-current assets, disposing group and operation termination, which implemented since May 28, 2017. In 2017, the company didn't involve such matter.

On May 10, 2017, the Ministry of Finance issued the ASBE No.16 --- Government Subsidy (CK [2017] No.15), which modified the accounting processing methods and listing items of government subsidy, and processed the government subsidy existing on Jan. 1, 2017 in the applicable method in the future. For the government subsidies related to the company's daily activities, when accounting into income statement, the company changed from accounting into non-business income to other incomes based on the substance of economic operation. The government subsidies unrelated to the company's daily activities were accounted into non-business incomes. The implementation of such standard had no influence on the company's financial status and operating result.

On Dec. 25, 2017, the Ministry of Finance issued the Notice by the Ministry of Finance Regarding the Modification of General Enterprise Financial Form Formats (CK [2017] No.30), adjusted the government subsidies related to daily activities that were originally listed in "Non-business Income" to "Other Incomes"; adjusted part of asset disposing gain or loss that was originally listed as "Non-business Income" and "Non-business Expenditure" to "Asset Disposing Income", which is applicable to the formation of financial statement in 2017 and subsequent periods. The company has formed the financial statement of 2017 according to the regulation, mainly adjusted the listing of the items of "Non-business Income" and "Other Incomes", the company didn't involve in the listing of "Asset Disposing Income or Loss" item in the year.

The influences of the company's implementation of the aforesaid three accounting policy changes on the company's accounting statement items are mainly as follows:

Unit: Yuan Currency: RMB

Item	2017 (Consolidated)	2017 (Company)
Other incomes	546,199,583.81	229,581,760.63
Operating profit	546,199,583.81	229,581,760.63
Non-business income	-546,199,583.81	-229,581,760.63
Total profit	0.00	0.00

- (II) The analysis instruction for correct reasons of major accounting errors and effect of the Company

☐ Applicable ☒ Not applicable

## (III) The communication situation with previous accounting firm

☐ Applicable ☒ Not applicable

## VI. Appointment and dismissal of the accounting firm

Unit: Ten thousand Currency: RMB

	Now employ
Name of the domestic accounting firm	Deloitte & Touche (Special General Partnership)
Remuneration of the domestic accounting firm	230.4
Domestic accounting firm's audit age limit	Eight years

	Title	Remuneration
Accounting firm for the Company's internal control audit	Deloitte & Touche (Special General Partnership)	84

Appointment and dismissal of the accounting firm

☒ Applicable ☐ Not applicable

The Company continued to use the services of Deloitte Touche Tohmatsu (Deloitte) in 2017. The compensation paid to the accounting firm was detailed below:

1.The approach and amount of the compensation payable to the accounting firm for services was determined by the Shareholders' Meeting. Meanwhile, compensation for auditing services employed by the Board of Directors was determined by the Board. Independent directors gave their unanimous consent to the compensation for the accounting firm.

2.As approved by 2016 Annual Shareholders' Meeting, the auditing fees payable to Deloitte in this report period was RMB 2.304 million. In addition, the Company paid Deloitte RMB 0.84 million for its internal control auditing work in 2017, which did not influence Deloitte's independent audit, as the Board of Directors believed.

3.Until the year 2017, Deloitte has been continuously providing auditing service to the Company for eight years. Signatory auditors to the Company's 2017 Financial Statements were Xu Yusun and Dou Chengming. The former has been providing auditing service to the Company for three consecutive years, and the latter for second years.

Notes to change of hired accounting firm during auditing period

☐ Applicable ☒ Not applicable

## VII. Major litigation and arbitration events

☒ Major litigation and arbitration events of this year

☐ No major litigation and arbitration events of this year

## (I) Lawsuit and arbitration matters which have been disclosed in temporary announcement and have no following progress

☐ Applicable ☒ Not applicable

## Section V Important Matters

### (II) Lawsuit and arbitration situation which have not been disclosed in the temporary announcement or have following progress

√Applicable    □Not applicable

Unit: million Yuan    Currency: RMB

With reporting period									
Plaintiff (applicant)	Defendant (respondent)	Party bearing joint liabilities	Type of litigation or arbitration	Basic information of litigation (arbitration)	Involved amount of litigation (arbitration)	Whether litigation (arbitration) forms estimated liability or not and related amount	Progress of litigation (arbitration)	Result and influence of litigation (arbitration) trial	Execution of litigation (arbitration) judgment
Hua Xia Bank Wuhan Xudong Branch	Wuhan Iron & Steel Group International Economic & Trade Co., Ltd.		Debt dispute	In November 2016, a summons from Wuhan Intermediate Court claimed that Hua Xia Bank Wuhan Xudong Branch hereby files a lawsuit against 9 defendants including Wuhan Huanxin Company, Wuhan Iron & Steel Group International Economic & Trade Co., Ltd., etc. due to Wuhan Huanxin Company's failure to pay the RMB 258 million of goods payment, and required them to bear the liabilities of RMB 258 million. Wuhan Iron & Steel Group International Economic & Trade Co., Ltd. believed that the seal of Wuhan Iron & Steel Group International Economic & Trade Co., Ltd. stamped on the proofs provided by Hua Xia Bank Wuhan Xudong Branch was forged.	258	No	First instance already tried, but there is no judgment yet		
TMT Company	Wuhan Iron & Steel Group International Economic & Trade Co., Ltd.		COA contract dispute	In March 2008, Wuhan Steel America signed COA ship lease contracts with TMT Company and Wuhan Iron & Steel Group International Economic & Trade Co., Ltd. respectively with the term of 6 years, in order to avoid losses, Wuhan Iron & Steel Group International Economic & Trade Co., Ltd. suspended performance of this contract and reached new scheme with TMT. Based on the new scheme, Wuhan Steel America shall consign TMT Company to ship 6.34 million tons of Canadian ores or Liberian ores with total amount of about USD 27 million.	130	No	The other party withdrew the lawsuit		
Ping An Bank	Wuhan Iron & Steel Group International Economic & Trade Co., Ltd.		Debt dispute	In March 2016, Hubei Provincial Supreme Court notified Wuhan Iron & Steel Group International Economic & Trade Co., Ltd. of that Ping An Bank Corporation Wuhan Branch filed a lawsuit against 7 defendants including Hubei Fuxing Hongtai Trade & Commerce Co., Ltd., Wuhan Iron & Steel Group International Economic & Trade Co., Ltd. of, etc. over financing loan contract dispute, and requested Wuhan Iron & Steel Group International Economic & Trade Co., Ltd. to bear RMB 149 million of joint repayment liabilities. Wuhan Iron & Steel Group International Economic & Trade Co., Ltd. believed that the seal of Wuhan Iron & Steel Group International Economic & Trade Co., Ltd. stamped on the proofs provided by Ping An Bank was forged.	149	No	Won the lawsuit at second instance		

### (III) Other instructions

☒ Applicable ☐ Not applicable

On Apr. 26, 2016, Steel Corporation proposed an application to United States International Trade Commission (ITC) and request it to propose "337 Investigation" over the carbon steel and alloy steel products that multiple Chinese steel enterprises exported to the US. On May 26, 2016, ITC formally registered the case, the defendants included over 40 Chinese enterprises, Baosteel involved in three accusations: business secrets, false identification of place of origin, anti-monopoly.

Litigation point of business secrets, the plaintiff formally proposed withdrawal application to ITC on Feb. 15, 2017, the judge already ruled on Feb. 22, 2017 that the trial over the litigation point of business secrets in this case shall be terminated, ITC decided not to review it, such litigation point was terminated by withdrawal by the plaintiff.

Litigation point of false identification of place of origin, ITC judge preliminary ruled on Jan. 11, 2017 to terminate the investigation; on Mar. 27, 2017, ITC decided to cancel the preliminary ruling and remand the lawsuit for retrial; on Oct. 2, 2017, ITC judge made preliminary ruling and recognized that the respondent steel enterprise didn't have any behavior that violates Article 337, and terminated this investigation. On Nov. 1, 2017, ITC decided not to review the preliminary ruling by the judge.

Litigation point of anti-monopoly, ITC judge preliminary ruled on Nov. 14, 2016 to terminate the investigation; on Dec. 19, 2016, ITC decided to review such preliminary ruling. On Mar. 19, 2018, ITC believed that the plaintiff was unable to prove its suffered anti-monopoly damage, so it shall not have the plaintiff's qualification of this litigation, and ruled to terminate the investigation. To this point, the "337 Investigation" was completely terminated, the accusations US Steel Corporation filed against the respondent Chinese steel enterprises were false.

## VIII. Punishing and readjusting situation of the listed company, directors, supervisors, senior executives, shareholders, actual controllers and purchasers thereof.

☐ Applicable ☒ Not applicable

## IX. The integrity situation instruction of the company and its controlling shareholder, actual controller during reporting period

☐ Applicable ☒ Not applicable

## X. Situations and impacts of company stock ownership incentive plan, employee shareholding plan or other employee incentive measures

For the establishment of a sound long-term incentive mechanism in Baosteel, the Company implemented a restricted stock plan in 2014. The incentive targets were the Company's senior management personnel, core management personnel, and technical backbone. At the first time, 136 incentive targets were granted with totaling 47,446,100 shares which were originated from ordinary shares of the Company's A share repurchased from Shanghai Stock Exchange through public auction. In the same year, 2 incentive targets adjusted to exit the restricted stock plan. According to the national policy and relevant provisions of the Company's restricted stock, the 698,900 shares were not up to the unlocked condition of restricted stock, so the Company repurchased the shares at the granted price from the incentive target and canceled the share. Correspondingly, the capital stock of the company reduced RMB 698,900.

In 2015, restricted stocks held by the incentive targets were still in the lock-up period. Because of personnel changes, in the whole year, a total of 9 incentive targets adjusted to exit restricted stock plan. According to the national policy and relevant provisions of the Company's restricted stock, the Company repurchased the 3,508,500 shares of restricted stocks which were not up to the unlocked condition at the granted price from the incentive targets and canceled the shares. Therefore, the capital stock of the company reduced RMB 3,508,500.

In 2016, since the annual performance of the Company of 2015 did not reach the initial release performance conditions for restricted stock plan, the first batch of 1/3 restricted stocks could not be unlocked by the Company. Therefore, 14,216,800 shares of unlocked restricted stocks were repurchased by the Company at the granted price and got canceled. The capital stock of the Company reduced RMB 14,216,800 correspondingly. At the same time of the year, 11 incentive targets adjusted to exit the restricted stock plan. According to the national policy and relevant provisions of the Company's restricted shares, 3,160,500 shares of restricted stocks which were not up to the unlocked condition would be repurchased at the granted price by the Company and got canceled.

In 2017, due to change of personnel, 13 incentive objects adjusted and quit the initial restricted stock program, the company complied with the national policies and related regulations regarding restricted corporate stocks, the 1,626,650 shares of restricted stocks that hadn't reached unlocking conditions were purchased back by the company based on the price granted to incentive objects and canceled, so the company's capital decreased by RMB 1,626,650 accordingly. On May 23, 2017, the 18th Meeting of the 6th Board of Directors of Baoshan Iron & Steel Co., Ltd. reviewed and

## Section V Important Matters

approved the “Resolution Regarding Unlocking of the Restricted Stock Program of Baoshan Iron & Steel Co., Ltd. during the Second Unlocking Period”, and approved this unlocking. The company handled unlocking-related matters over the total of 12,930,700 shares of restricted stock that can be unlocked during the second unlocking period for 114 incentive objects. In the same year, in order to establish a continuous and stable mid-term and long-term incentive and restriction mechanism, accelerate the promotion of the progress of Bao-Wu consolidation, integration and combination, strengthen the coordination effect among various bases and the company's long-term and stable development, the company implemented Stage II restricted stock program, and granted 1,067 incentive objects with a total of 166,828,200 shares of restricted stocks, and the source of which was the A-share common stock directionally issued by Baoshan Iron & Steel Co., Ltd. to incentive objects.

The related information regarding restricted stock program has been disclosed, for further information, please refer to the website of Shanghai Stock Exchange <http://www.sse.com.cn>.

### (I) Incentive Information Not Disclosed in Temporary Announcement or with Follow-up Development

Stock incentive information

☐ Applicable ☒ Not applicable

## XI. Significant related party transactions

### (I) Related transaction related to daily operation

The main related parties to the company are legal person companies directly controlled by Baowu Group. During the reporting period, the daily related party transactions between the Company and its major related parties are as follows:

#### 1. Buying and selling products and accepting services

Unit: Million Yuan Currency: RMB

Related party	Contents of related transaction	Pricing principle	Transaction amount
Ouyeel Co., Ltd.	Sales of steel products, etc.	Market price	7,537
Wuhan Iron & Steel Group Co., Ltd.	Sales of steel products, energy medium, etc.	Market price or agreement price	5,364
Baosteel Metal Co., Ltd.	Sales of steel products, etc.	Market price	2,439
Baosteel Special Steel Co., Ltd.	Sales of steel products, auxiliary materials, energy medium, etc.	Market price or agreement price	1,689
Baosteel Resource (International) Co., Ltd.	Sales of raw materials and fuel, etc.	Market price	1,314
Wugang United Coking	Sales of raw material and fuel, energy medium, etc.	Market price	1,193
Subtotal of product sales		Market price	19,536
Baosteel Resource Co., Ltd.	Procurement of raw material and fuel	Market price	6,551
Wuhan Iron & Steel Group Co., Ltd.	Procurement of raw material and fuel, auxiliary materials	Market price	6,537
Baosteel Special Steel Co., Ltd.	Procurement of steel products	Market price	5,952
Baosteel Stainless Steel Co., Ltd.	Procurement of steel products	Market price or agreement price	5,952
Ningbo Baoxin Stainless Steel Co., Ltd.	Procurement of steel products	Market price	5,582
Baosteel Engineering Technology Group Co., Ltd.	Procurement of equipments, spare parts, etc.	Market price	1,475
BAOWU Group Guangdong Shaoguan Steel Co., Ltd.	Procurement of steel products	Market price	1,244
Baosteel Development Co., Ltd.	Procurement of auxiliary materials, etc.	Market price	1,039
Baosteel Desheng Stainless Steel Co., Ltd.	Procurement of steel products	Market price	887
Ouyeel Co., Ltd.	Procurement of steel products	Market price	862
Wugang United Coking	Procurement of coke, etc.	Market price or agreement price	12,017
Subtotal of commodity procurement			48,098
Baosteel Engineering Technology Group Co., Ltd.	Acceptance of testing, overhaul, engineering services, etc.	Agreement price	2,034
Baosteel Group Shanghai Meishan Co., Ltd.	Acceptance of comprehensive logistics, engineering, overhaul, warehousing, transportation services, etc.	Agreement price	1,112
Wuhan Iron & Steel Group Co., Ltd.	Acceptance of comprehensive logistics, engineering, overhaul, transportation services, etc.	Agreement price	1,003
Subtotal of received labors			4,149



Notes: All of the companies mentioned above included their subsidiaries.

The sales above accounted for 6.7% of the Company's operation revenue in the reporting period; procurement and accepting services took up 19.3% and 1.7% respectively of the Company's operation cost in the reporting period.

All transactions were settled either by cash or by note.

## 2. Financial service

Baosteel Group Finance Co., Ltd. (hereafter referred to as Finance Company), a national non-bank financial institution with Baowu Group holding 35.18% of the shares and the Company holding 62.10% of the shares, was established for central management of the funds of the Company to raise the efficiency of fund use. It provided comprehensive financial services such as internal settlement, deposits and loans, short term capital financing, investment and fund-raising etc. for members of the group.

In the reporting period, Finance Company provided a total of RMB 13.58 billion to controlled subsidiaries of Baowu Group, with outstanding loan of RMB 500 million, and a total interest income of RMB 20 million.

During this reporting period, the Finance Company lent RMB 5 billion of financial-type funds to subsidiaries of BAOWU Group, there was no balance at the end of year, and the received income was RMB 4 million.

The daily related party transactions mentioned above 1 and 2 were the market choices made by both sides on the basis of maximizing the benefit and optimizing the efficiency of operation, which fully embodied the principle of professional cooperation and complementary advantages. The daily related party transactions between the company and its major related parties will continue to exist.

## 3. Entrusted assets management

In order to effectively raise the use efficiency of temporarily idle funds, maintain and increase capital value, Baosteel entrusted the financial subsidiary of Baowu Group for assets management, including purchasing financial products like funds and trust. Trading volume in 2017 was RMB 6.99 billion, with RMB 6.95 billion closing balance, RMB 200 million investment income.

## (II) Affiliated credit and debt transaction

### 1. Matters disclosed at temporary announcement and without progression or change in the following implementation

☐ Applicable ☒ Not applicable

### 2. Matters disclosed at temporary announcement but with progression or change in the following implementation

☐ Applicable ☒ Not applicable

### 3. Matters undisclosed at temporary announcement

☒ Applicable ☐ Not applicable

Unit: Million Yuan Currency: RMB

Affiliated party	Affiliated relationship	Type of affiliated transaction	Content of affiliated transaction	Pricing principle of affiliated transaction	Book value of transferred assets	Appraised value of transferred assets	Transferring price	Settlement method of affiliated transaction	Income obtained from transferred assets	Influence of transaction on company's operation result and financial status	Causes of large difference between transaction price and book value or appraised value, market fair value
Wuhan Iron & Steel Group Co., Ltd.	Brother companies within the group	Equity investment	Acquisition of the 100% shares of Liuzhou Wugang Steel Processing Co., Ltd. held by Wuhan Iron & Steel Group Co., Ltd.	Appraised value	80.5	79.1	80.5	Cash			Adjustment of operating income from appraisal benchmarking date to equity delivery date

## Section V Important Matters

Notes to affiliated transaction incurred from assets acquisition and sales

After the BAO-WU consolidation, the company consolidated same type of operations in same city, the company's subsidiary Liuzhou Baosteel and Wuhan Iron & Steel Group's subsidiary Liuzhou Wugang were both in Liubei District of Liuzhou City, and the two companies' operating places were neighbors, and both served SAIC-GM-Wuling Automobile, in order to better serve the finished automobile plant and parts plant of SAIC-GM-Wuling Automobile, fully consolidated exiting assets and operations, reduce the company's operating costs, and enhance assets profitability, Liuzhou Baosteel acquired 100% equities Liuzhou Wugang held by Wugang Group, and implemented merger and consolidation, the corresponding operations were succeeded by Liuzhou Baosteel.

### 4. Performance Realization during Reporting Period Involving Performance Agreement and to be Disclosed

☐ Applicable ☒ Not applicable

### (III) Major Affiliated Transactions of Joint External Investment

#### 1. Matters already Disclosed in Temporary Announcement and without Progress or Change in Follow-up Implementation

☐ Applicable ☒ Not Applicable

### (IV) Affiliated Creditor's Rights and Debts

#### 1. Matters already Disclosed in Temporary Announcement and without Progress or Change in Follow-up Implementation

☐ Applicable ☒ Not applicable

#### 2. Matters already Disclosed in Temporary Announcement but with Progress or Change in Follow-up Implementation

☒ Applicable ☐ Not applicable

As reviewed and passed by the shareholders meeting, the company completed the assets transfer of its subsidiary stainless steel and special steel business departments on Apr. 1, 2012. RMB 22.5 billion of the assets transfer payment shall be equally received in five years, 20% of which shall be received in every year. Since 2013, such receivable principal and interest shall be received on April 1st of every year, and the full amount had been received on Apr. 1, 2017.

## XII. Major contracts and their performance situation

### (I) Matters of trusteeship, contracting and lease

#### 1. Trusteeship situation

☐ Applicable ☒ Not applicable

#### 2. Leasing situation

☐ Applicable ☒ Not applicable

## (II) Security situation

√Applicable ☐ Not applicable

Unit: Million Yuan Currency: RMB

Outside guaranty condition of the Company (excluding the guaranty for subsidiaries)													
Guarantor	The relationship between the guarantor and the listed company	Secured party	Amount of guarantee	Guarantee occurring date (signing date of the agreement)	Starting date of guarantee	Expiry date of guarantee	Guarantee type	The guarantee has been fulfilled or not	Guarantee is overdue or not	Guaranteed overdue amount	Whether there is an counter guarantee or not	Whether it is guaranteed by related parties	Associated relation
Total amount of guarantee during the reporting period (excluding guarantees for subsidiaries)													
Total amount of guarantee balance at the end of the reporting period (A) (excluding guarantees for subsidiaries)													
Guarantees for subsidiaries from the Company and its subsidiaries													
Total guaranteed amount for subsidiaries during the report period													7,000.0
Total balance of guarantee for subsidiaries at the end of the report period (B)													7,370.0
Total guarantee amount of the Company (including the guarantees for subsidiaries)													
Total guaranteed amount (A + B)													7,370.0
Proportion of total guaranteed amount to net assets (%)													4.2
Wherein:													
Total amount guaranteed for shareholders, actual controllers and related parties (C)													
Amount of guarantees provided for guaranteed objects with debt-to-asset ratio of over 70% directly or indirectly (D)													
Excess of total guaranteed amount over 50% of net assets (E)													
Total amount guaranteed of the aforementioned three items (C + D + E)													
Descriptions for the possible joint liability for satisfaction of the undue guarantee								The Guarantee companies mentioned above bear joint liability. At present, there is no such thing as the actual performance of joint liability by the Company.					
Statement of guarantee								As of the end of 2017, this company provided a subsidiary Baosteel Middle East Company with a joint liability performance bond of USD 29 million with the term from Mar. 31, 2015 to Jun. 29, 2018; provided a subsidiary Baosteel Middle East Company with a joint liability performance bond of USD 19 million with the term from Nov. 28, 2016 to May 30, 2019; provided a subsidiary Baosteel Australia Trade Company with a joint liability performance bond of USD 9 million with the term from Dec. 10, 2015 to Jan. 21, 2018; provided the corporate bonds of a subsidiary Wuhan Iron & Steel Ltd. with a joint liability guarantee, the amount of such guarantee included the bond principal of RMB 7 billion as well as the expenses generated from such payment, including interest, penalty, damage compensation and reasonable expense to realize creditor's rights, and the term was from Mar. 1, 2017 to Jul. 1, 2020. The amount of aforesaid letter of guarantee totaled about RMB 7.37 billion, accounting for 4.22% of the net assets of the company at the end of the reporting period. The aforesaid letter of security had no substantial risk expansion, and substantially different from general security matters. The aforesaid securities of the company had no performance tendency, so the risk is controllable.					

## Section V Important Matters

### (III) Situation of entrusting others to carry out cash asset management

#### 1. Entrusted financial management situation

##### (1) Entrusted financial management situation

√Applicable ☐ Not applicable

Unit: Million Yuan Currency: RMB

Type	Source of fund	Incurred amount	Unexpired balance	Unrecovered overdue amount
Bank finance	Self-owned	63,650	9,200	
Broker finance	Self-owned	270	282	
Trust finance	Self-owned	4,090	1,680	

Note: the incurred amount was the amount of finance newly developed in current year

Other Information

√Applicable ☐ Not applicable

Other investing and financing as well as derivative investment situations

Unit: Million Yuan Currency: RMB

Investment type	Parties	Investment shares	Investment term	Product type	Investment profit and loss	Involved in a lawsuit or not
Available-for-sale financial assets						
Open-end funds	Fund companies	397.33	Above 1 year	Fund	9.59	No
Closed-end fund:	Fund companies	99.97	Above 1 year	Fund	0.01	No
Trust program	Trust companies	200.00	1 year below	Trust	10.52	No
Subtotal		697.31			20.13	
Held-to-maturity						
Bank financing	Banks	710.00	1 year below	Financing	53.45	No
Trust program	Trust companies	420.00	1 year below	Trust	15.33	No
Subtotal		1,130.00			68.78	
Trading financial assets						
Currency fund	Fund companies	8,760.28	1 year below	Fund	36.38	No
Bank financing	Banks	10.00	1 year below	Financing	-	No
Trust program	Trust companies	50.00	1 year below	Trust	0.04	No
Subtotal		8,820.28			36.41	
Total		10,647.59			125.32	

Note: ① The investment and finance businesses entrusted to others to manage were all developed by the company's subsidiary the Finance Company. The Finance Company is a financial-type subsidiary with shares controlled by this company, investment and finance business are within its normal business scope.

② The above "investment share" is the sum total of investment balance at the end of last year and share of this year, not the investment shares corresponding to investments held at the end of the period.

③ Ouyee was no longer included in the scope of consolidated financial statements of this group since August 2017, during Jan.-Jul. 2017, Ouyee had income from entrusted finance of RMB 95.6341 million, and had no unrecovered overdue finance.

## (2) Single Entrusted Finance Information

☐ Applicable ☒ Not applicable

Other Information

☐ Applicable ☒ Not applicable

## (3) Depreciation Reserve of Entrusted Finance

☐ Applicable ☒ Not applicable

## 2. Information of Entrusted Loan

## (1) General Information of Entrusted Loan

☐ Applicable ☒ Not applicable**XIII. Explanations for other major matters**☒ Applicable ☐ Not applicable

According to the "Indicative Announcement Regarding the Implementation of this Consolidation and Share Swap" of the company issued on Feb. 17, 2017, for share swap and consolidating Wuhan Iron & Steel Co., Ltd., the company has respectively performed the internal decision-making procedures of this company and Wuhan Iron & Steel Co., Ltd., and obtained approval of the Reply Regarding Approving Baoshan Iron & Steel Co., Ltd. to Consolidate Wuhan Iron & Steel Co., Ltd. by Merger issued by China Securities Regulatory Commission (ZJXK [2016] No.199), and had obtained approvals or permissions by other regulatory institutions with authorities that were necessary before the completion of this consolidation. The equity registration date for the implementation of equity swap of this consolidation was Feb. 14, 2017, after the equity registration date for the implementation of equity swap closed, the stocks of Wuhan Iron & Steel Co., Ltd. held by the swapping shareholders of Wuhan Iron & Steel Co., Ltd. had been swapped into stocks of this company based on the ratio of 1:0.56, meaning every 1 share of Wuhan Iron & Steel Co., Ltd. stock was swapped into 0.56 share of Baosteel stock. The registration procedures of additional shares of Baosteel involved in this consolidation had been completed on Feb. 17, 2017. Baosteel additionally issued 5,652,516,701 A shares for this consolidation. The nature of such additional shares was circulating stock without restricted sales conditions, and was circulated in the market on Feb. 27, 2017.

According to regulations in the "Agreement on Share Swap and Consolidation by Merger between Baoshan Iron & Steel Co., Ltd. and Wuhan Iron & Steel Co., Ltd.", Mar. 1, 2017 shall be the date of this consolidation. Since March 2017, Wuhan Iron & Steel Co., Ltd. shall be included into the scope of consolidated statement of this company.

**XIV. Working situation on actively implementing social responsibilities**

## (I) Poverty-relief work situation of listed company

☒ Applicable ☐ Not applicable

## 1. Targeted poverty alleviation planning

Based on the spirit of the State Council Meeting on Poverty Support and Development Work of Central Enterprises and the CSRC decision regarding enforcing the poverty overcoming policies during the "Thirteenth Five Year Plan" period and further playing the role of listed companies in the national strategy of poverty overcoming, in 2017, on the basis of continuous input in industrial poverty support, whole-village promotion and poverty support through education in designated poverty supporting regions, Baoshan Iron & Steel Co., Ltd. focuses on the specific poverty overcoming goals of designated supporting counties, implements systematic management on supported construction projects, use real heart, real effort and real emotion to realize true poverty support and support true poverty, so as to make active contribution in the process of accurate poverty support by central enterprises.

## 2. Summary of Annual Accurate Poverty Support

In 2017, based on the spirit of central government's decision of strengthening industrial support and promoting accurate poverty overcoming, Baoshan Iron & Steel Co., Ltd. continued to enlarge the input of poverty supporting funds based on the poverty support work requirements in the designated support of Yunnan by BAOWU Group, and created the poverty support environment that is good for "Blood Making Type". In order to promote accurate poverty support to be more efficient and more sustainable, the company adjusted the overall structural ratio of supporting

## Section V Important Matters

projects, meaning the ratio of whole-village promotion, industrial development and education & training from the original poverty supporting fund of 7:2:1 to 5:4:1, and began to gradually enlarge the efforts of industrial support since 2017.

In 2017, Baoshan Iron & Steel Co., Ltd. established the coordinative mechanism of regular joint consultation and exchange with designated poverty supporting counties and Pu'er City, gradually formed the work pattern of "market-driven, linkage between government and enterprise, and multi-level mobilization", surrounding the improvement of the production and living conditions of poverty overcoming objects, the company considered the income increase and development of poor masses as the primary goal, with projects as the carrier, the company actively promoted cooperation and exchange, found and explored new channels of industrial poverty support and e-commerce poverty support, actively supported and developed green and ecological industry, assisted designated poverty support countries to use the "Good Life" internet platform to promote ecological and featured products, explored innovative industrial support and cooperation mechanism, assisted HWABAO Securities in signing pair supporting agreement regarding financial poverty support with designated four supporting countries of Jiangcheng, Ning'er, Zhenyuan and Guangnan, developed the advantages of financial industry, provided poverty counties with financing channels for supported development projects, and promoted the industrial transformation and upgrading of various counties.

In 2017, there were 6 Yunnan-aiding BAOWU Group Cadres who temporarily worked in Yunnan, 3 of them were from Baosteel, 1 served as the Deputy Director of Poverty Supporting Office of Pu'er City, 2 served as Deputy County Chief of designated poverty supporting counties, the company made full efforts in personnel aspect in assisting designated poverty supporting regions to overcome poverty, and followed up the supervision of the company's designated poverty supporting programs. In 2017, the Yunnan-aiding cadres actively helped local poverty counties to promote the self-produced agricultural and featured local products of poverty supporting projects, the accumulative amount of which was over RMB 4.5 million.

Besides, Baosteel has donated about RMB 819 thousand worth of school facilities and studying items and other related materials to the Hope Primary School of Ning'er County, Pu'er City, Yunnan Province in accumulation through development of hope primary schools in poverty counties and other student caring activities, donated RMB 73.2 thousand worth of kitchen wares, quilts, stationeries and other materials & equipments to Chengdong Kindergarten in Tongde County, Hainan Prefecture, Qinghai Province, enabled the living and studying environment of local children and students to have significant improvement. Especially prior to the Spring Festival of 2018, Baosteel directionally "Sent Support" to the poor households in Jiangcheng County, a deeply poor county of Yunnan Province, from the "One Day Donation" of employees, including the donation of 3,500 quilts to spend the winter and other materials worth of RMB 505.7 thousand.

### 3. Effect of Accurate Poverty Support

Unit: 10 thousand Yuan    Currency: RMB

Indicator	Amount and development
I. General Situation	<p>Planned to donate the construction aiding fund of RMB 15.94 million to the designated four counties and Pu'er City, which involved 22 projects, RMB 9.98 million of which was the planned poverty supporting fund in 2017, RMB 6 million of which was added special poverty overcoming fund (including the supplemented RMB 3 million for poverty overcoming fund in 2016).</p> <p>Besides, the student caring fund and materials donated to deep poverty counties was worth of RMB 1.39 million (one day donation of employees).</p> <p>In 2017, Baoshan Iron &amp; Steel Co., Ltd. had 97 person/times of working trips to designated counties (including 3 person-time on department level, 58 person-time on division level, and 36 person-time on section level or lower levels).</p>
Including: 1. Funds	1,594
2. Worth of materials	139
3. Number of registered poor population supported (person)	3,017
II. Investment for subentry	
1. Industrial development for poverty alleviation	
Wherein:	<input checked="" type="checkbox"/> Agriculture and forestry poverty relief <input type="checkbox"/> Tourism poverty relief <input type="checkbox"/> E-commerce poverty relief <input type="checkbox"/> Assets income poverty relief <input type="checkbox"/> Support poor areas using technology <input type="checkbox"/> Others
1.1 Types of industrial poverty alleviation projects	
1.2 Number of industrial poverty alleviation projects (units)	11
1.3 Investment amount of industrial poverty alleviation project	636
1.4 The number of poverty people who are helped to put on record for poverty alleviation (person)	2,896
2. Transfer and employment for poverty alleviation	
3. Relocation for poverty alleviation	

4. Education for poverty alleviation	
Wherein: 4.1 Investment amounts for funding poor students	39
4.2 Number of poor students (person) for funding	240
4.3 Amount of resource input to improve the education in poverty regions	64
5. Health care for poverty alleviation	
6. Ecological protection for poverty alleviation	
7. Catch-all guaranteed protection	
8. Social poverty alleviation	
9. Other items	
Wherein: 9.1. Project number	7
9.2. Invested amount	855
9.3. The number of poverty people who are helped to put on record for poverty alleviation (person)	1,766
9.4 Notes to other projects	RMB 7.75 million for whole-village promotion project, RMB 250 thousand for poverty support training and RMB 550 thousand for working expenses
III. Awards received (content, grade)	

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

In 2018, Baosteel will, under the guidance of the spirit of the Nineteenth Party Congress, make efforts in issuing substantial measures in accurate implementation, making actual efforts in accurate promotion, and realizing actual effect in accurate enforcement. Integrating the poverty support guideline, the company shall reply on and serve the poverty overcoming programs of local governments, integrate the designated poverty support work of Baosteel into the local poverty support system, enlarge the supporting efforts of deep poverty regions, accurately select poverty support projects, strengthen the follow-up management of poverty supporting program funds, carefully organize project implementation, under the joint efforts of local poverty support cadres and the temporarily serving cadres of Baosteel, support the supporting goals of 2018 to be successfully completed, and perform the social responsibilities of Baosteel.

#### (II) Social responsibility work situation

☒ Applicable ☐ Not applicable

The Company disclosed the sustainable development report, in the website <http://www.sse.com.cn/>.

#### (III) Environmental Information

##### 1. The Company's environmental protection presentation of situation or its subsidiary company belongs to major pollutant discharging unit published by Environmental Protection Department.

☒ Applicable ☐ Not applicable

Comprehensive completion of environmental protection performance indicators of the company. The total environmental protection indicators were controlled within the scope of annual goal, the main environmental protection goals were continuously improved. Compared with the goal in 2017, the total emission volume of NO<sub>x</sub> was 96% of the annual goal, the total emission volume of SO<sub>2</sub> was 96% of the annual goal, the total emission volume of COD was 99% of the annual goal, which were all lower than the annual emission goals. With the promotion and implementation of the close transformation of Stage I and Stage II blending yard BA, BB and ingredients yard OA and OB of Baoshan Base, the completion of ultra-low emission treatment of 1# and 2# units of power plant, the smoke-gas treatment of Meishan Base, etc., the dust fall emission volume of the company was decreased from 11.3 tons/month per square kilometer during the same period in previous year to 11.2 tons/month per square kilometer; by strengthening the management of dedusting facilities in iron making and steel making processes, meaning transformation from status management to cycle management, the company enhanced the operating efficiency of dedusting facilities, the smoke-dust emission volume decreased by 10% compared with the same period in previous year.

Effective operation of process control system. Through the continuous improvement of the application maintenance and on-duty dispatching system of environmental centralized control center, minute-grade online alarming and dispatching control, real-time online control information system of daily report has comprehensively taken effect and entered the production control process; through the construction of environmental

## Section V Important Matters

monitoring and supervising system team and the improvement of process reporting system, the 7-day-24-hour-based supervisory mechanism has been built, the process management of supervisory weekly reporting, monitoring weekly reporting and monthly reporting has been continuously improving, the professional level, process and site integrating capability of supervision have been extensively enhanced; through full-personnel classified promotion and enforcement training as well as on-site supervisory practice drill and targeted training, the company's full-personnel environmental protection regulation awareness and process management awareness have been comprehensively enhanced; the efforts of governmental supervision, examination, monitoring, checking, instruction, etc. throughout the year have been continuously enlarged, there were 121 times of various supervisions, or 2.3 times per week on average. Through the effective operation of three-level control system, the company generally had proper organization and smooth response, there was no occurrence of major environmental events, the number of public complaints in the company due to environmental protection issues decreased by fifty percent compared with that in 2016.

Promotion of the implementation of plant-boundary forestry belt construction and other related greening projects, strengthening of management work of plant image and greening area, and continuous improvement of the environmental image of plant area. Based on the requirements of meshing environmental management of plant area, the company urged and promoted the optimization and improvement of the meshing management system of plant image and greening area, realized area response management, defined area principals, which enabled the one-on-one correspondence between responsible units of plant area and greening and environmental sanitation service units, and to enhance management efficiency and emergency handling capability. In 2017, the company completed greening construction area of 308 thousand  $\square$  and additional greening area of 160 thousand  $\text{m}^2$ .

In order to better bear the responsibility of coordinated development between social advancement, economic development and environmental protection, Baosteel selected the path of environmental operation, so as to make efforts to build a resource-conservative and environment-friendly enterprise and become a promoter of green industrial chain. Facing the increasingly severe environmental protection situation, and surrounding the new policies, new regulations and new standards of environmental protection, Baosteel made rethinking, re-review and re-planning of energy conservation and environmental protection work. Baosteel strengthened energy environmental protection management system with "Realizing clean production, environmental harmony and becoming a pioneer of green and transformed development" as the goal, "Enhancing energy utilizing efficiency, optimizing energy structure; continuously reducing environmental load, promoting cycling economy; serving the society, resource sharing, and promoting urban devilment" as the management guideline, adopts the guidance of strategy, implement policies in specific plant, and realizes the business-specific control and comprehensive coverage of energy conservation and environmental protection management work. The company formed and issued the environmental protection standard compliance measures scheme of Baosteel, realized environmental protection standard reaching and compliance with regulations and laws by enlarging investments in energy conservation and environmental protection. Meanwhile, the company promoted the technological development and application of renewable resources and new energy, further improved the overall level of cycling economy in Baosteel, enabled environmental operation to become the brightest cultural name card and the most solid industrial competitiveness in the sustainable development of Baosteel.

Sustainable development is the inevitable path for Baosteel to seek survival and development, it could help the enterprise to balance short-term and long-term interests, and realize win-win situation with various stakeholders. In recent years, the company's capability of sustainable system has been enhanced, which is mainly reflected as: the process control mechanism and capability of green manufacturing has been comprehensively enhanced, the project-oriented measures of green manufacturing factory have been efficiently promoted and implemented, the company's strategic decision making level's internal and external interaction of sustainable development management has been significantly strengthened, ten urban steel plants and production-urban integration projects realized breakthrough developments, community environment and public understanding have been significantly improved, the enhancement of professional connection capability and connection with professional governmental administration have obtained double effect of economic and public image, the internal environmental supervision system has been comprehensively enforced at place.

As a pioneer of green transformation and development, Baosteel coexists with city harmoniously, and integrates with each other. The company considers itself as an organic body of urban development, continuously strengthen the comprehensive cooperation with city, further develops the steel enterprise's highly-efficient energy transformation function, and the function of absorption, processing and comprehensive utilization of bulk urban wastes, assists in improving city's energy structure, reduces atmospheric pollution, reduces environmental loads. The company continues to enlarge the efforts of technological innovation, promotes the promotion and application of new processes, new technologies and new equipments of energy conservation and emission reduction across the society; continues to strengthen the cooperation with city in the aspect of the construction of information network of energy conservation and emission reduction, strengthens information communication and data networking, as well as ensure information to be timely, accurate and effective, promote the management work of energy conservation and emission reduction to realize digitalized and information-oriented.

In 2017, the sustainable development case of Baosteel received the Best Enterprise Practice Award of UN Global Contract in Chinese Network, the practice work of urban steel plants received the First Prize of Enterprise Modernized Management Innovation of China Steel Association, the project of "Utilizing Plant Resource Advantage to Energetically Develop Renewable Energy" (Golden Sun Project) received nomination of the "Sustainable Development Excellence Prize" of Steelie Award.

### 2. Other Notes

☐ Applicable ☒ Not Applicable

### (IV) Other Notes

☐ Applicable ☒ Not applicable



## XV. Information of Convertible Corporate Bonds

### (I) Issuing of Convertible Bonds

☒ Applicable ☐ Not applicable

As approved by China Securities Regulatory Commission by ZJXK [2017] No.1707 Document, Baosight Software, a holding subsidiary of the company, publicly issued 16 million convertible corporate bonds on Nov. 17, 2017, the face value was RMB 100 per bond and the total issuing amount was RMB 1.6 billion.

As consented by the Letter of Self-disciplined Regulatory Decision of Shanghai Stock Exchange [2017] No.437, the RMB 1.6 billion of convertible corporate bonds of Baosight Software began listing and transaction at Shanghai Stock Exchange since Dec. 5, 2017, the abbreviation of the bond was "Baosight Convertible Bond", and the bond code was "110039".

### (II) Information of Holder and Guarantor of Convertible Bonds during Reporting Period

☒ Applicable ☐ Not applicable

Number of people holding convertible bonds at end of period	68,923	
Guarantor of convertible bonds of the company	None	
Information of top ten holders of convertible bonds are as follows:		
Name of holder of convertible corporate bonds	Quantity of bonds held at end of period (RMB)	Holding ratio (%)
Baoshan Iron & Steel Co., Ltd.	888,000,000	55.50
China Everbright Bank Corporation – Xingquan Business Model Optimized Hybrid Securities Investment Fund (LOF)	94,661,000	5.92
Industrial and Commercial Bank of China Corporation – Xingquan Convertible Bonds Hybrid Securities Investment Fund	40,979,000	2.56
Guoyuan Securities (Hong Kong) Co., Ltd. – Clients’ Capital (Exchange)	24,958,000	1.56
BNP Paribas – Own Fund	19,826,000	1.24
China Merchants Bank Corporation – Xingquan Asset-light Investment Hybrid Securities Investment Fund (LOF)	18,749,000	1.17
Shenwan Hongyuan Securities Co., Ltd.	18,461,000	1.15
Sunshine Life Insurance Corporation – Dividend Insurance Products	18,040,000	1.13
Liu Xianglong	10,800,000	0.68
Zhai Jianqin	10,294,000	0.64

### (III) Change of Convertible Bonds during Reporting Period

☐ Applicable ☒ Not applicable

Accumulated conversions to shares of convertible bonds during reporting period

☐ Applicable ☒ Not applicable

### (IV) Historical Adjustments of Convertible Bonds Prices

☐ Applicable ☒ Not applicable

### (V) Liabilities, Credit Changes and Cash Arrangement for Debt Repayments in Coming Years

☐ Applicable ☒ Not applicable

### (VI) Notes to Other Information of Convertible Bonds

☒ Applicable ☐ Not applicable

On Feb. 12, 2018, because the restricted stock program of Baosight Software completed registration, the price of shares convertible to bonds was adjusted to RMB 18.36 Yuan/share.

## Section VI Change of Common Shares and Shareholders

### I. Change in Common Share Capital

#### (I) Table of changes in common shares

##### 1. Table of changes in common shares

Unit: share

	Before the change					Changes in the period (+, -)		After the change	
	Shares	Ratio (%)	Shares newly issued	Bonus share	Share transferred from reserve	Others	Sub-total	Shares	Ratio%
I. Shares subject to conditional sales	26,114,800	0.159	+166,828,200			-14,557,350	+152,270,850	178,385,650	0.801
1. State-owned shares									
2. State-owned legal person shares									
3. Other domestic shares	26,114,800	0.159	+166,828,200			-14,557,350	+152,270,850	178,385,650	0.801
Among which: domestic non-state-owned legal person shares									
Domestic natural person shares	26,114,800	0.159	+166,828,200			-14,557,350	+152,270,850	178,385,650	0.801
4. Foreign shares									
Among which: foreign legal person shares									
foreign natural person shares									
II. Tradable shares	16,424,278,824	99.841	+5,652,516,701			+12,930,700	+5,665,447,401	22,089,726,225	99.199
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	99.199
2.Domestic listed international investment shares									
3.Overseas listed international investment shares									
4. Others									
III. Total of ordinary shares	16,450,393,624	100.000	+5,819,344,901			-1,626,650	+5,817,718,251	22,268,111,875	100.000

##### 2. Explanation of common share change

√Applicable ☐ Not applicable

The company held the 14th meeting of the 6th Board of Directors on Nov. 30, 2016, which reviewed and passed the "Resolution Regarding Adjustment of the Incentive Objects of Restricted Stock Program". On Jan. 26, 2017, the company purchased back and quit the 253,400 shares of restricted stock that the incentive objects of A-share restricted stock program hadn't reached the unlocking conditions, and completed cancellation on Feb. 7, 2017.

The company swapped shares with and consolidated Wuhan Iron & Steel Co., Ltd., additionally issued 5,652,516,701 tradable shares without restricted conditions, and went to public on Feb. 27, 2017. As of Feb. 27, 2017, the company had 22,102,656,925 shares in total, including 25,861,400 tradable shares with restricted conditions, and 22,076,795,525 tradable shares without restricted conditions.

The company held the 18th meeting of the 6th Board of Directors on May 23, 2017, which reviewed and passed the "Resolution Regarding Unlocking the Restricted Stock Program of Baosteel in the Second Unlocking Period". On Jun. 19, 2017, 12,930,700 shares of restricted stock to be unlocked by the company's restricted stock program during the second unlocking period went to public and circulated.

The company held the 20th meeting of the 6th Board of Directors on Aug. 24, 2017, which reviewed and passed the "Resolution Regarding Adjustment of the Incentive Objects of Restricted Stock Program". On Dec. 6, 2017, the company purchased back and quit the 1,373,250 shares of restricted stock that the incentive objects of A-share restricted stock program hadn't reached the unlocking conditions, and completed cancellation on Dec. 12, 2017.

The company held the 25th meeting of the 6th Board of Directors on Dec. 22, 2017, reviewed and passed the "Resolution Regarding Implementing Granting of Stage II Restricted A-share Stock Program", which consented Dec. 22, 2017 as the granting date, and granted 166,828,200 shares of restricted stock to 1,067 incentive objects. On Jan. 16, 2018, the 166,828,200 shares of restricted stock granted at this time completed registration at China Securities Depository and Clearing Corporation Limited (CSDC) Shanghai Branch. After the completion of granting of restricted stock at this time, the company had 22,268,111,875 shares in total, including 178,385,650 tradable shares with restricted

conditions, and 22,089,726,225 tradable shares without restricted conditions.

The company held the 24th meeting of the 6th Board of Directors on Dec. 7, 2017, reviewed and passed the "Resolution Regarding Adjustment of the Incentive Objects of Restricted Stock Program". The company purchased back and quit, on Mar. 5, 2018, the 196,750 shares of Stage I restricted stock that the incentive objects of A-share restricted stock program hadn't reached the unlocking conditions, and completed cancellation on Mar. 12, 2018.

### 3. Impact of common share changes on financial index such as earnings per share and net assets per share of last year and latest term (if any)

√Applicable ☐ Not applicable

On Feb. 27, 2017, the company completed the share swap and consolidation of Wuhan Iron & Steel Co., Ltd.. After the share swap and consolidation of Wuhan Iron & Steel Co., Ltd., the basic earnings per share of the company in 2017 was RMB 0.86 Yuan/share, and the net asset value per share at the end of 2017 was RMB 7.38/share; if not implementing the share swap and consolidation with Wuhan Iron & Steel Co., Ltd., the company's basic earnings per share would be RMB 1.12/share, and the net asset value per share at the end of 2017 would be RMB 8.14 Yuan/share.

### 4. Other content deemed by the Company as necessary to or required by the regulatory authority to disclose

☐ Applicable ☒ Not applicable

## (II) Change of Shares Subject to Conditional Sales

√Applicable ☐ Not applicable

Unit: share

Name	Shares at the beginning of year	Shares unlocked in the year	Shares added in the year	Shares at the end of the year	Reason	Unlocking date
Stock incentive object	26,114,800	14,557,350	166,828,200	178,385,650	Stock incentive	
Total	26,114,800	14,557,350	166,828,200	178,385,650	/	/

## II. Issuance of Securities and Listing

### (I) Issuance of Securities during the Reporting Period

√Applicable ☐ Not applicable

Unit: share, Yuan/note, 100 million Yuan Currency: RMB

Stock and derivative security	Issue date	Issue price (or interest rate)	Issuance	Listing date	Permitted issuance	Closing date of transaction
<b>Common share</b>						
Baosteel (600019)			5,652,516,701	Feb. 27, 2017	5,652,516,701	
Baosteel (600019)			166,828,200	Jan. 16, 2018	166,828,200	
<b>Convertible corporate bonds, separate trading convertible bond, corporate bond</b>						
14 Wugang bond	Jul. 1, 2015	100	70	Jul. 14, 2015	70	Jun. 30, 2018
Baosheng convertible bond	Nov. 17, 2017	100	16	Dec. 5, 2017	16	Nov. 17, 2023

Notes to issuing of securities as of reporting period (please specify the bonds with different interests rates during existing period respectively):

√Applicable ☐ Not applicable

The company consolidated Wuhan Iron & Steel Co., Ltd. by share swapping, the share swap and implementing share registering date was Feb. 14, 2017, after the market was closed on the share swap and implementing share registering date, the Wuhan Iron & Steel Co., Ltd. stocks held by the share-swapping shareholders shall be converted to the stocks of this company at the ratio of 1:0.56; and the implementing date of share swap was Feb. 17, 2017; after the completion of the share swap involved in this consolidation, the company additionally issued 5,652,516,701 tradable shares without restricted conditions, which went to public on Feb. 27, 2017

## Section VI Change of Common Shares and Shareholders

### (II) Total Common Shares of the Company and Change in Shareholders Structure and Liability Structure

☒Applicable ☐Not applicable

The company swapped shares and consolidated Wuhan Iron & Steel Co., Ltd., additionally issued 5,652,516,701 tradable shares without restricted conditions, which went to public on Feb. 27, 2017. As of Feb. 27, 2017, the company had total capital of 22,102,656,925 shares.

On Jan. 16, 2018, the 166,828,200 shares of restricted stock granted in the Stage II A-share restricted stock program of the company completed registration at China Securities Depository and Clearing Corporation Limited (CSDC) Shanghai Branch. After the completion of this granting of restricted stock, the company had total capital of 22,268,111,876 shares.

As of the end of reporting period, the company had 22,268,111,875 common shares in total, increasing by 5,817,718,251 shares compared with that at the end of 2016; at the end of reporting period, China BAOWU Steel Group Co., Ltd. held 11,523,385,833 shares of this company, which was the same as that at the end of 2016, the holding ratio decreased from 70.04% at the end of 2016 to 51.75% at the end of reporting period; Wuhan Iron & Steel Group Co., Ltd. held 2,982,172,472 shares of the company, the holding ratio was 13.39%.

In March 2018, China BAOWU transferred the held 111,618,417 A-shares of this company to Beijing Chengtong Jinkong Investment Co., Ltd. for free, and transferred 111,618,417 A-shares of this company to China Reform Investment Co., Ltd. for free. After this free transfer, the direct and indirect holding of the company's shares by China BAOWU Steel Group Corporation Limited reached 64.14%.

The company's asset-liability ratio at the end of 2017 was 50.2%, decreasing by 5.2 ppts compared with that at the beginning of the year.

### (III) Current Employee Stock Ownership

☐ Applicable ☒Not applicable

## III. Shareholders and Actual Controllers

### (I) Total Shareholders

Total number of common shareholders at the end of the reporting period(account)	386,082
Total number of common shareholders at the end of last trading month before the disclosure date of the annual report( account)	372,799

### (II) Top 10 shareholders, Top 10 tradable shareholders (or holders of shares not subject to conditional sales) by the end of the reporting period

Unit: share

#### 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	pledged or frozen		Shareholder's nature
					Status	Number	
China Baowu Steel Group Corp., Ltd( Note 1 )		11,523,385,833	51.75		Pledged	2,850,000,000	State-owned
Wuhan Iron & Steel Group Corporation	2,982,172,472	2,982,172,472	13.39		None		State-owned
China Securities Financial Corporation Ltd.	627,330,668	1,082,979,555	4.86		None		State-owned
China National Petroleum Corporation		800,000,000	3.59		None		State-owned
Beijing Chengtong Jinkong Investment Co., Ltd.	138,486,659	541,926,376	2.43		None		State-owned
China Reform Investment Corporation Ltd.	137,433,659	540,873,376	2.43		None		State-owned
Hong Kong Securities Clearing Company Ltd.	238,020,357	403,062,615	1.81		None		Unknown
China COSCO Shipping Corporation Ltd.	280,000,000	280,000,000	1.26		None		State-owned
Central Huijin Asset Management Co., Ltd.	71,993,880	194,224,180	0.87		None		State-owned
GIC PRIVATE LIMITED	76,122,511	80,088,078	0.36		None		Unknown

## 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 Steel Group Corp., Ltd.	11,523,385,833	RMB ordinary share	11,523,385,833
Wuhan Iron & Steel Group Corporation	2,982,172,472	RMB ordinary share	2,982,172,472
China Securities Financial Corporation Ltd.	1,082,979,555	RMB ordinary share	1,082,979,555
China National Petroleum Corporation	800,000,000	RMB ordinary share	800,000,000
Beijing Chengtong Jinkong Investment Co., Ltd.	541,926,376	RMB ordinary share	541,926,376
China Reform Investment Corporation Ltd.	540,873,376	RMB ordinary share	540,873,376
Hong Kong Securities Clearing Company Ltd.	403,062,615	RMB ordinary share	403,062,615
China COSCO Shipping Corporation Ltd.	280,000,000	RMB ordinary share	280,000,000
Central Huijin Asset Management Co., Ltd.	194,224,180	RMB ordinary share	194,224,180
GIC PRIVATE LIMITED	80,088,078	RMB ordinary share	80,088,078
Remarks on affiliation, alliance or collusion among the aforementioned shareholders	Wuhan Iron & Steel Group Corporation is a whole-owned subsidiary of China BAOWU Steel Group Corporation Limited, other than that, this company is not aware whether the aforesaid other shareholders have affiliated relationship with each other or are persons acting in concert as regulated in the Management Method on Listed Company Acquisition or not.		
Remarks on holders of preferred shares with voting right recovered and quantity of shares held			

Note 1: China BAOWU Steel Group Corporation Limited completed the issuing work of the public issuing of 2017 convertible corporate bonds (Stage I) of China BAOWU Steel Group Corporation Limited with the object of the partial A shares of the company completed on Dec. 1, 2017, considered the total of 2,850,000,000 shares of this company's A shares that were held for reservation of swaps as well as related fruits as the security and trust property, held them in the name of China International Capital Corporation Ltd., and registered on the list of securities holders of the company with "China BAOWU Steel Group Corporation Limited – 17 BAOWU EB Security and Trust Property Special Account" as the holder of securities. For further details, please refer to the "Announcement Regarding Handling of Security and Trust Registration of Held Partial Stocks of the Company for Planned Issuing of Convertible Bonds of the Company's Controlling Shareholder" issued by this company on Nov. 11, 2017.

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

√Applicable □ Not applicable

Unit: share

No.	Name	Number of shares held	Condition for listing and trading of shares subject to conditional sales		Conditions
			Tradable time	Newly-added tradable shares	
1	Zhu Junsheng	538,000	Jun 19, 2017	181,000	see notes
2	Chu Shuangjie	495,900	Jun 19, 2017	162,900	see notes
3	Zhou Jianfeng	495,900	Jun 19, 2017	162,900	see notes
4	Sheng Genghong	477,800	Jun 19, 2017	144,800	see notes
5	Wang Jing	495,900	Jun 19, 2017	162,900	see notes
6	Zhi Xiwei	495,900	Jun 19, 2017	162,900	see notes
7	Yao Linlong	477,800	Jun 19, 2017	144,800	see notes
8	Zhu Qingming	459,700	Jun 19, 2017	126,700	see notes
9	Zhang Wenxue	459,700	Jun 19, 2017	126,700	see notes
10	Wu Bin	459,700	Jun 19, 2017	126,700	see notes
11	Zhu Renliang	459,700	Jun 19, 2017	126,700	see notes

Notes on affiliation, alliance or collusion among the aforementioned shareholders

The aforesaid shareholders are all the incentive objects in the stage I granting scheme of the company's A-share restricted stock program and stage II A-share restricted stock program. For further details regarding the restricted conditions of the aforesaid shareholders, please refer to the website of Shanghai Stock Exchange <http://www.sse.com.cn>.

## Section VI Change of Common Shares and Shareholders

### IV. Controlling shareholders and actual controllers

#### (I) Controlling shareholders

##### 1. Legal person

√Applicable ☐ Not applicable

Name	China Baowu Steel Group Corp., Ltd.
Legal representative	Ma guoqiang
Date of incorporation	January 1, 1992
Principal businesses and operations	China BAOWU Steel Group Co., Ltd. is an institution with investment authorized by the national government and a national holdings company, it mainly operates the state-owned assets within the scope authorized by the State Council, and develops related investment and operation businesses of state-owned assets. [For the items to be approved according to law, operational activities shall be developed after obtaining approval from competent authorities]
Shareholdings of other listed companies at home and abroad in the period	As of Dec. 31, 2017, China BAOWU Steel Group Co., Ltd.'s direct or indirect holding of over 5% of other listed companies was as follows: 50.02% A-shares of Bayi Steel, 53.05% A-shares of Shaogang Songshan, 55.50% A-shares of Baosight Software, 59.89% A-shares of Baosteel Packing, 14.93% A-shares of China Pacific Insurance, 12.09% A-shares of Xinhua Insurance, and 20.18% A-shares of Hangzhou Steel.
Others	None

##### 2. Equity and controlling relationship between the Company and its controlling shareholders

√Applicable ☐ Not applicable

China BAOWU Steel Group Corporation Limited

65.14%

Baoshan Iron & Steel Co., Ltd.

Note: In March 2018, China BAOWU transferred its held 111,618,417 A shares of this company to Beijing Chengtong Jinkong Investment Co., Ltd. for free, and transferred 111,618,417 A shares to China Reform Investment Corporation Ltd. for free. After this free transfer, the direct and indirect holding ratio of the company's stocks by China BAOWU Steel Group Corporation Limited was 64.14%.

#### (II) Actual Controller

##### 1. The enterprise property rights and controlling relationship between the Company and its actual controller

√Applicable ☐ Not applicable

State-owned Assets Supervision and Administration  
Commission of the State Council

100%

China BAOWU Steel Group Corporation Limited

65.14%

Baoshan Iron & Steel Co., Ltd.

Note: In March 2018, China BAOWU transferred its held 111,618,417 A shares of this company to Beijing Chengtong Jinkong Investment Co., Ltd. for free, and transferred 111,618,417 A shares to China Reform Investment Corporation Ltd. for free. After this free transfer, the direct and indirect holding ratio of the company's stocks by China BAOWU Steel Group Corporation Limited was 64.14%.

## Section VII Preferred Stock

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☐ Applicable ☒ Not applicable

## Section VIII Directors, Supervisors, Senior Executives and Employees

### I. Shareholding Changes and Remuneration

#### (I) Shareholding changes and remuneration of directors, supervisors, and senior executives in service or leaving the Company during the reporting period:

√Applicable □ Not applicable

Unit: share

Name	Position	Gender	Age	Beginning of office	End of office	Shares held at beginning of the year	Shares held at end of the year	Share change in the year	Reason for change	Remuneration from the Company in reporting period (pre-tax) (RMB ten thousand)	Compensation from shareholders in reporting period
Dai Zhihao	Chairman	Male	54	2017-02-24	2018-05-21	362,000	362,000	0			Yes
Dai Zhihao	Director	Male	54	2013-07-22	2018-05-21						Yes
Zou Jixin	Director, President	Male	49	2017-02-24	2018-05-21						Yes
Zhang Jingang	Director	Male	47	2017-02-24	2018-05-21						Yes
Zhu Junsheng	Director	Male	57	2012-04-27	2018-05-21	462,800	819,800	+357,000	Granting of stock incentive	225.92	No
Zhao Changxu	Director	Male	52	2017-02-24	2018-05-21						Yes
Buck Pei	Director	Male	60	2012-04-27	2018-05-21					35.00	No
Huang Yuchang	Independent Director	Male	62	2012-04-27	2018-05-21					35.00	No
Liu Wenbo	Independent Director	Male	49	2012-04-27	2018-05-21					35.00	No
Xia Dawei	Independent Director	Male	64	2013-04-26	2018-05-21					35.00	No
Li Li	Independent Director	Female	64	2015-04-24	2018-05-21	30,000	30,000	0		35.00	No
Zhang Kehua	Independent Director	Male	64	2017-02-24	2018-05-21					29.17	No
Zhu Yonghong	Chairperson of Board of Supervisors	Male	48	2017-02-24	2018-05-21						Yes
Yu Hansheng	Supervisor	Male	54	2017-02-24	2018-05-21						Yes
Liu Guowang	Supervisor	Male	45	2014-05-20	2018-05-21						Yes
Zhu Hanming	Supervisor	Male	54	2017-12-19	2018-05-21						Yes
Zhang Yong	Supervisor	Male	56	2014-09-12	2018-05-21	30,600	30,600	0		191.84	No
He Meifen	Supervisor	Female	53	2013-03-19	2018-05-21					126.57	No
Ma Jiangsheng	Supervisor	Male	45	2017-04-12	2018-05-21					11.63	No
Chu Shuangjie	Vice President	Male	53	2012-08-27	2018-05-21	395,800	728,800	+333,000	Granting of stock incentive	216.48	No
Liu An	Vice President	Male	56	2017-02-24	2018-05-21		333,000	+333,000	Granting of stock incentive	145.94	No
Sheng Genghong	Vice President	Male	53	2016-06-01	2018-05-21	289,600	622,600	+333,000	Granting of stock incentive	228.13	No
Yao Linlong (Note 1)	Vice President	Male	53	2018-04-09	2018-05-21	328,600	661,600	+333,000	Granting of stock incentive	165.75	No
Wu Kunzong	CFO	Male	46	2016-06-01	2018-05-21		333,000	+333,000	Granting of stock incentive	203.04	No
Wu Yiming	Board Secretary	Female	42	2017-02-24	2018-01-19				Granting of stock incentive	71.90	No
Wang Juan (Note2)	Board Secretary	Female	45	2018-04-09	2018-05-21	217,200	472,200	+255,000	Granting of stock incentive	130.33	No
Chen Derong	Resigned Chairman	Male	56	2014-10-30	2017-02-08						Yes
Chen Derong	Resigned Director	Male	56	2014-10-15	2017-02-08						Yes
Liu An	Resigned Director	Male	56	2016-08-08	2017-02-08						No
Zhou Zhuping	Resigned Chairperson of Board of Supervisors	Male	54	2016-01-27	2017-02-08						Yes
Zhang Helei	Resigned Supervisor	Male	46	2016-08-08	2017-11-03						Yes
Dai Zhihao	Resigned Supervisor	Male	54	2013-07-22	2017-02-24						No
Wang Jing (Note 3)	Resigned Vice President	Female	54	2010-08-27	2018-04-09	456,800	789,800	+333,000	Granting of stock incentive	214.88	No
Zhi Xiwei (Note3)	Resigned Vice President	Male	57	2014-02-10	2018-04-09	377,500	710,500	+333,000	Granting of stock incentive	216.48	No
Wu Kunzong	Resigned Board Secretary	Male	46	2016-06-01	2017-02-24						No



Wu Yiming (Note 4)	Resigned Board Secretary	Female	42	2017-02-24	2018-01-19						No
Total	/	/	/	/	/	2,950,900	5,893,900	2,943,000	/	2,353.06	/

Note 1: Mr. Yao Linlong was hired as the Deputy General Manager at the 27th meeting of the 6th Board of Directors held on Apr. 8-9, 2018.

Note 2: Ms. Wang Juan was hired as the Board Secretary at the 27th meeting of the 6th Board of Directors held on Apr. 8-9, 2018. Because Ms. Wang Juan hadn't obtained the qualification to serve as the Board Secretary, the company appointed the CFO Mr. Wu Kunzong to perform the duties on her behalf. Ms. Wang Juan shall perform the duties of the Board Secretary after obtaining the qualification.

Note 3: Ms. Wang Jing and Mr. Zhi Xiwei resigned from the post of Vice President in April 2018.

Note 4: Ms. Wu Yiming resigned from the post of the Board Secretary on Jan. 19, 2018.

Name	Main working experiences
Dai Zhihao	<p>Born in June 1963, Chinese nationality, Chairman, Secretary of the Party Committee of Baoshan Iron &amp; Steel Co., Ltd., Senior Engineer.</p> <p>Mr. Dai has abundant experiences in production and marketing management of steel enterprise, as well as experiences in resource trade and financial management. He joined Baosteel in August 1983, and successively served as the Factory Chief of Baosteel Cold Rolling Sub-plant, Deputy Director of the Planning Department of Baosteel International Trade Company, Head of Preparation Team of Pudong Company, Director of No.1 Steel Trade Department, Manager of Steel Trade Company, Deputy General Manager of Baosteel International Trade General Company, General Manager Assistant of Shanghai Baosteel Group Co., Ltd. &amp; Sales Director of Marketing Department, General Manager Assistant of Baoshan Iron &amp; Steel Co., Ltd., President of Baosteel International Trade Co., Ltd., Deputy General Manager of Baoshan Iron &amp; Steel Co., Ltd., etc. From Nov. 2007 to July 2013, he served as the Deputy General Manager of Baosteel Group Corporation. (during the period, concurrently served as Chairman of Hwabao Investment Co., Ltd., from April 2009 to April 2011, concurrently served as a director of this company). From March 2010 to May 2016, he concurrently served as Chairman of Baosteel Resource Co., Ltd. (from Aug. 2010 to May 2016, he concurrently served as Chairman of Baosteel Resource (International) Co., Ltd.). From July 2013 to Feb. 2017, he served as the General Manager of Baoshan Iron &amp; Steel Co., Ltd.. Since Aug. 2013, he served as a director of Baoshan Iron &amp; Steel Co., Ltd.. Since Oct. 2016, he has served as Member of the Standing Party Committee of China BAOWU Steel Group Co., Ltd.. Since Feb. 2017, he has served as Chairman and Secretary of Party Committee of Baoshan Iron &amp; Steel Co., Ltd..</p> <p>Mr. Dai graduated from Shanghai Jiaotong University in July 1983, and received Master Degree of Economics from US West Virginia University in Aug. 1996.</p>
Zou Jixin	<p>Born in July 1968, Chinese nationality, Director, General Manager, Deputy Secretary of Party Committee of Baoshan Iron &amp; Steel Co., Ltd., Senior Professional Title Senior Engineer.</p> <p>Mr. Zou has abundant experiences in enterprise management, steel production &amp; manufacturing management, etc. He receives special governmental allowance from the State Council. He has successively served as the Chief of General Steel Making Factory, General Manager Assistant and Deputy General Manager of Wuhan Iron &amp; Steel Co., Ltd., Member of the Standing Party Committee and Deputy General Manager of Wuhan Iron &amp; Steel Group Corporation, Director of the 6th and 7th Board of Directors of Wuhan Iron &amp; Steel Co. Ltd.. Since Oct. 2016, he has served as Member of the Standing Party Committee of China BAOWU Steel Group Co., Ltd.. Since Feb. 2017, he has served as Director, General Manager and Deputy Secretary of Party Committee of Baoshan Iron &amp; Steel Co., Ltd..</p> <p>Mr. Zou graduated from Chongqing Technology College in 1989, and obtained MBA Degree of US Ohio University in 2004.</p>
Zhang Jingang	<p>Born in March 1970, Chinese nationality, Deputy General Manager of China BAOWU Steel Group Corporation Limited, Director of Baoshan Iron &amp; Steel Co., Ltd., Professor-level Senior Engineer.</p> <p>Mr. Zhang has abundant experiences in production, manufacturing, enterprise management and corporate governance of steel enterprise. He has successively served as the Deputy Chief of No.2 Steel Making Factory and Deputy Chief of No.1 Steel Making Factory of Angang Corporation, Deputy Secretary General of China Steel Industry Association, Director of Investment Planning Department of Angang Corporation, Director of Production Coordination Center of Angang, Board Secretary of Angang Group, and Deputy General Manager of Baosteel Group. Since Oct. 2016, he has served as the Deputy General Manager of China BAOWU Steel Group Co., Ltd.. Since Feb. 2017, he has served as Director of Baoshan Iron &amp; Steel Co., Ltd..</p> <p>Mr. Zhang graduated from Anshan Steel College in 1992, and received Master Degree of Material from Northeast University in March 2000, and obtained Doctoral Degree of Material from Northeast University in March 2007.</p>
Zhu Junsheng	<p>Born in November 1960, Chinese nationality, Director, Deputy Secretary of Party Committee of Baoshan Iron &amp; Steel Co., Ltd., Senior Engineer.</p> <p>Mr. Zhu has rich experiences in the aspects of human resource management, supply chain management, and safety production management. He joined Baosteel in 1983, and successively served as the Deputy Director of Production Planning Department, Deputy Director and Director of Cost Management Department, Deputy Director of Personnel Department of Baosteel, Director of Personnel Department of Baoshan Iron &amp; Steel Co., Ltd.; in May 2001, he served as the General Manager Assistant &amp; Director of Personnel Department of Baoshan Iron &amp; Steel Co., Ltd.; in June 2003, he served as the Deputy General Manager and Deputy Secretary of the Party Committee of Baoshan Iron &amp; Steel Co., Ltd. (during the period from Aug. 2006 to March 2010, he only served as the Deputy General Manager of Baoshan Iron &amp; Steel Co., Ltd.); in Sept. 2010, he served as the Deputy Secretary of the Party Committee of Baoshan Iron &amp; Steel Co., Ltd.; in April 2012, he served as the Director and Deputy Secretary of the Party Committee of Baoshan Iron &amp; Steel Co., Ltd.; since Feb. 2014, he has served as Director of Baoshan Iron &amp; Steel Co., Ltd. (during the period from Feb. 2014 to Feb. 2017, he served as Secretary of the Party Committee of Baoshan Iron &amp; Steel Co., Ltd.); since April 2016, he concurrently served as Chairman of Shanghai Meishan Iron &amp; Steel Co., Ltd.; since Jan. 2018, he concurrently served as Chairman and Secretary of the Party Committee of Shanghai Meishan Iron &amp; Steel Co., Ltd., and Secretary of the Party Committee of Baosteel Group Shanghai Meishan Co., Ltd.. Since Feb. 2017, he has served as Director and Deputy Secretary of the Party Committee of Baoshan Iron &amp; Steel Co., Ltd..</p> <p>Mr. Zhu graduated from Ma' anshan Steel College in July 1983, and obtained the EMBA degree from China Europe International Business School.</p>

## Section VIII Directors, Supervisors, Senior Executives and Employees

Zhao Changxu	<p>Born in May 1965, Chinese nationality, General Manager Assistant of China BAOWU Steel Group Corporation Limited, Secretary of the Party Committee and Chairman of Ouyee Corporation, Director of Baoshan Iron &amp; Steel Co., Ltd., Professor-level Senior Engineer.</p> <p>Mr. Zhao has extensive experiences in steel production, manufacturing and steel marketing. He has successively served as the Deputy Chief Engineer of Wugang Machinery Manufacturing Co., Ltd., Manager of sub-branch of Wugang Sales Company, Deputy Manager and Manager of Wugang Sales Company, Deputy General Manager of Wuhan Iron &amp; Steel Co., Ltd., General Manager and Chairman of Wugang Jiangbei Group, General Manager Assistant of Wuhan Iron &amp; Steel Group Corporation. Since Oct. 2016, he has served as General Manager Assistant of China BAOWU Steel Group Co., Ltd. (during the period from Oct. 2016 to Nov. 2017, he concurrently served as General Manager of Steel and Related Manufacturing Industry Development Center), since Nov. 2017, he has served as Secretary of the Party Committee and Chairman of Ouyee Corporation. Since Feb. 2017, he has been Director of Baoshan Iron &amp; Steel Co., Ltd..</p> <p>Mr. Zhao was graduated from Huazhong Engineering College in 1986, and obtained Master Degree of Agricultural Machinery Design and Manufacturing from Beijing University of Agricultural Engineering in 1989, and received Doctoral Degree of Western Economics from Huazhong University of Science and Technology in 2006 and MBA degree from HEC Paris in 2007.</p>
Buck Pei	<p>Born in March 1957, U.S. Citizen, Professor of Accountancy and Doctoral Supervisor of Arizona State University W.P. Carey School of Business, Director of Baoshan Iron &amp; Steel Co., Ltd.</p> <p>Mr. Pei is an influential member of the American Accounting Association and he has been holding positions as Chairman of Global Committee of American Accounting Association from 1996 to 1997, while assisted to found the Chinese Accounting Professor Association. Mr. Pei has worked as Chairman of Chinese Accounting Professor Association of North America in 1993, 1994 and 2004, Independent Director of Baoshan Iron &amp; Steel Co., Ltd. from 2006 to 2012. He has been Outside Director of Baosteel Group Corporation from February 2012 to October 2016 and Outside Director of China BAOWU Steel Group Co., Ltd. Since October 2016, He has served as Director of Baoshan Iron &amp; Steel Co., Ltd. since April 2012.</p> <p>Mr. Pei graduated from Taipei University in 1979, and received the MBA degree from Southern Illinois University in 1981 and the Doctor's degree of Accountancy from University of North Texas in 1986.</p>
Huang Yuchang	<p>Born in January 1955, U.S. Citizen, Professor of China Europe International Business School, Independent Director of Baoshan Iron &amp; Steel Co., Ltd.</p> <p>Before joining China Europe International Business School, Mr. Huang taught in Arizona State University and Katz Business School of the University of Pittsburgh. Mr. Huang's research area consists Management Accounting, Strategic Cost Management, Motivate Mechanism Design and Performance Evaluation. During 16 years teaching in W.P. Carey School of Business and 8 years in the University of Pittsburgh, he taught MBA curriculum, EMBA program for senior managers and management accounting for doctor candidates. Mr. Huang has been director of doctor candidates' class of Accountancy, supervisor of about 20 doctor candidates' dissertations in Arizona State University between 2009 to 2012. Mr. Huang was elected as Secretary to Director of The Institute of Management Accountants of American Accounting Association from 2007 to 2009. Mr. Huang worked as independent Director of Baoshan Iron &amp; Steel Co., Ltd. since April 2012.</p> <p>Mr. Huang received the Master's degree from National Chengchi University in 1979 and the Doctor's degree from University of California, Berkeley in 1987.</p>
Liu Wenbo	<p>Born in August 1968, Chinese Nationality, Global Senior Partner and Member of the Board of Supervisors of Roland Berger Strategy Consultants, Independent Director of Baoshan Iron &amp; Steel Co., Ltd.</p> <p>Mr. Liu has extensive experience in corporate management consulting industry. Before entering the consulting industry, he has worked in Siemens and DHL for 7 years, and as external expert consultant for P&amp;G(UK) from February 2002, external expert consultant for Smartbead(UK) from November 2002, senior expert consultant for A.T. Kearney from September 2003, General Director of North Asia of Accenture in September 2005, Global Senior Partner and Executive Vice President of Greater China of Roland Berger Strategy Consultants from June 2007. He has been Global Senior Partner and Member of the Board of Supervisors of Roland Berger Strategy Consultants since July 2015 and Independent Director of Baoshan Iron &amp; Steel Co., Ltd. since April 2012. Mr. Liu graduated from North China University of Technology in 1991, and received the Master Degree from Cranfield School of Management(UK) in September 2002 and the MBA degree from University of Cambridge(UK) in September 2003. Mr. Liu took Advanced Management Curriculum in Business School of Harvard University from Nov. 2011 to June 2012.</p>
Xia Dawei	<p>Born in Feb. 1953, Chinese Nationality, Director of Academic Committee of Shanghai National Accounting Institute, Professor and Doctoral Supervisor, Independent Director of Baoshan Iron &amp; Steel Co., Ltd.</p> <p>Mr. Xia began to teach in Shanghai University of Finance and Economics since 1985, worked as visiting fellow in Osaka City University from 1988 to 1990 and was promoted as Professor in 1994. He worked as Dean of School of International Business Administration, Assistant President, Vice President and Managing Vice President of Shanghai University of Finance and Economics and Dean of Shanghai National Accounting Institute.</p> <p>Mr. Xia is awarded government allowances of the State Council, now works as Director of Academic Committee, Professor and PhD supervisor of Shanghai National Accounting Institute. He also works as Vice President of Chinese Industrial Economic Association, Vice President of China Association of Chief Financial Officers, President of Shanghai Accounting Association, consulting expert of Accounting Standard Committee of the Ministry of Finance, Honorary Professor of the Chinese University of Hong Kong and Adjunct Professor of School of Management of Fudan University, member of Listing Committee of Shanghai Stock Exchange. Mr. Xia worked as Outside Director of Baosteel Group Corporation from Oct. 2005 to Feb. 2012, and has been Independent Director of Baoshan Iron &amp; Steel Co., Ltd. since April 2013.</p> <p>Mr. Xia graduated from Changchun University of Technology and received the Bachelor Degree of Technology in 1982, graduated and received Master Degree of Economics from Shanghai University of Finance and Economics in 1985.</p>
Li Li	<p>Born in December 1953, Chinese Nationality, Co-President of China Science &amp; Merchants Investment Management Group Co., Ltd., Independent Director of Baoshan Iron &amp; Steel Co., Ltd.</p> <p>Ms. Li has over 20 years' experience in global M&amp;A, oversea listing, US securities law compliance, PE fund formation and investment. In China, Ms. Li has conducted a wide range of business activities for transnational corporations, Chinese companies, and fund management companies, such as M&amp;A, PE fund formation and investment, public offering of securities and FDI. She worked as Attorney, Partner of Winthrop, Stimson, Putnam &amp; Roberts(New York, Hong Kong) between 1991 and 2002, International Law Consultant, Partner and China Chief Representative of Debevoise &amp; Plimpton LLP between 2002 and 2011, Director of Cleary Gottlieb Steen &amp; Hamilton LLP Beijing Representative Office since 2011, Partner, Chief Representative of Beijing Office of Weil, Gotshal &amp; Manges LLP since 2013. She has been Co-President of China Science &amp; Merchants Investment Management Group Co., Ltd. since Jan. 2016. Ms. Li worked as Chairwoman of the third and fourth Board of Supervisors of Baoshan Iron &amp; Steel Co., Ltd. Between 2006 and 2012, and has been Independent Director of Baoshan Iron &amp; Steel Co., Ltd. since April 2015.</p> <p>Ms. Li graduated from Capital Normal University in 1984 and received the Master degree of Economics from Duke University in 1987, and the Doctor's degree of Juridical Science from Columbia University in 1991.</p>

Zhang Kehua	<p>Born in August 1953, Chinese nationality, Independent Director of Baoshan Iron &amp; Steel Co., Ltd., Professor-level Senior Engineer. Mr. Zhang has extensive experiences in the aspects of enterprise management and engineering construction management. He has successively served as General Manager Assistant and Director of Engineering Department of China Petrochemical Corporation, Vice President of Sinopec Corporation, Vice Chairman of Sinopec Engineering (Group) Co., Ltd. From December 2015 to February 2017, he served as Independent Director of the 7th Board of Directors of Wuhan Iron &amp; Steel Co., Ltd.. Since February 2017, he has served as Independent Director of Baoshan Iron &amp; Steel Co., Ltd..</p> <p>Mr. Zhang was graduated from East China University of Science and Technology in 1980, and obtained the Master Degree of Management Science and Engineering from China University of Petroleum in 2000.</p>
Zhu Yonghong	<p>Born in Jan. 1969, Chinese Nationality, Chief Accountant of China BaoWu Steel Group Corporation Limited, Chairman of Board of Supervisors of Baoshan Iron &amp; Steel Co., Ltd., Senior Economist, Senior Accountant</p> <p>Mr. Zhu has extensive experience in corporate financial management and strategic planning. He has successively held positions as Chief Financial Officer and Head of Finance &amp; Accounting Department, Deputy Chief Accountant of Wuhan Iron &amp; Steel (Group) Corporation; Director of the 7th Board of Directors of Wuhan Iron &amp; Steel Co., Ltd. From Oct. 2016, he assumed the Chief Accountant of China BaoWu Steel Group Corporation Limited. He has been Chairman of Board of Supervisors of Baoshan Iron &amp; Steel Co., Ltd. since Feb. 2017.</p> <p>Mr. Zhu graduated from Zhongnan Forestry College in 1989, and received the Master Degree in Management from China University of Geosciences in 2000, and the Doctor's Degree in Economics from Huazhong University of Science and Technology in 2003.</p>
Yu Hansheng	<p>Born in Oct. 1963, Chinese Nationality, Supervisor of Baoshan Iron &amp; Steel Co., Ltd., Senior Professional Title Senior Accountant. Mr. Yu has extensive experience in corporate financial management and audit management. He has successively held positions as Director of Finance &amp; Accounting Department, Deputy Chief Accountant &amp; Director of Finance &amp; Accountant Department of Wuhan Iron &amp; Steel Co., Ltd. From Sept. 2014 to Feb. 2017, he assumed Chief Accountant of Wuhan Iron &amp; Steel Co., Ltd. He has been Supervisor of Baoshan Iron &amp; Steel Co., Ltd. since Feb. 2017.</p> <p>Mr. Yu graduated from WISCO TV University in 1986, majoring in Accounting, and received the Bachelor Degree of Accounting from Zhongnan University of Economics.</p>
Liu Guowang	<p>Born in Feb. 1972, China, General Manager of Human Resource Department, Director of Party Committee Organization Department of China BaoWu Steel Group Corporation Limited, Supervisor of Baoshan Iron &amp; Steel Co., Ltd., Senior Administration Engineer.</p> <p>Mr. Liu has extensive experience in human resource and corporate operation management. Mr. Liu joined Baosteel in July 1994. He has held positions as Director of Human Resource Department of Baoshan Iron &amp; Steel Co., Ltd., General Manager of Human Resource Department, Director of Party Committee Organization Department and United Front Work Department of Baosteel Group Corporation since May 2014, General Manager of Human Resource Department, Director of Party Committee Organization Department of Baosteel Group Corporation from Dec. 2014 to Nov. 2016. He assumed General Manager of Human Resource Department, Director of Party Committee Organization Department of China BaoWu Steel Group Corporation Limited since Nov. 2016 and Supervisor of Baoshan Iron &amp; Steel Co., Ltd. since May 2014.</p> <p>Mr. Liu graduated from Wuhan University of Science and Technology in 1994 and received the Bachelor Degree of Labor Economics and Social Security from Fudan University in 2004.</p>
Zhu Hanming	<p>Born in Dec. 1963, Chinese nationality, Member of Standing Committee of the Disciplinary Committee, Candidate of Deputy Secretary of the Disciplinary Committee, Candidate of Director of Supervisory Department of China BAOWU Steel Group Co., Ltd., Supervisor of Baoshan Iron &amp; Steel Co., Ltd., Engineer.</p> <p>Mr. Zhu has abundant experiences in the aspects of human resource management, the Party-masses relationship management, disciplinary inspection and supervision management. He joined Baosteel in August 1987, and successively served as Secretary of Party Committee of the Iron Making Factory, Secretary of Party Committee of Thick Plate Factory of Baosteel Branch and Director of Human Resource Department (Organization Department), Deputy Secretary of Disciplinary Department &amp; Director of Supervisory Department of Baosteel Head Office, Deputy Secretary of Disciplinary Committee &amp; Director of Supervisory Department of Baoshan Iron &amp; Steel Co., Ltd., Secretary of Party Committee of Energy &amp; Environmental Protection Department, Secretary of Party Committee of Cold Rolling Factory of Baoshan Iron &amp; Steel Co., Ltd., Deputy Secretary of Disciplinary Committee of Baosteel Group. Since Nov. 2016, he has served as Candidate of Deputy Secretary of Disciplinary Committee of China BAOWU Steel Group Co., Ltd.; since Dec. 2016, he has served as Member of Standing Committee of Disciplinary Committee of China BAOWU Steel Group Co., Ltd.; since April 2017, he concurrently served as Candidate of Director of Supervisory Department of China BAOWU Steel Group Co., Ltd.. Since Dec. 2017, he has been Supervisor of Baoshan Iron &amp; Steel Co., Ltd..</p> <p>Mr. Zhu graduated from the University of Science and Technology Beijing majoring in Thermal Energy and Power Engineering &amp; Social Science in 1987, and obtained MBA degree from Asia (Macao) International Open University in Aug. 2003.</p>
Zhang Yong	<p>Born in Sept. 1961, Chinese Nationality, Employee Supervisor and Chairman of the Trade Union of Baoshan Iron &amp; Steel Co., Ltd., Senior Engineer.</p> <p>Mr. Zhang has extensive experience in steel production, sales and trade union administration. Mr. Zhang joined Baosteel in July 1983 and successively held positions as Head of operation, Head of technique team and Head of Manufacturing Department of Cold-rolling Plant; Manager of Administration Division of Baosteel Steel Department; Deputy Manager, Manager of Steel Trading Department of Baosteel International Trading Co., Ltd.; Vice President, President of Baosteel Steel Trading Co., Ltd.; Steel Business Vice President of Baosteel International Trading Co., Ltd.; Vice President of Sales Center of Baoshan Iron&amp;Steel Co.,Ltd. and concurrently President of Marketing Administrative Department; Vice President of Baosteel International Trading Co., Ltd.; President of Steel Sheet Sales Department, Assistant President of Baoshan Iron&amp;Steel Co.,Ltd. and concurrently CPC Committee Secretary of Sales Center, President of Marketing Administrative Department, Assistant President of Baoshan Iron&amp;Steel Co.,Ltd. and concurrently Director of Production Management Department. He has been Chairman of the Trade Union and Employee Supervisor of Baoshan Iron &amp; Steel Co., Ltd. since September 2014.</p> <p>Mr. Zhang graduated from Chongqing University in July 1983.</p>
He Meifen	<p>Born in May 1964, Chinese Nationality, Director of Audit Department, Employee Supervisor of Baoshan Iron &amp; Steel Co., Ltd., Senior Engineer.</p> <p>Ms.He has extensive experience in steel products planning management, financial management and internal audit. Ms.He joined Baosteel in 1984 and successively held positions as clerk of Planning Department, office secretary, Head of Budget Division of Operation Management Department in Baosteel Group Corporation, Head of Budget Division of Cost Management Department, Deputy Director of Cost Management Department, Deputy Director of Finance and Accounting Department of Baoshan Iron &amp; Steel Co., Ltd., Director of Management Department of BNA, Deputy Director of Audit Department of Baoshan Iron&amp;Steel Co.,Ltd. She has worked as Director of Audit Department of Baoshan Iron&amp;Steel Co.,Ltd. since May 2009 and Employee Supervisor of Baoshan Iron &amp; Steel Co., Ltd.since March 2013.</p> <p>Ms.He graduated from Northeastern University and received the Bachelor Degree of Metal Pressure Processing in 1984, the MBA degree from Shanghai University of Finance and Economics in January 1998 and the EMPACC degree from the Chinese University of Hong Kong in Dec. 2005.</p>

## Section VIII Directors, Supervisors, Senior Executives and Employees

Ma Jiangsheng	<p>Born in Aug. 1972, Chinese Nationality, Captain of the Third Steelmaking Continuous Casting Workshop of Steel Plant of Wuhan Iron and Steel Company Limited, Employee Supervisor of Baoshan Iron &amp; Steel Co., Ltd., Senior Technician.</p> <p>Mr. Ma successively served as the steel casting worker of the Second Steel Plant and Steel Casting Line Director of the Third Steel Plant of Wuhan Iron and Steel (Group) Company, and Steel Casting Captain of the Third Steel Plant of Wuhan Iron and Steel Company Limited and Wuhan Iron and Steel (Group) Company Iron and Steel Company, Steel Casting Captain of the Third Steel Plant of Wuhan Iron and Steel Company Limited and Shift Captain of the Third Steelmaking Continuous Casting Workshop.</p> <p>From May 2011 to Feb. 2017, he has served as the Employee Supervisor of the 6th and 7th Board of Supervisors of Wuhan Iron and Steel Company Limited. From Feb. 2017, he has been serving as the Captain of the Third Steelmaking Continuous Casting Workshop of Steel Plant of Wuhan Iron and Steel Company Limited. From Apr. 2017, he has been serving as the Employee Supervisor of Baoshan Iron &amp; Steel Co., Ltd.</p> <p>Mr. Ma graduated from Wuhan Iron and Steel Metallurgy Automation Technical School majoring in steelmaking in July 1991 and received the Administrative Management Bachelor Degree from Central Radio and Television University in Jan. 2010.</p>
Chu Shuangjie	<p>Born in Dec. 1964, Chinese Nationality, Vice President of Baoshan Iron &amp; Steel Co., Ltd., Professor-level Senior Engineer.</p> <p>Mr. Chu has extensive experience in steel manufacturing and technology management. Mr. Chu joined Baosteel in 1996 and successively held positions as engineer in Cold Rolling Plant, Deputy Director, Director of Silicon Steel Branch of Cold Rolling Department, Deputy Director, Director of Cold Rolling Plant, Director of Silicon Steel Department; Assistant President of the company's Baosteel Branch and Director of Silicon Steel Department of Baoshan Iron &amp; Steel Co., Ltd.; Assistant President of Baoshan Iron &amp; Steel Co., Ltd. and concurrently Director of Silicon Steel Department, Manager of Oriented Silicon Steel Phase II Project; Assistant President of Baoshan Iron &amp; Steel Co., Ltd. and Director of Cold Rolling Plant, Manager of Prepaint and Continuous Annealing Project, Manager of No.5 Cold Rolling Project, Assistant President, Vice President of Baoshan Iron &amp; Steel Co., Ltd. He worked as Vice President of Baoshan Iron &amp; Steel Co., Ltd. from Dec. 2013 to Feb. 2017 (and concurrently General Manager of Steel Pipe Division from Dec. 2013 to Aug. 2016).</p> <p>Mr. Chu graduated from Anhui Polytechnic University and received the Bachelor Degree in Thermal Processing in 1987, the Master Degree in Materials Science and Engineering from Northwestern Polytechnical University in 1990, the Doctor's degree in Composite Material from School of Materials Science, Shanghai Jiao Tong University in 1996, and the EMBA degree from China Europe International Business School in 2009.</p>
Liu An	<p>Born in Sept. 1961, Chinese Nationality, Vice President of Baoshan Iron &amp; Steel Co., Ltd., Professor-level Senior Engineer.</p> <p>Mr. Liu has rich experiences in enterprise production and operation, steel manufacturing production, planning development management. Joined Baosteel in August 1983, Mr. Liu had been Director of Baosteel cold rolling plant; President of Ningbo Baoxin Stainless Steel Co., Ltd.; President of Stainless Steel Branch and No.1 Steel Company; President, Chairman of Ningbo Iron &amp; Steel Co., Ltd.; Director of Planning Development Department, Assistant President of Baosteel Group Corporation. He served as Assistant President of Baosteel Group Corporation and General Manager of Steel and Relevant Manufacturing Sector Development Center from May 2016 to Nov. 2016 and Director of Baoshan Iron &amp; Steel Co., Ltd. from Aug. 2016 to Feb. 2017. He has been Vice President of Wuhan Iron &amp; Steel (Group) Corporation from Nov. 2016 to Mar. 2017 and Vice President of Baoshan Iron &amp; Steel Co., Ltd. since Feb. 2017.</p> <p>Mr. Liu graduated from Beijing Institute of Iron and Steel in 1983 and received Bachelor degree.</p>
Sheng Genghong	<p>Born in Jan. 1964, Chinese Nationality, Vice President of Baoshan Iron &amp; Steel Co., Ltd., Senior Engineer.</p> <p>Mr. Sheng has extensive experience in steel production operating, project construction, investment management and scientific research management. Mr. Sheng joined Baosteel in 1984 and successively held positions as Deputy Director of Hot Rolling Mill Quality Inspection Station, Vice Director of Technology Department Science and Technology Division, Vice Director (presiding) of Science and Technology Management Division of Baosteel R&amp;D Center; Chief of Strategy Department Science and Technology Division, Vice Director of Strategy Department and Chief of Strategy Division of Baosteel Group, Director of Science and Technology Development Department, Director of Project Investment Department, Director of Major Projects Department, Director of Major Projects Department and General Manager of Zhanjiang Longteng Co., of Baosteel Group, Business Supervisor of Baosteel Group; Deputy Commander-in-chief of Zhanjiang Steel Project Headquarter, Vice President of Guangdong Steel Group Company, Vice President, President of Zhanjiang Steel etc.. From Aug. 2013 to May 2016, he was President and Executive Vice Commander-in-chief of Project Headquarter of Zhanjiang Steel. He has been Chairman, Secretary of CPC Committee and Commander-in-chief of Project Headquarter of Zhanjiang Steel since May 2016 and Vice President of Baoshan Iron &amp; Steel Co., Ltd. Since June 2016.</p> <p>Mr. Sheng graduated from Northeastern University of Technology majoring in steel metallurgy and received Bachelor degree in July 1984.</p>
Yao Linlong	<p>Born in July 1964, Chinese Nationality, Vice President of Baoshan Iron &amp; Steel Co., Ltd., Engineer.</p> <p>Mr. Yao has extensive experiences in production, manufacturing and marketing management of steel enterprise. He joined Baosteel in July 1985, and successively served as Deputy Chief and Chief of Steel Rolling Sub-plant of Baosteel Cold Rolling Plant, Chief of Coating Plant, Chief Assistant, Deputy Chief and Chief of Cold Rolling Plant, Head of Preparation Team of 1800 Joint Venture, Director and General Manager of Baosteel-NSC Automotive Steel Sheets Co., Ltd. From May 2009 to July 2012, he served as General Manager Assistant of Baoshan Iron &amp; Steel Co., Ltd. (from May 2009 to Aug. 2010, he concurrently served as Chief of Cold Rolling Plant, from Aug. 2010 to July 2012, he concurrently served as Executive Director and General Manager of Shanghai Baosteel International Economic &amp; Trade Co., Ltd.); since July 2012, he served as Executive Director and General Manager of Shanghai Baosteel International Economic &amp; Trade Co., Ltd., and since April 2018, he has been Vice President of Baoshan Iron &amp; Steel Co., Ltd..</p> <p>Mr. Yao graduated from Northeast University in July 1985, and received MBA degree from China Europe International Business School in Sept. 2005.</p>
Wu Kunzong	<p>Born in Feb. 1971, Chinese Nationality, CFO of Baoshan Iron &amp; Steel Co., Ltd., Professor-level Senior Accountant, CPA.</p> <p>Mr. Wu has extensive experience in audit management, financial management and corporate operation. He joined Baosteel in July 1993 and successively held positions as Deputy Director of Audit Division, Deputy Director, Director of Audit Department, Director of Operation Innovation Department, Director of Finance Department of Baoshan Iron &amp; Steel Co., Ltd.; Director of Audit Department of Baosteel Group Corporation. He was General Manager of Operating Finance Department and Asset Management Supervisor of Baosteel Group Corporation from August 2013 to May 2016, Supervisor of Baoshan Iron &amp; Steel Co., Ltd. from April 2012 to May 2016. He has been CFO of Baoshan Iron &amp; Steel Co., Ltd. since June 2016 (concurrently Board Secretary from June 2016 to Feb. 2017, and acted as Board Secretary from Jan. 2018 to Apr. 2018).</p> <p>Mr. Wu graduated from East China Institute of Metallurgy in 1993 and received Bachelor degree. He obtained Master degree from Shanghai University of Finance and Economics in Feb. 2004 and MBA degree from China Europe International Business School in Sept. 2008.</p>

Wang Juan	<p>Born in Nov. 1972, Chinese Nationality, Board Secretary of Baoshan Iron &amp; Steel Co., Ltd., Professor-level Senior Accountant, CPA. Ms Wang has extensive experiences in financial management, capital operation, assets management, and corporate governance. She joined Baosteel in July 1996 and successively served as Head of the capital team of Finance &amp; Accounting Division, Head of the assets management office of Finance Department of Baoshan Iron &amp; Steel Co., Ltd., Head of the assets team of Finance Department of Baosteel Sub-branch, Head of the capital management office of Finance Department of Baoshan Iron &amp; Steel Co., Ltd., Director of Administration Department of Baosteel-NSC Automotive Steel Sheets Co., Ltd., and assets management Director of Baosteel Group. She was Director of Operating Finance Department of Baoshan Iron &amp; Steel Co., Ltd. from Aug. 2013 to Jan. 2018, and has held the positions as Director of Operating Finance Department and Head of Board of Directors' Office since Jan. 2018. Since April 2018, she has been Board Secretary of Baoshan Iron &amp; Steel Co., Ltd.</p> <p>Ms Wang graduated from Tongji University in 1996, and received Master Degree of Economics from Fudan University in June 2006.</p>
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Notes to Other Information

☐ Applicable ☒ Not applicable

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

☒ Applicable ☐ Not applicable

Unit: share

Name	Position	Number of restricted stock held at beginning of year	Number of restricted stock newly granted during reporting period	Granted price of restricted stock (RMB)	Already unlocked shares	Shares not unlocked yet	Number of restricted stock held at end of year	Market price at end of reporting period (RMB)
Zhu Junsheng	Director	362,000	357,000	3.99	181,000	538,000	538,000	4,648,320
Chu Shuangjie	Vice President	325,800	333,000	3.99	162,900	495,900	495,900	4,284,576
Liu An	Vice President		333,000	3.99		333,000	333,000	2,877,120
Sheng Genghong	Vice President	289,600	333,000	3.99	144,800	477,800	477,800	4,128,192
Yao Linlong	Vice President	289,600	333,000	3.99	144,800	477,800	477,800	4,128,192
Wu Kunzong	CFO		333,000	3.99		333,000	333,000	2,877,120
Wang Juan	Board Secretary	217,200	255,000	3.99	108,600	363,600	363,600	3,141,504
Total	/	1,484,200	2,277,000	/	742,100	3,019,100	3,019,100	/



## Section VIII Directors, Supervisors, Senior Executives and Employees

### II. Employment of directors, supervisors, and senior executives in service or leaving the Company during the period

#### (I) Posts in the shareholding company

✓ Applicable ☐ Not applicable

Name	Shareholding company	Post held	Start of term	End of term
Chen Derong	China Baowu Steel Group Corp., Ltd.	Director; General Manager; Deputy Secretary of Party Committee	2016-10	
Zhang Jingang	China Baowu Steel Group Corp., Ltd.	Deputy General Manager	2016-10	
Zhao Changxu	China Baowu Steel Group Corp., Ltd.	General Manager Assistant	2016-10	
Buck Pei	China Baowu Steel Group Corp., Ltd.	External Director	2016-10	
Zhu Yonghong	China Baowu Steel Group Corp., Ltd.	Chief Accountant	2016-10	
Yu Hansheng	China Baowu Steel Group Corp., Ltd.	Full-time Supervisor	2017-2	
Liu Guowang	China Baowu Steel Group Corp., Ltd.	General Manager of Human Resource Department, Director of Organization Department of Party Committee	2016-11	
Zhu Hanming	China Baowu Steel Group Corp., Ltd.	Deputy Secretary of Disciplinary Committee	2016-11	
Zhu Hanming	China Baowu Steel Group Corp., Ltd.	Director of Supervisory Department	2017-4	
Zhang Helei	China Baowu Steel Group Corp., Ltd.	Director of Supervisory Department	2016-11	2017-4
Notes				

#### (II) Posts in other entities

✓ Applicable ☐ Not applicable

Name	Name of other entities	Post held	Start of term	End of term
Dai Zhihao	Bao-Island Enterprises Limited	Chairman	2008-5	
Dai Zhihao	China Pacific Insurance (Group) Corporation	Chairman	2013-7	2017-6
Dai Zhihao	Shanghai Listed Company Association	Chairman	2013-8	
Zhu Junsheng	Shanghai Meishan Steel Co., Ltd.	Chairman	2016-4	
Zhao Changxu	Ouyeel Co., Ltd.	Secretary of Party Committee, Chairman	2017-11	
Buck Pei	Carey Business School of Arizona State University	Accounting Professor	1992-1	
Buck Pei	China Merchants Group Limited	External Director	2015-10	
Buck Pei	Minmetals Resources Limited	Independent Director	2015-7	
Buck Pei	Zhong An Real Estates Limited	Independent Director	2007-3	
Buck Pei	Want Want China Holdings Co., Ltd.	Independent Director	2007-9	
Buck Pei	ZHEXY Highway Corporation	Independent Director	2012-3	
Huang Yuchang	China Europe International Business School	Professor	2013-4	
Huang Yuchang	Shanghai Jahwa United Co., Ltd.	Independent Director	2015-12	
Huang Yuchang	OPPLE Lighting Co., Ltd.	Independent Director	2017-4	
Huang Yuchang	Chongqing Steel Co., Ltd.	Independent Director	2018-1	
Liu Wenbo	Roland Berger Strategy Consultants Co., Ltd.	Senior Expert	2016-11-1	
Xia Dawei	Lianhua Supermarket Holdings Co., Ltd.	Independent Director	2004-9	
Xia Dawei	Guotai Junan Securities Co., Ltd.	Independent Director	2016-5	
Xia Dawei	Industrial Bank Co., Ltd.	External Supervisor	2016-5	
Xia Dawei	Shanghai Juneyao Airlines Co., Ltd.	Independent Director	2017-7	

Li Li	China Science & Merchants Investment Management Group Co., Ltd.	Co-president	2016-1	
Zhang Kehua	Wuhan Iron & Steel Co., Ltd.	Independent Director	2015-12	2017-2
Zhou Zhuping	Shanghai Ouyee Finance Information Service Co., Ltd.	Chairman	2017-1	2017-4
Zhu Yonghong	Hebi Fuyuan Clean Coal Co., Ltd.	Vice Chairman	2013-9-23	
Zhu Yonghong	Hubei United Development Investment Co., Ltd.	Director	2014-10-31	2017-6-5
Zhu Yonghong	Hankou Bank Co., Ltd.	Director; Member of Strategy Committee of Board of Directors	2014-6-25	
Zhu Yonghong	Beibu Gulf Property Insurance Co., Ltd.	Director	2016-5-18	
Zhu Yonghong	Yangtze Property Insurance Co., Ltd.	Chairman of Board of Supervisors	2016-3-24	
Liu Guowang	Baosteel Group Finance Co., Ltd.	Director	2014-5	2017-5
He Meifen	Shanghai Baosight Software Co., Ltd.	Supervisor	2010-4	
He Meifen	Baosteel Group Finance Co., Ltd.	Director	2014-3	
He Meifen	Baosteel Zhanjiang Steel Co., Ltd.	Supervisor	2012-11	
Yu Hansheng	Wuhan Iron & Steel Co., Ltd.	Supervisor	2017-4	
Yu Hansheng	Wuhan Huagong Entrepreneurial Investment Co., Ltd.	Director	2014-5	2017-4
Yu Hansheng	Wuhan Iron & Steel Group Finance Co., Ltd.	Director	2013-5	2017-5
Yu Hansheng	Changxin Fund Management Co., Ltd.	Director	2016-12	2017-5
Chu Shuangjie	Baosteel Zhanjiang Steel Co., Ltd.	Director	2012-12	
Chu Shuangjie	China Automobile Lightweight Technology Innovation Strategic Alliance	Member of Council	2013-3	
Chu Shuangjie	Baosteel America Trading Co., Ltd.	Director	2015-1	
Chu Shuangjie	Baosteel Europe Trading Co., Ltd.	Director	2015-1	
Chu Shuangjie	PetroChina Northwest United Pipeline Co., Ltd.	Director	2015-1	
Chu Shuangjie	Electrical Steel Branch of the Chinese Society for Metals	Deputy-director Member	2011-10	
Chu Shuangjie	The Chinese Society for Metals	Member of Council	2012-10	
Chu Shuangjie	Shanghai Jiaotong University	Doctoral supervisor	2007-9	
Liu An	Hangzhou Steel Co., Ltd.	Director	2016-11	
Liu An	Wuhan Iron & Steel Group Co., Ltd.	Deputy General Manager	2016-11	2017-3
Sheng Genghong	Baosteel Zhanjiang Steel Co., Ltd.	Chairman, Secretary of Party Committee & General Commander of Engineering Commanding Department	2016-5	
Yao Linlong	Shanghai Jiangnan Changxing Heavy Industry Co., Ltd.	Director	2011-4	
Wu Kunzong	Xinhua Life Insurance Co., Ltd.	Director	2014-7	
Wu Kunzong	Baosteel Zhanjiang Steel Co., Ltd.	Director	2016-6	
Wu Kunzong	Shanghai Baosight Software Co., Ltd.	Director	2017-7	
Wu Kunzong	Baosteel Group Xinjiang Bayi Steel Co., Ltd.	Supervisor	2011-5	2017-6
Wu Kunzong	Baosteel Special Steel Co., Ltd.	Supervisor	2012-4	2017-6
Wu Kunzong	Baosteel Stainless Steel Co., Ltd.	Supervisor	2012-4	2017-6
Wu Kunzong	Shanghai Baodi Properties Co., Ltd.	Director	2015-6	2017-6
Wang Juan	Shanghai Meishan Steel Co., Ltd.	Director	2014-4	
Wang Juan	Baosteel Group Finance Co., Ltd.	Director	2014-5	
Wang Juan	Shanghai Baosteel International Economic & Trade Co., Ltd.	Supervisor	2015-1	
Wang Juan	Shanghai Ouyee Finance Information Service Co. Ltd.	Director	2017-4	
Wang Juan	Baosteel Special Steel Long Product Co., Ltd.	Director	2017-8	
Wang Juan	Bao-Trans Enterprise Ltd.	Chairwoman	2018-2	
Instructions about employment conditions in other units	None			

## Section VIII Directors, Supervisors, Senior Executives and Employees

### III. Annual Remunerations of the Directors, Supervisors and Senior Executives

✓ Applicable ☐ Not applicable

Decision-making procedure	
Basis	The annual payable remunerations of senior executives, directors and supervisors to be paid by the Company will be set and approved by Board of Directors in accordance with their annual performance and with the "Performance Evaluation Method for Senior Executives", "Remuneration Management Method for Senior Executives".
Actual Remunerations paid	The annual payable remunerations of those to be paid by shareholding companies and other related companies would be defined by these companies. The remunerations actually received by and payable to the Directors, Supervisors and Senior Executives from the Company for the report year totaled RMB 23.5306 million (pre-tax)
Total remunerations actually received by the Directors, Supervisors and Senior Executives by the end of reporting period	RMB 23.5306 million

### IV. Change in Directors, Superiors and Senior Executives

✓ Applicable ☐ Not applicable

Name	Position	Change	Reason of change
Chen Derong	Chairman	Leave office	Resign from the post in Feb. 2017
Dai Zhihao	President	Leave office	Resign from the post in Feb. 2017
Dai Zhihao	Chairman	Hired	Newly hired in Feb. 2017
Zou Jixin	Director; President	Hired	Newly hired in Feb. 2017
Zhang Jingang	Director	Hired	Newly hired in Feb. 2017
Zhao Changxu	Director	Hired	Newly hired in Feb. 2017
Liu An	Director	Leave office	Resign from the post in Feb. 2017
Zhang Kehua	Independent Director	Hired	Newly hired in Feb. 2017
Zhou Zhuping	Chairman of Board of Supervisors	Leave office	Resign from the post in Feb. 2017
Zhu Yonghong	Chairman of Board of Supervisors	Hired	Newly hired in Feb. 2017
Yu Hansheng	Supervisor	Hired	Newly hired in Feb. 2017
Zhang Helei	Supervisor	Leave office	Resign from the post in Nov. 2017
Zhu Hanming	Supervisor	Hired	Newly hired in Dec. 2017
Ma Jiangsheng	Employee Supervisor	Hired	Newly hired in April 2017
Liu An	Vice President	Hired	Newly hired in Feb. 2017
Wang Jing	Vice President	Leave office	Resign from the post in April 2018
Zhi Xiwei	Vice President	Leave office	Resign from the post in April 2018
Yao Linlong	Vice President	Hired	Newly hired in April 2018
Wu Kunzong	Board Secretary	Leave office	Resign from the post in Feb. 2017
Wu Yiming	Board Secretary	Hired	Newly hired in Feb. 2017
Wu Yiming (Note 1)	Board Secretary	Leave office	Resign from the post in Jan. 2018
Wang Juan	Board Secretary	Hired	Newly hired in April 2018

Note 1: Ms. Wu Yiming resigned from the position as the Board Secretary on Jan. 19, 2018

### V. Punishment by securities regulatory authorities in the previous three years

☐ Applicable ☒ Not applicable



## VI. Profile of Employees of the Parent Company and Major Subsidiaries

### (I) Employees

Number of employees in service in the parent company	16,807
Number of employees in service in the main subsidiaries	40,347
Total number of employees in service	57,154
Number of retired employees to be covered by the parent company and main subsidiaries	
Professional composition	
Category of professional composition	Number of professionals
Production personnel	36,734
Sales personnel	2,109
Technical personnel	13,441
Finance personnel	710
Administrative personnel	4,160
Total	57,154
Educational background	
Category of educational background	Number (people)
Master's degree or above	3,629
Bachelor's degree	19,263
College degree	18,523
Secondary vocational school education or below	15,739
Total	57,154

### (II) Compensation Policy

☒ Applicable ☐ Not applicable

With a compensation budget mechanism oriented toward efficiency and profitability enhancement for the subordinate units, the Company stuck to the concept of "Compensation in line with the post value, performance, and contribution," and continued to perfect the compensation management system. The Company carried out varied incentive policies for employees according to the features of their posts.

### (III) Training Scheme

☒ Applicable ☐ Not applicable

In 2017, expanding around the company's development strategy as well as the production and operation, with capability construction as the main line, integrating the cultivating requirements of "Strategy-oriented tasks, performance-oriented values, real-battle-oriented cultivation, and information-oriented management", the company continued to optimize project design, improved growth leading mechanism, explored high-quality training resources, deeply dug potentials, and accurately developed talent cultivation work based on specific level and class.

### (IV) Labor Outsourcing Information

☐ Applicable ☒ Not applicable

## VII. Others

☐ Applicable ☒ Not applicable

## Section IX Corporate Governance

### I. Corporate Governance

☒ Applicable ☐ Not applicable

The Company has established a corporate governance structure with Baosteel features, in accordance with the characteristics of steel industry to support the strategic development and be adapted to the manufacturing and operation of the Company. Moreover, the Company strictly observed relevant laws and regulations like Company Law, Securities Law, Code of Corporate Governance for Listed Companies and Rules of Shanghai Stock Exchange for Stock Listing, constantly enhanced normalized operation, strengthened scientific management, innovated interaction and communication channels, maintained good investor relationship, kept perfecting internal control system and overall risk management, and rigorously performed the obligation of information disclosure in an effort to improve the quality of operation and running.

During the reporting period, the company completed the share swap and consolidation with Wuhan Iron & Steel Co., Ltd., the company's Board of Directors has 11 directors, including 5 Independent Directors, accounting for 45% of the total; besides, Mr. Buck Pei served as the External Director of China BAOWU Steel Group Co., Ltd. as designated by the SASAC, as well as served as the company's Director. The company's Board of Supervisors has 7 supervisors, including 3 Employee Supervisors.

The Company's Independent Directors actively participate in the construction of the Special Committee of the Board of Directors and have played an important role in the subordinate Special Committee of the Board of Directors. The Company's Board of Directors totals 4 Special Committees, of which the Strategy and Risk Management Committee consists of 7 Directors, Independent Directors account for 1/7; the Audit Committee consists of 5 Directors, Independent Directors account for 4/5; the Independent Director - Accounting Professor, Mr. Huang Yuchang serves as the Committee Chairman; The Remuneration and Appraisal Committee is held by the External Directors, Independent Directors account for 5/6, the Independent Director, Mr. Xia Dawei serves as the Committee Chairman; the Nomination Committee consists of 6 Directors, Independent Directors account for 5/6, the Independent Director, Ms. Li Li serves as the Committee Chairman; the Audit Committee, Remuneration and Appraisal Committee, Nomination Committee are headed by the Independent Directors, which effectively ensures the independence and fairness of the audit, appraisal and appointment of Directors and Senior Executives.

In 2017, in order to promote normative operation of the company, and strengthen the protection of medium and small investors, according to the requirements of related regulations of the Guidance of Articles of Association of Listed Companies (amended in 2016) by the CSRC, and integrating the company's reality, the company amended and improved partial clauses of the "Articles of Association of the Company".

The company continues to promote and improve the construction of internal basic management system, based on the actual circumstance of the company after Baosteel completed the share swap and consolidation of Wuhan Iron & Steel Co., Ltd. and integrating the changes of related systems, the company comprehensively modified the documents such as the "Management Measure on Information Disclosure of Baosteel" and the "Management Measure on Investor Relations of Baosteel", so as to guarantee the standard and maneuverability of the management of information disclosure and investor relations on system level.

In 2017, the company received the "Top 100 Chinese Enterprise Award" and "Chinese Moral Enterprise Award" at the Summit Forum of Top 100 Listed Companies in China; the company's Board of Directors received the 13th "Golden Round Table Award – Best Board of Directors Prize" of the Boards of Directors of Chinese listed companies organized by the Board of Directors Magazine.

Whether there is any major difference between the company's governance and the requirements of related regulations of CSRC or not; if yes, please explain the causes

☐ Applicable ☒ Not applicable

### II. Brief introduction of shareholders' meeting

Session	Date	Reference websites	Disclosure date
First temporary shareholders' meeting in 2017	2017-2-24	<a href="http://www.sse.com.cn/">http://www.sse.com.cn/</a>	2017-2-25
Annual shareholders' meeting of 2016	2017-5-23	<a href="http://www.sse.com.cn/">http://www.sse.com.cn/</a>	2017-5-24
Second temporary shareholders' meeting in 2017	2017-12-19	<a href="http://www.sse.com.cn/">http://www.sse.com.cn/</a>	2017-12-20

Notes to Shareholders Meeting Information

☐ Applicable ☒ Not applicable

### III. Directors' Duty Fulfillment

#### (I) Directors' attendance of the board meetings and the shareholders' meetings

Director name	Independent Director or not	Attendance of the board meetings					Attendance of the shareholders' meetings	
		Required number of board meetings for the year	Attendance in person	Attendance by correspondence	Entrusting a representative	Absence	Two successive absence	Times of attendance of the meetings
Chen Derong	No	1	1	1			No	0
Dai Zhihao	No	11	11	6			No	2
Zou Jixin	No	10	8	5	2		Yes	1
Zhang Jingang	No	10	8	5	2		No	0
Zhu Junsheng	No	11	10	6	1		No	1
Zhao Changxu	No	10	10	5			No	0
Liu An	No	1	1	1			No	0
Buck Pei	No	11	11	6			No	0
Huang Yuchang	Yes	11	11	6			No	1
Liu Wenbo	Yes	11	10	6	1		No	0
Xia Dawei	Yes	11	11	6			No	0
Li Li	Yes	11	11	6			No	0
Zhang Kehua	Yes	10	10	5			No	1

Notes to absence from board meeting for two times in a row

√Applicable ☐ Not applicable

Director Zou Jixin was absent from the 21st and 22nd meetings of the 6th Board of Directors because he was studying at the Party School of the CPC, but Director Zou Jixin carefully read all the resolutions before meetings, and made full explanation of his opinions to the entrusted Director Dai Zhihao, and signed a power of attorney, as well as specified voting opinion on each resolution on such power of attorney.

Number of Board Meetings held in the year	11
Including: number of on-site meetings	5
Number of meetings in communication mode	6
Number of on-site meetings combined with other ways of communication	0

#### (II) Dissents from Independent Directors to Relevant Matters of the Company

☐ Applicable √Not applicable

#### (III) Others

☐ Applicable √Not applicable

### IV. Important Opinions and Suggestion Put Forward by the Special Committees Attached to the Board of Directors During the Reporting Period.

√Applicable ☐ Not applicable

The Strategy and Risk Management Committee suggested that in order to timely understand the promotion situation of BAO-WU consolidation, the company should report to the Board of Directors about the BAO-WU consolidation work progress and coordination effect on monthly basis.

The Remuneration and Appraisal Committee believed that when setting evaluation indicators for management personnel, the higher the level,

## Section IX Corporate Governance

the setting of indicators should be more lean and focused. Besides, the absolute value of performance in steel industry is more affected by market fluctuation, setting of relatively more rational and scientific relative indicators could also better reflect the company's competitiveness. The company shall adhere to industrial benchmarking principle when setting indicators, further focus on the level of operating performance among domestic and foreign peers, and set flexible adjustment conditions of performance evaluation results.

The Audit Committee suggested that the company has completed the share swap and consolidation of Wuhan Iron & Steel Co., Ltd., the next step should strengthen the internal audit work of Wuhan Iron & Steel Ltd., when necessary, an accounting firm could be hired to jointly establish and improve, along with internal audit department, the internal control system of Wuhan Iron & Steel Ltd. The company shall consolidate internal audit department as soon as possible, and form a unified audit standard.

### V. Explanation of the Board of Supervisors on Risks for the Company

☐ Applicable ☒ Not applicable

### VI. Explanation of Independence and Self-Management Inability in Business, Staff, Assets, Organization and Finance of the Company and its Controlling Shareholders

☐ Applicable ☒ Not applicable

If there is peer competition, the corresponding solutions, work process and follow-up work plans of the company

☐ Applicable ☒ Not applicable

### VII. Establishment and Implementation of the Examination Mechanism and the Incentive Mechanism for Senior Executives

☒ Applicable ☐ Not applicable

The Company enjoyed a well-formed structure of corporate governance, with an assessment and appraisal mechanism for senior executives, which was approved by the Remuneration and Appraisal Committee and the Board of Directors. The compensation of senior executives depended on the performances of the Company as a whole and of themselves, and normative procedures have been well established with regards to their targets, daily compensation management, achievements, assessments and achievement-assessment relationship.

### VIII. Disclosure of Internal Control Self-Evaluation Report

☒ Applicable ☐ Not applicable

Establish, improve and effectively implement internal control based on the enterprise's internal control standard system, evaluate its effectiveness, and authentically disclosing internal control evaluation report shall be the responsibility of the company's Board of Directors.

The company developed internal control evaluation work in accordance with the "Basic Standard of Enterprise Internal Control" and the "Guidance of Enterprise Internal Control and Evaluation", formed the self-evaluation report of internal control, the internal control and self-evaluation report was reviewed and passed at the 27th Board Meeting of the 6th Board of Directors of the company, and disclosed to the public, website of disclosure <http://www.sse.com.cn>.

Description of the significant defect of internal control during the reporting period

☐ Applicable ☒ Not applicable

### IX. Audit Report for the Company's Internal Control

☒ Applicable ☐ Not applicable

Deloitte Touche Tohmatsu Certified Public Accountants LLP (special general partnership) conducted the internal control audit and gave its audit report for the Company, and the content of the report was disclosed at [www.sse.com.cn](http://www.sse.com.cn).

If the internal control auditing report has been disclosed: yes

### X. Others

☐ Applicable ☒ Not applicable

## Section X Corporate Bond

☒ Applicable ☐ Not applicable

### I. Basic Information of Corporate Bond

Unit: Yuan Currency: RMB

Bond name	Abbreviation	Code	Issue date	Expiry date	Bond balance	Interest rate (%)	Principal and interest payment method	Trade place
I4 corporate bond of Wuhan Iron & Steel Co., Ltd.	I4 Wugang bond	122366	Jul. 1, 2015	Jul. 1, 2018	6,991,705,174.90	4.38	Pay interests on annual basis, pay principal and last period of interest at the end of last period	Shanghai Stock Exchange

Interest payment and cashing of corporate bond

☒ Applicable ☐ Not applicable

Registration date of interest-paying creditor's rights in 2017: on Jun. 30, 2017, according to the "Announcement of Face Interest Rate of Corporate Bond of 2014 Publicly Issued by Wuhan Iron & Steel Co., Ltd.", the face interest rate of "I4 corporate bond of Wuhan Iron & Steel Co., Ltd." was 4.38%. The face value of "I4 corporate bond of Wuhan Iron & Steel Co., Ltd." in every hand was RMB 1,000 Yuan, and the distributed interest was RMB 43.80 Yuan(including tax).

Notes to other information of corporate bond

☐ Applicable ☒ Not applicable

### II. Entrusted Management Contact of Corporate Bond, Its Contact Means and Contact means of Credit Rating Agency

Entrusted manager of bond	Name	Western Securities Co., Ltd.
	Office address	Trust Building, No.232 Dongxin Street, Xincheng District, Xi'an, Shaanxi Province
	Contact person	Gao Yuan
	Tel.	029-87406130
Credit rating agency	Name	China Chengxin Securities Rating Co., Ltd.
	Office address	Room 968, No.1 Building, No.599 Xinye Road, Qingpu District, Shanghai

Other notes:

☐ Applicable ☒ Not applicable

### III. Use of Fund Raised from Corporate Bond

☒ Applicable ☐ Not applicable

The issuer shall use funds with fixed sum for fixed purpose strictly based on the fund directions as disclosed in the shareholders meeting resolution and raising specification.

### IV. Rating of Corporate Bond

☒ Applicable ☐ Not applicable

China Chengxin Securities Rating Co., Ltd. shall continuously pay attention to the changes of external operating environment, changes of operating or financial conditions as well as bonds debt repayment situation or other factors of the bonds issuer during the valid term of bond credit rating or the duration of the bond, so as to continuously follow up the credit risks of the bond.

## Section X Corporate Bond

### V. Credit Enhancement Mechanism, Debt Repayment Plan and Other Related Information of Corporate Bond during Reporting Period

☒ Applicable ☐ Not applicable

#### (I) Debt Repayment Plan

1. The value date of the bonds shall be the first day after the issuing of corporate bond, meaning Jul. 1, 2015.
2. The interests of the bonds shall be paid once in every year since the value date, the interest of last period shall be paid along with the principal. The interest payment date of the bonds shall be July 1st in every year from 2016 to 2018, in case of any legal holiday or resting day, it shall be postponed to the first working day afterwards, during the period of every postponing, the interest payment shall not separately accrue interest. As of Jun. 30, 2017, the interest of second period had already been paid.
3. The principal shall be repaid at once at the expiration of the bonds. The principal cashing date of the bonds shall be Jul. 1, 2018, in case of any legal holiday or resting day, it shall be postponed to the first working day afterwards, during the period of every postponing, the interest payment shall not separately accrue interest.
4. The principal cashing and interest payment of the bonds shall be handled through securities registration authority and related departments. The specific matters of principal cashing and interest payment shall be explained by the issuer by releasing related announcement at the media designated by CSRC.

#### (II) Source of Debt Repaying Fund

The issuer shall form fund use plan based on the repayment situation of bonds principal and interests at expiration in the future, rationally allocate and distribute funds, timely pay interests and principal. The fund used by the company to repay principal and interests of the bonds shall be mainly from the cash flow generated from operational activities.

#### (III) Emergency Guarantee Scheme of Debt Repayment

1. External financing channel

As a super-large steel enterprise in China, the issuer has established excellent long-term cooperation relationship with various commercial banks and other financial institutions, has excellent credit record and has obtained relatively high credit line of bank loans.

2. Realization of current assets

As of Dec. 31, 2017, the issuer's consolidated-caliber current assets totaled RMB 34.3 billion, when necessary, it could consider supplementing debt repayment fund by realizing current assets.

3. The guarantor has provided the bonds with full-amount unconditional and irrevocable joint liability guarantee

Wuhan Iron & Steel Group Co., Ltd. and this company have provided the bonds with full-amount unconditional and irrevocable joint liability guarantee. If the issuer is unable to repay the principal and interests of the bonds due to influence by unpredictable factors, then Wuhan Iron & Steel Group Co., Ltd. and this company will bear guarantee liabilities based on the letter of guarantee issued as well as related laws and regulations, the scope of guarantee shall include the entire principal, interests, penalty, damage compensation of the bonds as well as the reasonable expense to realize creditor's rights.

### VI. Corporate Bond Holders' Meeting

☐ Applicable ☒ Not applicable

No bond holders meeting was held during this reporting period.

### VII. Duty Performance of Entrusted Manager of Corporate Bond

☒ Applicable ☐ Not applicable

The issuer has entered into the "Entrusted Bond Management Agreement", during the duration of the bonds, the entrusted manager of bonds shall supervise the related situation of the company on behalf of bonds holders.

## VIII. Accounting Data and Financial Indicators of the Company In Recent 2 Years as of the End of Reporting Period

☒ Applicable ☐ Not applicable

Unit: Yuan Currency: RMB

Main indicators	2017	2016	Increase or decrease in current period compared with same period in previous year (%)	Causes of change
Profit before amortization of depreciation of interest tax	460.2	333.3	38.1	Increase of profit
Liquidity ratio	0.8	0.8	1.7	
Quick ratio	0.6	0.5	12.3	
Asset-liability ratio (%)	50.2	55.4	-9.4	
Full debt ratio of EBITDA	3.8	6.0	-36.0	Increase of profit
Times interest earned	7.5	3.6	108.9	Increase of profit
Times interest earned of cash	11.3	6.8	65.1	Increase of profit
Times interest earned of EBITDA	12.4	7.5	65.6	Increase of profit
Loan repayment rate (%)	100	100	-	
Interest payment rate (%)	100	100	-	

Note: the indicators above shall be in consolidated caliber of this group.

## IX. Interest Payment and Cashing Information of Other Bonds and Debt Financing Instruments of the Company

☐ Applicable ☒ Not applicable

## X. Bank Credit Lines Information of the Company during Reporting Period

☒ Applicable ☐ Not applicable

As of Dec. 31, 2017, the various major commercial banks gave this group RMB 193.59 billion of credit line of loan in total, including the unused credit line of RMB 123.09 billion.

## XI. Performance of Related Agreement or Commitment in Corporate Bond Raising Prospectus during Reporting Period

☒ Applicable ☐ Not applicable

During the reporting period, it was executed based on the related agreements and commitments in the Prospectus, and had no negative influence on bonds holders.

## XII. Influence of Major Issues of the Company on Operating Situation and Solvency

☐ Applicable ☒ Not applicable

## Section XI Financial Statements

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### Contents

### Page

Auditor's report	073 - 076
The Company's and consolidated balance sheets	077 - 080
The Company's and consolidated income statements	081 - 082
The Company's and consolidated cash flow statements	083 - 085
The Company's and consolidated statements of changes in shareholders' equity	086 - 089
Notes to the financial statements	090 - 197



# AUDITOR'S REPORT

De Shi Bao (Shen) Zi (18) No P02605

To the Shareholders of Baoshan Iron & Steel Co., Ltd.

## 1.Opinion

We have audited the financial statements of Baoshan Iron & Steel Co., Ltd. ("the Company"), which comprise the consolidated and Company's balance sheets as at 31 December 2017, and the consolidated and Company's income statements, the consolidated and Company's statements of changes in owners' equity and the consolidated and Company's cash flow statements for the year then ended, and the notes to the financial statements.

In our opinion, the accompanying financial statements of the Company are prepared and present fairly, in all material respects, the consolidated and Company's financial position as at 31 December 2017, and the consolidated and the Company's results of operations and cash flows for the year then ended in accordance with the Accounting Standards for Business Enterprises.

## 2.Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the code of ethics for Chinese Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## 3.Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We determine the followings are key audit matters in need of communication in our report.

### Provision for decline in value of inventories

#### Description

As stated in Note V, 10 to the financial statements, as at 31 December 2017, the balance of inventories was RMB 41,624,560,518.19, and the balance of provision for decline in value of inventories was RMB 2,136,522,901.59.

As stated in Notes III, 13 to the financial statements, at the balance sheet date, inventories of the Company are measured at the lower of cost and net realisable value. If the net realisable value is below the cost of inventories, a provision for decline in value of inventories is made.

In calculating the net realizable value of inventories, the management of the Company needs to make significant judgments and estimates, especially with regard to the future selling price, estimated costs, selling expenses and related taxes that will occur at the time of completion, and the amount of provision for decline in value of inventories is quite significant. Therefore, we determine provision for decline in value of inventories as a key audit matter.

How our audit addressed the provision for decline in value of inventories

For the provision for decline in value of inventories, we mainly perform the following audit procedures:

- (1) Assess the internal control related to the provision for decline in value of inventories and test the effectiveness of the internal control;
- (2) Evaluate whether the Company's method of identifying the inventories with a risk of decline in value is reasonable;
- (3) Obtain the calculation table of the provision for decline in value of inventories from the Company, select some samples, and compare the estimated future selling price with the latest actual selling price, the estimated costs at the time of completion with the actual costs of similar inventories to be incurred when the project is completed, and the estimated selling expenses and relevant taxes with the average selling expenses and relevant taxes actually incurred in the sales of the inventories in the most recent months so as to determine whether the management's estimates have significant deviations;
- (4) Check whether the above calculation table is correct.

## Section XI Financial Statements

Combination of Wuhan Iron & Steel Co., Ltd. (hereinafter: "Wuhan Iron & Steel")

### Description

As stated in Note VI, 1 to the financial statements, the Company merged Wuhan Iron & Steel in the form of equity exchange in 2017. The Company issued 5,652,516,701 A shares for this combination and obtained a net asset of RMB 28,634,854,230.72 as a combining party. The Company has accounted for the above transaction in accordance with the principle of business combination involving entities under common control as described in Note III, 6.1 to the financial statements.

In view of the significant impact of this combination on the consolidated financial statements of the Company, we determine the accounting treatment of the combination of Wuhan Iron & Steel as a key audit matter:

How our audit addressed the combination of Wuhan Iron & Steel

For this combination, we mainly perform the following audit procedures:

- (1) Determine whether the accounting treatment of the Company's business combination involving entities under common control is reasonable;
- (2) Evaluate whether the date of combination determined by the Company is appropriate;
- (3) Check whether the significant accounting policies and accounting estimates of the combined party are different from those of the Company. If so, check whether they are properly adjusted in the preparation of the consolidated financial statements;
- (4) Check the method and process of the preparation of consolidated financial statements and test the integrity and accuracy of the consolidated offset entries;
- (5) Check whether the restatement of the comparative data of the prior year in the consolidated financial statements is accurate.

Expected termination benefits

### Description

As stated in Note V, 33 and Note V, 43 to the financial statements, the balances of termination benefits in current liabilities and non-current liabilities of the consolidated financial statements were RMB 284,832,240.48 and RMB 626,923,137.75 respectively as at 31 December 2017, which totaled RMB 911,755,378.23, increasing by RMB 527,074,597.15 with an increase rate of 137.02% compared with the total closing balance of RMB 384,680,781.08 in prior year. In view of the great increase in the balance of termination benefits during the year and significant judgments and estimates are required in the recognition and measurement of termination benefits, we determine the expected termination benefits as a key audit matter:

How our audit addressed the expected termination benefits

For the expected termination benefits, we mainly perform the following audit procedures:

- (1) Assess and test the internal control in provision for termination benefits;
- (2) Check the policy and plan for termination benefits and assess whether the accounting treatment complies with the relevant accounting standards;
- (3) Obtain the calculation form of the termination benefits from the Company, and with the assistance of the internal valuation experts of the firm, examine the assessment method, actuarial assumption (including discount rate, etc.) and overall calculation results of the Company's termination benefits plan.

### 4. Other Information

The management of the Company is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## 5. Responsibilities of the Management and Those Charged with Governance for the Financial Statements

The management of the Company is responsible for the preparation and fair presentation of the financial statements in accordance with the Accounting Standards for Business Enterprises, and designing, implementing and maintaining internal control that is necessary to enable the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## 6. Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes our opinion solely to you. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with China Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with China Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error; as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (4) Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements (including the disclosures), and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit

## Section XI Financial Statements

findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte Touche Tohmatsu CPA LLP

Shanghai, China

Chinese Certified Public Accountant:

(Engagement partner)

**Xu Yusun**

Chinese Certified Public Accountant

**Dou Chengming**

9 April 2018

The auditors' report and the accompanying financial statements are English translations of the Chinese auditors' report and statutory financial statements prepared under accounting principles and practices generally accepted in the People's Republic of China. These financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions. In case the English version does not conform to the Chinese version, the Chinese version prevails.

## Consolidated Balance Sheet

AT 31 December 2017

RMB

Item	Notes	Closing balance in current year	Closing balance in prior year Restated	Opening balance in prior year Restated
Current Assets:				
Cash and bank balances	(V)1	17,857,363,941.27	14,024,805,944.83	12,284,603,537.10
Financial assets at FVTPL	(V)2	1,726,166,623.63	1,122,863,784.67	872,874,998.19
Notes receivable	(V)3	31,857,024,088.54	17,235,979,103.83	13,513,370,014.53
Accounts receivable	(V)4	12,079,375,683.85	15,471,714,554.88	20,254,892,500.60
Prepayments	(V)5	8,018,401,078.40	11,159,353,405.18	5,946,515,236.21
Interest receivable	(V)6	13,568,978.49	140,829,540.88	294,315,359.09
Dividends receivable	(V)7	45,043,206.68	71,118,863.52	235,067,833.28
Other receivables	(V)8	2,701,253,244.83	2,043,769,027.24	2,651,023,824.33
Financial assets purchased under resale agreements	(V)9	3,583,919,000.00	-	2,140,000,000.00
Inventories	(V)10	39,488,037,616.60	49,581,451,453.12	34,566,642,725.12
Non-current assets due within one year	(V)11	547,982,220.29	4,825,441,243.86	4,500,000,000.00
Other current assets	(V)12	15,374,474,805.32	21,085,793,243.96	9,479,463,961.12
<b>Total Current Assets</b>		<b>133,292,610,487.90</b>	<b>136,763,120,165.97</b>	<b>106,738,769,989.57</b>
Non-current Assets:				
Loans and advances to customers	(V)13	3,941,771,480.10	3,317,691,941.16	2,238,404,977.48
Available-for-sale financial assets	(V)14	13,016,772,119.86	13,257,729,870.02	11,090,848,759.01
Long-term receivables	(V)15	323,443,628.36	264,498,082.98	4,623,060,791.46
Long-term equity investments	(V)16	17,286,462,494.34	10,484,309,260.12	10,639,766,575.93
Investment properties	(V)17	437,906,877.45	364,312,763.81	373,337,165.32
Fixed assets	(V)18	154,221,659,305.18	163,881,839,658.51	135,528,921,701.16
Construction in progress	(V)19	9,974,993,262.80	12,476,133,837.70	38,558,090,456.36
Materials for construction of fixed assets	(V)20	120,072,392.03	62,704,746.86	55,456,341.16
Intangible assets	(V)21	12,384,059,562.20	12,423,485,433.69	10,109,971,487.76
Goodwill	(V)22	520,886,853.98	487,784,475.38	472,929,849.01
Long-term prepaid expenses	(V)23	1,330,650,683.79	1,170,189,826.33	1,097,988,183.71
Deferred tax assets	(V)24	2,413,983,183.78	2,281,734,440.98	2,500,799,170.23
Other non-current assets	(V)25	969,360,283.40	1,832,212,670.38	4,532,364,363.88
<b>Total Non-current Assets</b>		<b>216,942,022,127.27</b>	<b>222,304,627,007.92</b>	<b>221,821,939,822.47</b>
<b>TOTAL ASSETS</b>		<b>350,234,632,615.17</b>	<b>359,067,747,173.89</b>	<b>328,560,709,812.04</b>

## Consolidated Balance Sheet-continued

AT 31 December 2017

RMB

Item	Notes	Closing balance in current year	Closing balance in prior year Restated	Opening balance in prior year Restated
Current Liabilities:				
Short-term borrowings	(V)26	60,282,446,151.02	52,080,729,189.64	53,276,473,704.09
Loans from the central bank		-	-	130,730,819.70
Customer deposits and deposits from banks and other financial institutions	(V)27	8,471,020,955.41	9,315,966,149.03	10,009,980,135.82
Taking from banks and other financial institutions	(V)28	400,000,000.00	-	198,000,000.00
Financial liabilities at FVTPL		371,853,492.51	35,161,856.12	3,608,651.05
Notes payable	(V)29	10,517,063,796.47	17,000,213,928.98	14,085,627,991.62
Accounts payable	(V)30	29,156,277,645.17	34,972,464,907.92	33,569,730,560.77
Receipts in advance	(V)31	23,744,883,795.03	27,301,573,846.83	15,820,625,124.41
Financial assets sold under repurchase agreements	(V)32	130,556,138.69	152,321,609.86	-
Employee benefits payable	(V)33	2,365,608,949.15	1,877,043,492.01	1,867,338,116.67
Taxes payable	(V)34	4,699,230,756.94	3,563,913,854.97	1,505,631,101.22
Interest payable	(V)35	582,058,272.27	559,358,021.09	414,951,784.75
Dividends payable	(V)36	50,674,285.20	35,178,314.61	7,383,319.96
Other payables	(V)37	1,974,769,049.99	3,289,271,659.82	2,912,110,478.12
Non-current liabilities due within one year	(V)38	20,407,281,386.07	1,986,830,219.31	676,849,347.88
Other current liabilities	(V)39	52,914,690.00	18,136,460,229.17	10,153,452,031.78
<b>Total Current Liabilities</b>		<b>163,206,639,363.92</b>	<b>170,306,487,279.36</b>	<b>144,632,493,167.84</b>
Non-current Liabilities:				
Long-term borrowings	(V)40	413,368,004.28	958,693,159.16	11,554,234,615.14
Bonds payable	(V)41	8,553,245,927.39	21,052,403,274.32	15,707,351,210.57
Long-term payables	(V)42	712,416,884.50	4,017,988,251.65	3,628,055,314.54
Long-term employee benefits payable	(V)43	781,049,807.00	363,334,743.38	328,307,328.96
Special payables	(V)44	261,860,000.00	261,860,000.00	292,916,697.81
Provisions	(V)45	1,989,562.11	4,196,289.17	13,143,314.07
Deferred income	(V)46	1,116,879,279.02	1,156,751,257.72	1,143,727,970.04
Deferred tax liabilities	(V)24	714,779,247.74	693,446,314.92	510,868,404.64
Other non-current liabilities	(V)47	-	315,720.00	9,259,160.03
<b>Total Non-current Liabilities</b>		<b>12,555,588,712.04</b>	<b>28,508,989,010.32</b>	<b>33,187,864,015.80</b>
<b>TOTAL LIABILITIES</b>		<b>175,762,228,075.96</b>	<b>198,815,476,289.68</b>	<b>177,820,357,183.64</b>
SHAREHOLDERS' EQUITY:				
Share capital	(V)48	22,268,111,875.00	16,450,393,624.00	16,467,517,524.00
Capital reserve	(V)49	48,714,559,218.40	53,792,331,914.27	53,763,145,872.71
Other equity instruments	(V)50	77,717,323.62	-	-
Less: Treasury shares	(V)51	712,416,884.50	49,879,268.00	82,585,917.00
Other comprehensive income	(V)52	(301,403,547.57)	(282,951,207.59)	(809,661,426.51)
Special reserve	(V)53	41,582,048.73	52,525,505.43	28,109,524.07
Surplus reserve	(V)54	29,774,721,062.00	27,894,484,385.08	26,516,654,926.34
Retained earnings	(V)55	64,569,632,340.12	51,921,089,401.65	45,211,006,406.38
Total shareholders' equity attributable to equity holders of the Company		164,432,503,435.80	149,777,994,354.84	141,094,186,909.99
Minority interests		10,039,901,103.41	10,474,276,529.37	9,646,165,718.41
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>174,472,404,539.21</b>	<b>160,252,270,884.21</b>	<b>150,740,352,628.40</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>350,234,632,615.17</b>	<b>359,067,747,173.89</b>	<b>328,560,709,812.04</b>

The accompanying notes form part of the financial statements.

The financial statements on pages 77 to 89 were signed by the following:

Legal Representative: **Dai Zhihao**Person in Charge of the Accounting Body: **Wu Kunzong**Chief Accountant: **Wang Juan**

## Balance Sheet of the Company

AT 31 December 2017

RMB

Item	Notes	Closing Balance	Opening Balance
Current Asset:			
Cash and bank balances		11,927,358,284.13	3,761,841,278.83
Financial asset at FVTPL		734,096,000.00	111,528,367.77
Notes receivable		19,504,576,992.77	10,341,730,083.20
Accounts receivable	(XV)1	10,835,531,758.06	20,617,169,797.24
Prepayments		1,945,468,308.57	1,531,948,904.01
Interest receivable		82,540,335.24	213,628,945.02
Other receivables	(XV)2	369,778,096.91	340,757,761.05
Inventories		11,103,486,717.45	14,142,651,284.18
Non-current assets due within one year		-	4,500,000,000.00
Other current assets		41,427,207,910.87	33,645,877,265.96
<b>Total Current Assets</b>		<b>97,930,044,404.00</b>	<b>89,207,133,687.26</b>
Non-current Assets:			
Available-for-sale financial assets		9,340,528,096.20	8,844,897,096.20
Long-term receivables		2,223,327,009.32	2,208,708,380.96
Long-term equity investments	(XV)3	78,708,570,251.16	46,689,645,811.87
Fixed assets		42,849,063,926.97	46,576,088,776.26
Construction in progress		4,662,382,023.28	3,013,269,894.17
Materials for construction of fixed assets		3,947,337.41	19,373,852.82
Intangible assets		3,543,280,357.44	3,625,448,341.08
Long-term prepaid expenses		31,070,463.38	47,056,557.98
Deferred tax assets		1,005,228,434.07	489,718,868.66
Other non-current assets		2,721,183,386.49	125,118,672.15
<b>Total Non-current Assets</b>		<b>145,088,581,285.72</b>	<b>111,639,326,252.15</b>
<b>TOTAL ASSETS</b>		<b>243,018,625,689.72</b>	<b>200,846,459,939.41</b>

## Balance Sheet of the Company - continued

AT 31 December 2017

RMB

Item	Notes	Closing Balance	Opening Balance
Current Liabilities:			
Short-term borrowings		34,916,707,000.00	20,400,629,890.54
Financial liabilities at FVTPL		331,882,154.88	-
Notes payable		3,801,954,041.22	3,767,731,007.95
Accounts payable		24,409,840,022.82	16,847,203,968.42
Receipts in advance		14,375,910,316.12	12,988,920,288.71
Employee benefits payable		1,395,413,171.14	1,194,628,714.45
Taxes payable		1,964,136,800.32	2,975,857,730.40
Interest payable		329,510,733.76	175,076,419.87
Other payables		407,132,988.23	446,847,349.07
Non-current liabilities due within one year		2,000,000,000.00	-
Other current liabilities		-	18,052,896,712.32
<b>Total Current Liabilities</b>		<b>83,932,487,228.49</b>	<b>76,849,792,081.73</b>
Non-current Liabilities:			
Long-term borrowings		50,000,000.00	-
Bonds payable		8,000,000,000.00	7,000,000,000.00
Long-term employee benefits payable		189,439,129.01	145,728,919.50
Long-term payables		712,416,884.50	49,879,268.00
Special payables		242,580,000.00	242,580,000.00
Deferred income		366,420,337.96	375,007,686.29
Deferred tax liabilities		561,037,857.08	566,984,366.40
<b>Total Non-current Liabilities</b>		<b>10,121,894,208.55</b>	<b>8,380,180,240.19</b>
<b>TOTAL LIABILITIES</b>		<b>94,054,381,437.04</b>	<b>85,229,972,321.92</b>
SHAREHOLDERS' EQUITY:			
Share capital		22,268,111,875.00	16,450,393,624.00
Capital reserve		56,360,561,245.89	32,912,011,944.13
Less: Treasury shares		712,416,884.50	49,879,268.00
Other comprehensive income		(42,593,990.71)	(26,995,259.25)
Surplus reserve		29,774,721,062.00	27,894,484,385.08
Retained earnings		41,315,860,945.00	38,436,472,191.53
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>148,964,244,252.68</b>	<b>115,616,487,617.49</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>243,018,625,689.72</b>	<b>200,846,459,939.41</b>



## Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2017

RMB

Item	Notes	Amount for current year	Amount for prior year Restated
I. Total operating income		289,497,791,860.43	246,421,090,505.95
Including: Operating income	(V)56	289,092,900,259.28	246,169,451,839.91
Interest income		392,745,524.75	239,077,590.76
Fee and commission income		12,146,076.40	12,561,075.28
Less: Total operating costs		267,977,947,591.25	235,680,134,509.02
Including: Operating costs	(V)56	248,425,102,399.15	218,212,200,747.40
Interest expenses		174,760,042.55	195,523,701.70
Fee and commission expenses		4,043,601.08	2,260,371.02
Taxes and levies	(V)57	1,879,904,404.45	653,710,852.71
Selling expenses	(V)58	3,366,451,987.33	2,928,187,909.38
Administrative expenses	(V)59	9,631,975,472.67	9,154,796,393.88
Financial expenses	(V)60	3,370,418,534.10	3,976,615,801.66
Impairment losses of assets	(V)61	1,125,291,149.92	556,838,731.27
Add: Gains from changes in fair value	(V)62	(184,144,674.11)	102,811,869.70
Investment income	(V)63	3,042,271,247.77	1,075,247,400.48
Including: Income from investments in associates and joint ventures		672,629,885.10	3,162,130.29
Other income	(V)64	546,199,583.81	-
II. Operating profit		24,924,170,426.65	11,919,015,267.11
Add: Non-operating income	(V)65	274,526,446.84	508,068,048.34
Including: Income from disposal of non-current assets		176,640,509.15	60,619,535.45
Less: Non-operating expenses	(V)66	1,163,566,737.88	538,148,944.44
Including: Losses from disposal of non-current assets		1,022,650,955.02	474,084,620.06
III. Total profit		24,035,130,135.61	11,888,934,371.01
Less: Income tax expenses	(V)67	3,631,992,918.56	2,549,892,103.80
IV. Net profit		20,403,137,217.05	9,339,042,267.21
(I) Categorized by operation continuity		20,403,137,217.05	9,339,042,267.21
1. Net profit from continuing operations		20,403,137,217.05	9,339,042,267.21
2. Net profit from discontinued operations		-	-
(II) Categorized by ownership:		20,403,137,217.05	9,339,042,267.21
1. Profit or loss attributable to minority interests		1,232,799,647.41	263,114,179.76
2. Net profit attributable to owners of the Company		19,170,337,569.64	9,075,928,087.45
V. Other comprehensive income, net of tax	(V)68	(18,454,491.59)	542,032,011.56
Other comprehensive income attributable to owners of the Company, net of tax		(18,452,339.98)	526,710,218.92
(I) Items that will not be subsequently reclassified to profit or loss		5,575,231.86	(10,948,344.66)
(II) Items that will be reclassified subsequently to profit or loss		(24,027,571.84)	537,658,563.58
1. Share of other comprehensive income of the investee that will be reclassified to profit or loss under the equity method		(36,282,078.82)	43,303,908.41
2. Profit or loss on changes in the fair value of available-for-sale financial assets		115,131,972.11	76,653,237.38
3. Translation differences of financial statements denominated in foreign currencies		(102,877,465.13)	417,701,417.79
Other comprehensive income attributable to minority interests, net of tax		(2,151.61)	15,321,792.64
VI. Total comprehensive income:		20,384,682,725.46	9,881,074,278.77
Total comprehensive income attributable to owners of the Company		19,151,885,229.66	9,602,638,306.37
Total comprehensive income attributable to minority interests		1,232,797,495.80	278,435,972.40
VII. Earnings per share:			
(I) Basic earnings per share(RMB/share)	(V)74	0.86	0.41
(II) Diluted earnings per share(RMB/share)	(V)74	0.86	0.41

For business combination involving entities under common control occurred in current year, the net profit of the acquiree generated before the business combination was RMB 71,273,863.89. Net profit of the acquiree generated for the prior period was RMB 133,743,829.54.

## Income Statement of the Company

FOR THE YEAR ENDED 31 DECEMBER 2017

RMB

Item	Notes	Amount for current year	Amount for prior period
I. Operating income	(XV)4	125,587,444,953.47	91,013,297,599.22
Less: Operating costs	(XV)4	107,998,735,505.62	75,411,520,821.03
Taxes and levies		670,896,478.57	306,262,755.52
Selling expenses		712,450,377.52	641,763,402.33
Administrative expenses		4,037,998,699.27	4,104,056,676.94
Financial expenses		(386,013,540.41)	1,074,828,104.27
Impairment losses of assets		(205,005,524.69)	2,766,717,219.90
Add: Gains from changes in fair value		(397,314,522.65)	111,528,367.77
Investment income	(XV)5	(743,212,058.91)	1,893,866,622.61
Including: Income from investments in associates and joint ventures		215,577,662.48	135,745,516.93
Other income		229,581,760.63	-
II. Operating profit		11,847,438,136.66	8,713,543,609.61
Add: Non-operating income		42,080,079.84	147,342,490.70
Including: Income from disposal of non-current assets		37,217,174.35	2,971,820.03
Less: Non-operating expenses		718,179,168.18	333,892,424.60
Including: Losses from disposal of non-current assets		672,468,770.55	322,012,522.28
III. Total profit		11,171,339,048.32	8,526,993,675.71
Less: Income tax expenses		1,770,155,663.68	1,637,846,382.02
IV. Net profit		9,401,183,384.64	6,889,147,293.69
(I) Net profit (loss) from continuing operations		9,401,183,384.64	6,889,147,293.69
(II) Net profit (loss) from discontinued operations		-	-
V. Other comprehensive income, net of income tax		15,598,731.46	39,048,686.10
(I) Items that will not be reclassified subsequently to profit or loss		-	-
(II) Items that will be reclassified subsequently to profit or loss		(15,598,731.46)	39,048,686.10
1. Share of other comprehensive income of the investee that are to be reclassified to profit or loss under equity method		(34,821,981.46)	39,048,686.10
2. Profit or loss on changes in fair value of available-for-sale financial assets		19,223,250.00	-
3. Profit or loss arising from held-to-maturity investments reclassified to available-for-sale financial assets		-	-
4. Effective portion of gain or loss of cash flow hedge		-	-
5. Translation differences of financial statements denominated in foreign currencies		-	-
VI. Total comprehensive income		9,385,584,653.18	6,928,195,979.79

## Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2017

RMB

Item	Notes	Amount for current year	Amount for prior year Restated
I. Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		319,116,903,633.99	296,867,234,453.94
Net increase in taking from banks and other financial institutions		400,000,000.00	-
Cash receipts from interest, fees and commissions		408,507,351.76	257,688,171.72
Net increase in financial assets sold under repurchase agreement		-	152,321,609.86
Receipts of tax refunds		782,047,922.32	443,747,564.06
Other cash receipts relating to operating activities	(V)69(1)	2,251,319,557.07	2,216,193,357.67
Sub-total of cash inflows from operating activities		322,958,778,465.14	299,937,185,157.25
Cash payments for goods purchased and services received		253,133,434,329.18	249,399,837,357.08
Net decrease in customer deposits and deposits from banks and other financial institutions		844,573,741.14	696,741,565.27
Net increase in loans and advances to customers		558,747,482.76	969,387,874.64
Net decrease in borrowings from the central bank		-	130,730,819.70
Net decrease in taking from banks and other financial institutions		-	198,000,000.00
Net increase in balance with the central bank and due from banks and other financial institutions		525,750,645.89	155,125,708.89
Net decrease in financial assets sold under repurchase agreements		21,765,471.17	-
Cash payments for interest, fees and commissions		267,056,426.40	158,257,787.26
Cash payments to and on behalf of employees		14,466,206,112.52	13,458,346,828.26
Payments of various types of taxes		14,194,846,372.86	8,132,215,313.91
Other cash payments relating to operating activities	(V)69(2)	5,869,124,288.85	4,235,285,755.23
Sub-total of cash outflows from operating activities		289,881,504,870.77	277,533,929,010.24
Net Cash Flows from Operating Activities	(V)70(1)	33,077,273,594.37	22,403,256,147.01
II. Cash Flows from Investing Activities:			
Cash receipts from disposals and recovery of investments		102,682,286,576.96	65,287,827,070.91
Cash receipts from investment income		1,864,988,301.78	1,387,139,760.31
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		368,318,427.75	133,499,358.28
Net cash receipts from disposals of subsidiaries and other business units		-	3,290,962.12
Other cash receipts relating to investing activities	(V)69(3)	4,809,805,533.19	4,951,413,721.98
Sub-total of cash inflows from investing activities		109,725,398,839.68	71,763,170,873.60
Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets		13,276,885,150.12	14,937,966,699.92
Cash payments to acquire investments		106,445,598,785.69	78,184,439,182.98
Net cash payments for acquisitions of subsidiaries and other business units		-	15,737,300.00
Net cash payments for disposal of subsidiaries and other business units		1,543,823,590.55	-
Other cash payments relating to investing activities	(V)69(4)	182,591,544.39	183,405,304.46
Sub-total of cash outflows from investing activities		121,448,899,070.75	93,321,548,487.36
Net Cash Flows from Investing Activities		(11,723,500,231.07)	(21,558,377,613.76)

## Consolidated Cash Flow Statement - continued

FOR THE YEAR ENDED 31 DECEMBER 2017

RMB

Item	Notes	Amount for current year	Amount for prior year Restated
III. Cash Flows from Financing Activities:			
Cash receipts from capital contributions		1,589,871,449.79	720,273,874.00
Including: Cash receipts from capital contributions from minority owners of subsidiaries		924,226,931.79	720,273,874.00
Cash receipts from borrowings		99,502,638,450.13	134,459,205,580.09
Cash receipts from issue of bonds	(V)38(4) (V)41(2)	6,712,000,000.00	33,000,000,000.00
Other cash receipts relating to financing activities		77,970,811.51	1,000,000,000.00
Sub-total of cash inflows from financing activities		107,882,480,711.43	169,179,479,454.09
Cash repayments of borrowings		113,358,750,683.92	164,755,468,502.78
Cash payments for distribution of dividends or profits or settlement of interest expenses		8,405,410,853.67	5,347,747,245.74
Including: Payments for distribution of dividends or profits to minority owner of subsidiaries		312,513,354.33	168,745,339.98
Other cash payments relating to financing activities	(V)69(5)	500,000,000.00	536,434,088.00
Sub-total of cash outflows from financing activities		122,264,161,537.59	170,639,649,836.52
Net Cash Flows from Financing Activities		(14,381,680,826.16)	(1,460,170,382.43)
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		(81,357,324.99)	60,317,113.62
V. Net Increase in Cash and Cash Equivalents		6,890,735,212.15	(554,974,735.56)
Add: Opening balance of Cash and Cash Equivalents	(V)70(2)	13,021,573,977.58	13,576,548,713.14
VI. Closing Balance of Cash and Cash Equivalents	(V)70(2)	19,912,309,189.73	13,021,573,977.58

## Cash Flow Statement of the Company

FOR THE YEAR ENDED 31 DECEMBER 2017

RMB

Item	Notes	Amount for current year	Amount for prior period
I. Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		147,434,070,368.04	100,511,565,160.85
Receipts of tax refunds		13,195,794.10	76,901,697.11
Other cash receipts relating to operating activities		780,674,215.12	373,351,514.37
Sub-total of cash inflows from operating activities		148,227,940,377.26	100,961,818,372.33
Cash payments for goods purchased and services received		105,300,809,916.15	81,032,776,853.14
Cash payments to and on behalf of employees		5,989,676,382.79	5,518,653,306.81
Payments of various types of taxes		7,904,650,039.32	3,800,575,471.23
Other cash payments relating to operating activities		648,126,327.37	303,727,082.93
Sub-total of cash outflows from operating activities		119,843,262,665.63	90,655,732,714.11
Net Cash Flows from Operating Activities	(XV)7	28,384,677,711.63	10,306,085,658.22
II. Cash Flows from Financing Activities:			
Cash receipts from disposals and recovery of investment		66,324,187,360.69	33,083,000,001.00
Cash receipts from investment income		1,901,304,883.28	1,875,046,709.74
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		82,071,111.33	215,404,467.79
Other cash receipts relating to investing activities		4,899,552,707.15	5,015,777,743.57
Sub-total of cash inflows from investing activities		73,207,116,062.45	40,189,228,922.10
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		5,507,408,158.82	5,223,215,899.34
Cash payments to acquire investments		75,309,500,000.00	42,526,553,024.00
Other cash payments relating to investing activities		50,916,944.39	111,120,304.46
Sub-total of cash outflows from investing activities		80,867,825,103.21	47,860,889,227.80
Net Cash Flows from Investing Activities		(7,660,709,040.76)	(7,671,660,305.70)
III. Cash Flows from Financing Activities:			
Cash receipts from capital contributions		665,644,518.00	-
Cash receipts from borrowings		62,350,971,300.00	73,964,861,298.24
Cash receipts from issue of bonds		6,000,000,000.00	33,000,000,000.00
Sub-total of cash inflows from financing activities		69,016,615,818.00	106,964,861,298.24
Cash repayments of borrowings		68,673,295,306.03	92,990,458,010.50
Cash payments for distribution of dividends or profits or interest expenses		6,306,453,078.80	2,473,934,749.63
Other cash payments relating to financing activities		6,584,713,925.45	12,966,979,153.30
Sub-total of cash outflows from financing activities		81,564,462,310.28	108,431,371,913.43
Net Cash Flows from Financing Activities		(12,547,846,492.28)	(1,466,510,615.19)
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		(10,605,173.29)	(15,882,610.55)
V. Net Increase in Cash and Cash Equivalents		8,165,517,005.30	1,152,032,126.78
Add: Opening balance of Cash and Cash Equivalents		3,761,841,278.83	2,609,809,152.05
VI. Closing Balance of Cash and Cash Equivalents		11,927,358,284.13	3,761,841,278.83

## Consolidated Statement of Changes in Shareholders' Equity

FOR THE YEAR ENDED 31 DECEMBER 2017

Item	Amount for current year			
	Attributable to shareholders of the Company			
	Share capital	Capital reserve	Other equity instruments	Less: Treasury shares
I. Closing balance in prior year	16,450,393,624.00	33,769,068,132.18	-	49,879,268.00
Add: Business combination involving enterprises under common control	-	20,023,263,782.09	-	-
II. Balance at 1 January 2017 (Restated)	16,450,393,624.00	53,792,331,914.27	-	49,879,268.00
III. Changes for the year	5,817,718,251.00	(5,077,772,695.87)	77,717,323.62	662,537,616.50
(I) Total comprehensive income	-	-	-	-
(II) Shareholders' contributions and reduction in capital	5,817,718,251.00	(5,133,456,149.23)	-	662,537,616.50
1. Capital contributed (reduced) by shareholders	165,201,550.00	513,537,666.50	-	662,537,616.50
2. Purchase of shares from minority interests	-	-	-	-
3. Share-based payments recognized in owners' equity	-	5,522,885.27	-	-
4. Issuing new shares of business combination involving enterprises under common control	5,652,516,701.00	(5,652,516,701.00)	-	-
(III) Profit distribution	-	-	-	-
1. Transfer to surplus reserve	-	-	-	-
2. Distribution to shareholders	-	-	-	-
(IV) Transfers within shareholders' equity	-	-	-	-
1. Others	-	-	-	-
(V) Special reserve	-	-	-	-
1. Transfers in the year	-	-	-	-
2. Amount utilized in the year	-	-	-	-
(VI) Others	-	55,683,453.36	77,717,323.62	-
IV. Closing balance in current year	22,268,111,875.00	48,714,559,218.40	77,717,323.62	712,416,884.50

Item	Amount in the same period of prior year			
	Attributable to shareholders of the Company			
	Share capital	Capital reserve	Other equity instruments	Less: Treasury shares
I. Closing balance in prior year	16,467,517,524.00	33,739,882,090.62	-	82,585,917.00
Business combination involving enterprises under common control	-	20,023,263,782.09	-	-
II. Balance at 1 January 2016 (Restated)	16,467,517,524.00	53,763,145,872.71	-	82,585,917.00
III. Changes for the year	(17,123,900.00)	29,186,041.56	-	(32,706,649.00)
(I) Total comprehensive income	-	-	-	-
(II) Shareholders' contributions and reduction in capital	(17,123,900.00)	(1,421,300.28)	-	(32,706,649.00)
1. Capital contributed (reduced) by shareholders	(17,123,900.00)	(12,187,333.55)	-	-
2. Purchase of shares from minority interests	-	-	-	-
3. Share-based payments recognized in owners' equity	-	9,485,805.45	-	-
4. Others	-	1,280,227.82	-	(32,706,649.00)
(III) Profit distribution	-	-	-	-
1. Transfer to surplus reserve	-	-	-	-
2. Distribution to shareholders	-	-	-	-
(IV) Transfers within shareholders' equity	-	-	-	-
1. Others	-	-	-	-
(V) Special reserve	-	-	-	-
1. Transfers in the year	-	-	-	-
2. Amount utilized in the year	-	-	-	-
(VI) Others	-	30,607,341.84	-	-
IV. Closing balance in current year	16,450,393,624.00	53,792,331,914.27	-	49,879,268.00

RMB

Amount for current year							
Attributable to shareholders of the Company						Minority interests	Total shareholders' equity
Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Retained earnings	Subtotal		
(60,089,825.59)	25,654,384.62	27,894,484,385.08	-	43,236,393,452.96	121,266,024,885.25	10,155,160,014.52	131,421,184,899.77
(222,861,382.00)	26,871,120.81	-	-	8,684,695,948.69	28,511,969,469.59	319,116,514.85	28,831,085,984.44
(282,951,207.59)	52,525,505.43	27,894,484,385.08	-	51,921,089,401.65	149,777,994,354.84	10,474,276,529.37	160,252,270,884.21
(18,452,339.98)	(10,943,456.70)	1,880,236,676.92	-	12,648,542,938.47	14,654,509,080.96	(434,375,425.96)	14,220,133,655.00
(18,452,339.98)	-	-	-	19,170,337,569.64	19,151,885,229.66	1,232,797,495.80	20,384,682,725.46
-	-	-	-	-	21,724,485.27	(23,252,246.64)	(1,527,761.37)
-	-	-	-	-	16,201,600.00	(23,252,246.64)	(7,050,646.64)
-	-	-	-	-	-	-	-
-	-	-	-	-	5,522,885.27	-	5,522,885.27
-	-	-	-	-	-	-	-
-	-	1,880,236,676.92	-	(6,521,794,631.17)	(4,641,557,954.25)	(312,513,354.33)	(4,954,071,308.58)
-	-	1,880,236,676.92	-	(1,880,236,676.92)	-	-	-
-	-	-	-	(4,641,557,954.25)	(4,641,557,954.25)	(312,513,354.33)	(4,954,071,308.58)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	(10,943,456.70)	-	-	-	(10,943,456.70)	(2,099,461.10)	(13,042,917.80)
-	450,775,393.32	-	-	-	450,775,393.32	9,564,485.41	460,339,878.73
-	461,718,850.02	-	-	-	461,718,850.02	11,663,946.51	473,382,796.53
-	-	-	-	-	133,400,776.98	(1,329,307,859.69)	(1,195,907,082.71)
(301,403,547.57)	41,582,048.73	29,774,721,062.00	-	64,569,632,340.12	164,432,503,435.80	10,039,901,103.41	174,472,404,539.21
Amount in the same period of prior year							
Attributable to shareholders of the Company						Minority interest	Total shareholders' equity
Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Retained earnings	Subtotal		
(485,864,832.68)	10,915,599.63	26,516,654,926.34	-	36,636,724,454.28	112,803,243,845.19	9,343,181,076.15	122,146,424,921.34
(323,796,593.83)	17,193,924.44	-	-	8,574,281,952.10	28,290,943,064.80	302,984,642.26	28,593,927,707.06
(809,661,426.51)	28,109,524.07	26,516,654,926.34	-	45,211,006,406.38	141,094,186,909.99	9,646,165,718.41	150,740,352,628.40
526,710,218.92	24,415,981.36	1,377,829,458.74	-	6,710,082,995.27	8,683,807,444.85	828,110,810.96	9,511,918,255.81
526,710,218.92	-	-	-	9,075,928,087.45	9,602,638,306.37	278,435,972.40	9,881,074,278.77
-	-	-	-	-	14,161,448.72	710,993,874.00	725,155,322.72
-	-	-	-	-	(29,311,233.55)	720,273,874.00	690,962,640.45
-	-	-	-	-	-	(9,280,000.00)	(9,280,000.00)
-	-	-	-	-	9,485,805.45	-	9,485,805.45
-	-	-	-	-	33,986,876.82	-	33,986,876.82
-	-	1,377,829,458.74	-	(2,365,845,092.18)	(988,015,633.44)	(168,745,339.98)	(1,156,760,973.42)
-	-	1,377,829,458.74	-	(1,377,829,458.74)	-	-	-
-	-	-	-	(988,015,633.44)	(988,015,633.44)	(168,745,339.98)	(1,156,760,973.42)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	24,415,981.36	-	-	-	24,415,981.36	7,426,304.54	31,842,285.90
-	443,574,102.31	-	-	-	443,574,102.31	12,556,566.95	456,130,669.26
-	419,158,120.95	-	-	-	419,158,120.95	5,130,262.41	424,288,383.36
-	-	-	-	-	30,607,341.84	-	30,607,341.84
(282,951,207.59)	52,525,505.43	27,894,484,385.08	-	51,921,089,401.65	149,777,994,354.84	10,474,276,529.37	160,252,270,884.21

## Statement of Changes in Shareholders' Equity of the Company

FOR THE YEAR ENDED 31 DECEMBER 2017

Item	Amount for current year			
	Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income
I. Balance at 1 January 2017	16,450,393,624.00	32,912,011,944.13	49,879,268.00	(26,995,259.25)
II. Changes for the year	5,817,718,251.00	23,448,549,301.76	662,537,616.50	(15,598,731.46)
(I) Total comprehensive income	-	-	-	(15,598,731.46)
(II) Shareholders' contributions and reduction in capital	5,817,718,251.00	23,485,196,481.49	662,537,616.50	-
1. Capital contributed (reduced) by shareholders	165,201,550.00	497,336,066.50	662,537,616.50	-
2. Share-based payments recognized in owners' equity	-	5,522,885.27	-	-
3. Business combination involving enterprises under common control	5,652,516,701.00	22,982,337,529.72	-	-
4. Others	-	-	-	-
(III) Profit distribution	-	-	-	-
1. Transfer to surplus reserve	-	-	-	-
2. Distribution to shareholders	-	-	-	-
(IV) Transfers within shareholders' equity	-	-	-	-
1. Others	-	-	-	-
(V) Special reserve	-	-	-	-
1. Transfers in the period	-	-	-	-
2. Amount utilized in the period	-	-	-	-
(VI) Others	-	(36,647,179.73)	-	-
III. Closing balance in current year	22,268,111,875.00	56,360,561,245.89	712,416,884.50	(42,593,990.71)

Item	Amount for the same period of prior year			
	Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income
I. Balance at 1 January 2016	16,467,517,524.00	32,919,701,968.51	82,585,917.00	(66,043,945.35)
II. Changes for the year	(17,123,900.00)	(7,690,024.38)	(32,706,649.00)	39,048,686.10
(I) Total comprehensive income	-	-	-	39,048,686.10
(II) Shareholders' contributions and reduction in capital	(17,123,900.00)	(6,190,024.38)	(32,706,649.00)	-
1. Capital contributed (reduced) by shareholders	(17,123,900.00)	(15,582,749.00)	-	-
2. Share-based payments recognized in owners' equity	-	9,485,805.45	-	-
3. Others	-	(93,080.83)	(32,706,649.00)	-
(III) Profit distribution	-	-	-	-
1. Transfer to surplus reserve	-	-	-	-
2. Distribution to shareholders	-	-	-	-
(IV) Transfers within shareholders' equity	-	-	-	-
1. Others	-	-	-	-
(V) Special reserve	-	-	-	-
1. Transfers in the period	-	-	-	-
2. Amount utilized in the period	-	-	-	-
(VI) Others	-	(1,500,000.00)	-	-
III. Closing balance in current year	16,450,393,624.00	32,912,011,944.13	49,879,268.00	(26,995,259.25)



RMB

Amount for current year				
Special reserve	Surplus reserve	General risk reserve	Retained earnings	Total shareholders' equity
-	27,894,484,385.08	-	38,436,472,191.53	115,616,487,617.49
-	1,880,236,676.92	-	2,879,388,753.47	33,347,756,635.19
-	-	-	9,401,183,384.64	9,385,584,653.18
-	-	-	-	28,640,377,115.99
-	-	-	-	-
-	-	-	-	5,522,885.27
-	-	-	-	28,634,854,230.72
-	-	-	-	-
-	1,880,236,676.92	-	(6,521,794,631.17)	(4,641,557,954.25)
-	1,880,236,676.92	-	(1,880,236,676.92)	-
-	-	-	(4,641,557,954.25)	(4,641,557,954.25)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
264,507,027.76	-	-	-	264,507,027.76
264,507,027.76	-	-	-	264,507,027.76
-	-	-	-	(36,647,179.73)
-	29,774,721,062.00	-	41,315,860,945.00	148,964,244,252.68
Amount for the same period of prior year				
Special reserve	Surplus reserve	General risk reserve	Retained earnings	Total shareholders' equity
-	26,516,654,926.34	-	33,913,169,990.02	109,668,414,546.52
-	1,377,829,458.74	-	4,523,302,201.51	5,948,073,070.97
-	-	-	6,889,147,293.69	6,928,195,979.79
-	-	-	-	9,392,724.62
-	-	-	-	(32,706,649.00)
-	-	-	-	9,485,805.45
-	-	-	-	32,613,568.17
-	1,377,829,458.74	-	(2,365,845,092.18)	(988,015,633.44)
-	1,377,829,458.74	-	(1,377,829,458.74)	-
-	-	-	(988,015,633.44)	(988,015,633.44)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
246,948,681.82	-	-	-	246,948,681.82
246,948,681.82	-	-	-	246,948,681.82
-	-	-	-	(1,500,000.00)
-	27,894,484,385.08	-	38,436,472,191.53	115,616,487,617.49

## Notes To The Financial Statements

### FOR THE YEAR ENDED 31 DECEMBER 2017

#### (I) COMPANY PROFILE

Baoshan Iron & Steel Company Limited (the "Company") was incorporated and registered on 3 February 2000 in Shanghai, the People's Republic of China ("PRC"), as a limited company, with the registration number of 91310000132200821H, under the law of the PRC. The Company was established by Shanghai Baosteel Group Corporation Ltd. (formerly "Shanghai Baosteel Group Corporation", "Baosteel Group Co., Ltd."; hereinafter "Baosteel Group") as the sole investor, under the official approval document No. [1999] 1266, as issued by the State Economic & Trade Commission of China.

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 1.00 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 RMB1 each and an offer price of RMB4.18 by means of on-line stock exchange listing coupled with off-line rationed subscription, from 6 to 24 November 2000, in compliance with the approval document No. [2000] 140, issued by the China Securities Regulatory Commission (the "CSRC").

Following the approval by the CSRC, as provided in the approval document no. [2005] 15, during 21 to 26 of April 2005, the Company issued five billion shares with a par value of RMB1.00 each and an offer price of RMB5.12 per share, including three billion state-owned shares to Shanghai Baosteel Group Corporation and two billion to the general public, with the latter on a combinatory basis of preferential claiming, pro-rata and online and off-line bidding inquiry.

Approved by the CSRC (No. 739 document in 2008), the Company issued RMB10 billion convertible loan notes featuring the separation between liability and conversion option components on 20 June 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 online applicants. The notes were issued based on the face value, which was RMB100.00 per stock. The dividend was paid once a year and the principal was returned once and for all when the time 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 RMB12.50 per stock. The liability and conversion option components were listed and traded on Shanghai Stock Exchange on 4 July 2008. The exercise price was then adjusted to RMB11.80 per stock due to dividend. The exercising period was from 28 June to 3 July 2010. A total of 113,785 components were successfully exercised before the stock market closed on 2 July 2010, the last effective exercise date for "Baosteel CWBI", increasing 48,088 shares of the Company.

According to "The Board's Resolution on the motion of repurchase shares of the company by centralized bidding", "The creditors' notice about repurchase shares of Baoshan Iron & Steel Co., Ltd.", "The 2012 second Resolution of extraordinary shareholders meeting of Baoshan Iron & Steel Co., Ltd." and the Company's revised articles of association, the Company repurchased A-shares on Shanghai Stock Exchange by centralized bidding with price no more than RMB5 per share and amount no more than RMB5 billion in total. The first repurchase began on 21 September 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 RMB0.39 billion and finished all procedures with China Securities Depository and Clearing Corporation Limited, Shanghai Branch on 20 December 2012. The Company renewed all commercial registration in December 2012, and the updated registered share capital is RMB17,122,048,088 as at 31 December 2012.

The Company has repurchased 626,267,656 shares in year of 2013, 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 of 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 23 May, 2013. The Company completed procedures on industrial and commercial registration on 24 June, 2013, and the updated registered share capital is RMB 16,471,724,924.

The Company reduced the share capital by 22,957,950 shares in 2014, 2015, 2016 and 2017 due to restricted stock repurchase has not yet reached the unlock conditions, including 698,900 shares for the year 2014, 3,508,500 for the year 2015, 17,123,900 shares for the year 2016 and 1,626,650 shares for the year 2017.

According to the "Merger Agreement for Equity Exchange of Baoshan Iron & Steel Co., Ltd. and Wuhan Iron & Steel Co., Ltd. ("Wuhan Iron & Steel") (hereinafter referred to as "Merger Agreement for Equity Exchange") entered into between the Company and Wuhan Iron & Steel, the Company merged Wuhan Iron & Steel for equity exchange. The Company issued 5,652,516,701 A shares for this combination. The combination date was on 1 March 2017.

On 23 May 2017, the Company held the 18th meeting of the Sixth Board of Directors to discuss and approve the "Proposal on the Unlocking of Baosteel's Restricted Stock Plan during the Second Unlocking Period". Accordingly, 12,930,700 restricted stocks of the Company were unlocked during the second unlocking period and were listed and circulated on 19 June 2017.

On 22 December 2017, the Company held the 25th meeting of the Sixth Board of Directors to discuss and approve the "Proposal on the Implementation of the Second Phase of A-share Restricted Stock Plan". Accordingly, 166,828,200 of restricted stocks of the Company have been registered on the China Securities Depository and Clearing Corporation Limited Shanghai Branch on 16 January 2018.

## Notes To The Financial Statements – continued

### FOR THE YEAR ENDED 31 DECEMBER 2017

As at the end of the reporting period, the Company's registered capital and share capital were RMB 22,268,111,875. Among the 22,089,726,225 ordinary shares without sales restriction of the Company, Bao Wu Group held 11,523,385,833 shares, Wuhan Iron and Steel Group held 2,982,172,472 shares and Baowu Group held 14,505,558,305 shares directly and indirectly with an equity interest of 65.14%.

The business scope of the Company covers iron and steel production and its related processing, power generation, coal, industrial-gas generation, port terminals, warehouse storage and transport. It is also engaged in technology development and transfer, technology services and consulting, automobile maintenance, import and export of products and technology, [smelting and calendaring of non-ferrous metals, production and sales of industrial furnaces and kilns, chemical raw materials and products, handling of metallic ore, coal, steel, non-metallic minerals, port area services, waterway freight forwarders, waterway cargo handling intermodal transport, ship agency, foreign contracted engineering labor service cooperation, international bidding, project bidding agency, domestic trade, counter-sales, re-export trade, scrap, coal, fuel oil, chemical dangerous goods (limited to wholesale)] (limited to branch operations), security inspection of vehicles, production and sales of chemical raw materials and products.

The controlling shareholder of the Company is China Baowu Steel Group Co., Ltd.

The Company and its subsidiaries hereinafter refer to as the Group.

The Company and group consolidation financial statements have been approved by Board of Directors in 9 April 2018.

The detailed scope of consolidated financial statements demonstrates in Notes VII "Interests in other entities".

## (II) BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Group has adopted the Accounting Standards for Business Enterprises ("ASBE") issued by the Ministry of Finance ("MoF"). 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 Reporting (Revised in 2014).

The Group assessed its ability to continue as a going concern for the 12 months from 31 December 2017 and did not notice any events or circumstances that may cast significant doubt upon its ability to continue as a going concern. Therefore, the financial statements have been prepared on a going concern basis.

## (III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

### 1. Statement of compliance with the ASBE

The financial statements of the Company have been prepared in accordance with the Accounting Standards for Business Enterprises, and present truly and completely, the Company's and the Group's financial position as at 31 December 2017, and the Company's and the Group's results of operations and cash flows for the year then ended.

### 2. Basis of accounting and principle of measurement

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

Where the historical cost is adopted as the measurement basis, assets are recorded at the amount of cash and cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds or assets received or the contractual amounts for assuming the present obligation, or, at the amounts of cash and cash equivalents expected to be paid to settle the liabilities in the normal course of business.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurements date, regardless of whether that price is directly observable or estimated using valuation technique. Fair value measurement and/or disclosure in the financial statements are determined according to the above basis. Fair value measurements are categorized into Level 1, 2 or 3 based on degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than inputs within Level 1, that are observable for the asset or liability
- Level 3 inputs are unobservable inputs for the asset or liability.

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

### (III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

#### 3. Accounting year

The Group adopts the calendar year as its accounting year, i.e. from 1 January to 31 December.

#### 4. Operating cycle

An operating cycle refers to the period since when an enterprise purchases assets for processing purpose till the realization of those assets in cash or cash equivalents. The Company's operating cycle is twelve months.

#### 5. Functional 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 functional currency. The Company's foreign subsidiaries choose their functional currencies on the basis of the primary economic environment in which they operate. The Group adopts RMB to prepare its financial statements.

#### 6. The accounting treatment of business combinations involving enterprises under common control and business combinations not involving enterprises under common control

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

##### 6.1 Business combinations involving enterprises under common control

A 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 parties both before and after the combination, and that control is not transitory.

Assets and liabilities obtained shall be measured at their respective carrying amounts as recorded by the combining entities at the date of the combination. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of shares issued as consideration) is adjusted to the capital premium in capital reserve. If the capital premium is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Costs that are directly attributable to the combination are charged to profit or loss in the period in which they are incurred.

##### 6.2 Business combinations not involving enterprises under common control

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

The cost of combination is the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquiree. Where a business combination not involving enterprises under common control is achieved in stages that involve multiple transactions, the cost of combination is the sum of the consideration paid at the acquisition date and the fair value at the acquisition date of the acquirer's previously held interest in the acquiree. The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services, etc. and other associated administrative expenses attributable to the business combination are recognised in profit or loss when they are incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities, acquired by the acquirer in a business combination, that meet the recognition criteria shall be measured at fair value at the acquisition date.

Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognized as goodwill as an asset and measured at cost. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is accounted for as follows: firstly, the acquirer reassesses the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination; then, if after that reassessment, the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer recognizes the remaining difference immediately in profit or loss for the current period.

Goodwill arising on a business combination is measured at cost less accumulated impairment losses, and is presented separately in the consolidated financial statements

#### 7. Preparation of consolidated financial statements

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

### (III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

#### 7.1 Preparation of consolidated financial statements

The scope of consolidation in the consolidated financial statements is determined on the basis of control. Control is the power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of the investor's returns. If changes of related facts and situations lead to changes of related elements of control, the Group will undertake reassessment.

The combination of subsidiaries begins with controlling the subsidiary by the Group, and ends with the Group's losing control of the subsidiary. For a subsidiary disposed of by the Group, the operating results and cash flows before the date of disposal (the date when control is lost) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

For a subsidiary acquired through a business combination not involving enterprises under common control, the operating results and cash flows from the acquisition date (the date when control is obtained) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

No matter when the business combination occurs in the reporting period, subsidiaries acquired through a business combination involving enterprises under common control or the party being absorbed under merger by absorption are included in the Group's scope of consolidation as if they had been included in the scope of consolidation from the date when they first came under the common control of the ultimate controlling party. Their operating results and cash flows from the beginning of the earliest reporting period are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

The significant accounting policies and accounting periods adopted by the subsidiaries are determined based on the uniform accounting policies and accounting periods set out by the Company.

Influence over the consolidated financial statements arising from significant intra-group transactions are eliminated on consolidation.

The portion of subsidiaries' equity that is not attributable to the Company is treated as minority interests and presented as "minority interests" in the consolidated balance sheet within owners' equity. The portion of net profits or losses of subsidiaries for the period attributable to minority interests is presented as "Profit or loss attributable to minority interests" in the consolidated income statement below the "net profit" line item. When the amount of loss for the period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess amount are still allocated against minority interests.

Acquisition of minority interests or disposal of interest in a subsidiary that does not result in the loss of control over the subsidiary is accounted for as equity transactions. The carrying amounts of the Company's interests and minority interests are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the amount by which the minority interests are adjusted and the fair value of the consideration paid or receipts is adjusted to capital reserve under owners' equity. If the capital reserve is not sufficient to absorb the difference, the excess are adjusted against retained earnings.

For the stepwise acquisition of equity interest till acquiring control after a few transactions and leading to business combination not under common control, this should be dealt with for whether this belongs to 'package deal': if it belongs to 'package deal', transactions will be dealt as transaction to acquire control. If it does not belong to 'package deal', transactions to acquire control on acquisition date will be under accounting treatment, the fair value of acquirees' shares held before acquisition date will be revalued, and the difference between fair value and book value will be recognized in profit or loss of current period; if acquirees' shares held before acquisition date involve in changes of other comprehensive income and other equity of owners under equity method, this will be transferred to income of acquisition date.

When the Group loses control over a subsidiary due to disposal of certain equity interest or other reasons, any retained interest is re-measured at its fair value at the date when control is lost. The difference between (i) the aggregate of the consideration received on disposal and the fair value of any retained interest and (ii) the share of the former subsidiary's net assets cumulatively calculated from the acquisition date according to the original proportion of ownership interest is recognized as investment income in the period in which control is lost, and goodwill is offset at the same time. Other comprehensive income associated with investment in the former subsidiary is reclassified to investment income in the period in which control is lost.

When the Group loses control of a subsidiary in two or more arrangements (transactions), terms and conditions of the arrangements (transactions) and their economic effects are considered. One or more of the following indicate that the Group shall account for the multiple arrangements as a single transaction: (i) they are entered into at the same time or in contemplation of each other; (ii) they form a single transaction designed to achieve an overall commercial effect; (iii) the occurrence of one arrangement is dependent on the occurrence of at least one other arrangement; (iv) one arrangement considered on its own is not economically justified, but it is economically justified when considered together with other arrangements. If the transactions of disposal of equity interest of a subsidiary are assessed as a single transaction, these transactions are accounted for as one transaction of disposal of a subsidiary. Before losing control, the difference of consideration received on disposal and the share of net assets of the subsidiary continuously calculated from acquisition date is recognized as other comprehensive income. When losing control, the cumulated other comprehensive income is transferred to profit or loss of the period of losing control. If the transactions of disposal of equity investment of a subsidiary are not assessed as a single transaction, these transactions are accounted for as unrelated transactions.

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

### (III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

#### 8. Classification of joint venture arrangements and accounting treatment for joint operation

A joint arrangement is classified into joint operation and joint venture, depending on the rights and obligations of the parties to the arrangement, which is assessed by considering the structure and the legal form of the arrangement, the terms agreed by the parties in the contractual arrangement and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. The Group accounts for investments in joint ventures using equity method. Refer to Note (III) 14.3.2 "Long-term equity investments accounted for using the equity method" for details.

#### 9. Recognition criteria of cash and cash equivalents

Cash comprises cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are the Group's short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

#### 10. Translation of transactions and financial statements denominated in foreign currencies

##### 10.1 Transactions denominated in foreign currencies

A foreign currency transaction is recorded, on initial recognition, by applying the spot exchange rate on the date of the transaction.

At the balance sheet date, foreign currency monetary items are translated into RMB using the spot exchange rates at the balance sheet date. Exchange differences arising from the differences between the spot exchange rates prevailing at the balance sheet date and those on initial recognition or at the previous balance sheet date are recognized in profit or loss for the period, except that (1) exchange differences related to a specific-purpose borrowing denominated in foreign currency that qualify for capitalization are capitalized as part of the cost of the qualifying asset during the capitalization period; (2) exchange differences related to hedging instruments for the purpose of hedging against foreign currency risks are accounted for using hedge accounting; (3) exchange differences arising from available-for-sale non-monetary items (such as shares) denominated in foreign currencies and changes in the carrying amounts (other than the amortized cost) of available-for-sale monetary items are recognized as other comprehensive income and included in capital reserve.

When the consolidated financial statements include foreign operations, if there is foreign currency monetary item constituting a net investment in a foreign operation, exchange difference arising from changes in exchange rates are recognised as "exchange differences arising on translation of financial statements denominated in foreign currencies" in owner's equity, and in profit and loss for the period upon disposal of the foreign operation.

Foreign currency non-monetary items measured at historical cost are translated to the amounts in functional currency at the spot exchange rates on the dates of the transactions and the amounts in functional currency remain unchanged. Foreign currency non-monetary items measured at fair value are re-translated at the spot exchange rate on the date the fair value is determined. Difference between the re-translated functional currency amount and the original functional currency amount is treated as changes in fair value (including changes of exchange rate) and is recognized in profit and loss or as other comprehensive income included in capital reserve.

##### 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 except for retained earnings 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 opening balance of retained earnings is the translated closing balance of the previous year's retained earnings; the closing balance of retained earnings is calculated and presented on the basis of each translated income statement and profit distribution item. The difference between the translated assets and the aggregate of liabilities and shareholders' equity items is separately presented as the exchange differences arising on translation of financial statements denominated in foreign currencies under the shareholders' equity in the balance sheet.

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

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

#### 11. Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. For financial assets and financial liabilities at fair value through profit or loss, transaction costs are

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

### (III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

immediately recognised in profit or loss. For other financial assets and financial liabilities, transaction costs are included in their initial recognised amounts.

#### 11.1 Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or a group of financial assets or financial 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 flows through the expected life of the financial asset or financial liability or, where appropriate, a shorter period to the net carrying amount 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 future credit losses), and 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, the Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

##### 11.2.1. Financial Assets at Fair Value through Profit or Loss ("FVTPL")

Financial assets at FVTPL include financial assets held for trading and those designated as at fair value through profit or loss.

A financial asset is classified as held for trading if one of the following conditions is satisfied: (1) It has been acquired principally for the purpose of selling in the near term; or (2) On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and there is objective evidence that the Group has a recent actual pattern of short-term profit-taking; or (3) It is a derivative that is not designated and effective as a 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 in an active market) whose fair value cannot be reliably measured.

A financial asset may be designated as at FVTPL upon initial recognition only when one of the following conditions is satisfied: (1) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise result from measuring assets or recognising the gains or losses on them on different bases; or (2) The financial asset forms part of a group of financial assets or a group of financial assets and financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is reported to key management personnel on that basis. (3) The qualified hybrid financial instrument combines financial asset with embedded derivatives.

Financial assets at FVTPL are subsequently measured at fair value. Any gains or losses arising from changes in the fair value and any dividend or interest income earned on the financial assets are recognised in profit or loss.

##### 11.2.2. Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group's management has the positive intention and ability to hold to maturity.

Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method. Gain or loss arising from derecognition, impairment or amortisation is recognised in profit or loss.

##### 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. Financial assets classified as loans and receivables by the Group include notes receivable, accounts receivable, interest receivable, dividends receivable, other receivables and loans and advances to customers as well as long-term receivables.

Loans and receivables are subsequently measured at amortised cost using the effective interest method. Gain or loss arising from derecognition, impairment or amortisation is recognised in profit or loss.

##### 11.2.4. Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are designated on initial recognition as available for sale and financial assets

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

### (III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – continued

that are not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are subsequently measured at fair value, and gains or losses arising from changes in the fair value are recognized as other comprehensive income and included in the capital reserve, except that impairment losses and exchange differences related to amortized cost of monetary financial assets denominated in foreign currencies are recognized in profit or loss, until the financial assets are derecognized, at which time the gains or losses are released and recognized in profit or loss.

Interests obtained and the dividends declared by the investee during the period in which the available-for-sale financial assets are held, are recognized in investment gains.

For 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 that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost.

### 11.3 Impairment of financial assets

The Group assesses at each balance sheet date the carrying amounts of financial assets other than those at fair value through profit or loss. If there is objective evidence that a financial asset is impaired, the Group determines the amount of any impairment loss. Objective evidence that a financial asset is impaired is evidence that, arising from one or more events that occurred after the initial recognition of the asset, the estimated future cash flows of the financial asset, which can be reliably measured, have been affected.

Objective evidence that a financial asset is impaired includes the following observable events:

- (1) Significant financial difficulty of the issuers or the debtors;
  - (2) A breach of contract by the debtors, such as a default or delay in interest or principal payments;
  - (3) The Group, for economic or legal reasons relating to the debtors' financial difficulty, grants a concession to debtors;
  - (4) It becoming probable that the borrower will enter bankruptcy or other financial reorganizations;
  - (5) The disappearance of an active market for that financial asset because of financial difficulties of the issuer;
  - (6) Upon an overall assessment of a group of financial assets, observable data indicates that there is a measurable decrease in the estimated future cash flows from the group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group. Such observable data includes:
    - Adverse changes in the payment status of borrower in the group of assets;
    - Economic conditions in the country or region of the borrower which may lead to a failure to pay the group of assets;
  - (7) Significant adverse changes in the technological, market, economic or legal environment in which the issuer operates, indicating that the cost of the investment in the equity instrument may not be recovered by the investor;
  - (8) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost;
  - (9) Other objective evidence indicates that there is an impairment of a financial asset.
- Impairment of financial assets measured at amortized cost

If financial assets carried at amortized cost are impaired, the carrying amounts of the financial assets are reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of reduction is recognized as an impairment loss in profit or loss. If, subsequent to the recognition of an impairment loss on financial assets carried at amortized cost, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognized, the previously recognized impairment loss is reversed. However, the reversal is made to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For a financial asset that is individually significant, the Group assesses the asset individually for impairment. For a financial asset that is not individually significant, the Group assesses the asset individually for impairment or includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If the Group determines that no objective evidence of impairment exists for an individually



## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

### (III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

assessed financial asset (whether significant or not), it includes the asset in a group of financial assets with similar credit risk characteristics and collectively reassesses them for impairment. Assets for which an impairment loss is individually recognised are not included in a collective assessment of impairment.

#### - Impairment of available-for-sale financial assets

The objective evidence of impairment of available-for-sale equity instruments includes the continuous or significant drop of their fair value. Impairment of available-for-sale equity instruments should be determined by the analysis of relevant information. The fair value of available-for-sale equity instruments falling below their cost does not constitute the indication of impairment. Impairment of available-for-sale equity instruments which are held for strategic purpose and will not be sold based on the fluctuation of the stock price should be determined by the analysis of the investee's operation. If the investee was suffering from a serious deteriorated situation, such as the minimum 10% annual decreases of revenue or minimum 20% decrease of EBITDA for three consecutive years, or the fair value of such investments in equity instruments fall below 50% of their initial investment cost at balance sheet date for 2 consecutive years, impairment of available-for-sale equity instrument in such investee should be considered. Impairment of available-for-sale equity instruments which are held for trading should be considered when the fair value of such instruments fall below 50% of their original investment or the fair value of such instruments fall below their original investment longer than 24 months.

When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value previously recognized directly in capital reserve is reclassified from the capital reserve to profit or loss. The amount of the cumulative loss that is reclassified from capital reserve to profit or loss is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss. If, subsequent to the recognition of an impairment loss on available-for-sale financial assets, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognized, the previously recognized impairment loss is reversed. The amount of reversal of impairment loss on available-for-sale equity instruments is recognized as other comprehensive income and included in the capital reserve, while the amount of reversal of impairment loss on available-for-sale debt instruments is recognized in profit or loss.

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

If an impairment loss has been incurred on an investment in unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured, or on a derivative financial asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the carrying amount of the financial asset is reduced to the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The amount of reduction is recognized as an impairment loss in profit or loss. The impairment loss on such financial asset is not reversed once it is recognized.

### 11.4 Transfer of financial assets

The Group derecognizes a financial asset if one of the following conditions is satisfied: (1) the contractual rights to the cash flows from the financial asset expire; or (2) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset are transferred to the transferee; or (3) although the financial asset has been transferred, the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, and it retains 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 Group's 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 derecognition criteria, the difference between (1) the carrying amount of the financial asset transferred; and (2) the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognized in other comprehensive income, is recognized in profit or loss.

If a part of the transferred financial asset qualifies for derecognition, the carrying amount of the transferred financial asset is allocated between the part that continues to be recognized and the part that is derecognized, based on the respective fair values of those parts. The difference between (1) the carrying amount allocated to the part derecognized; and (2) the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to the part derecognized which has been previously recognized in other comprehensive income, is recognized in profit or loss.

### 11.5 Classification, recognition and measurement of financial liabilities

Debt and equity instruments issued by the Group are classified into financial liabilities or equity on the basis of the substance of the contractual arrangements and definitions of financial liability and equity instrument.

On initial recognition, financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities.

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

### (III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

#### 11.5.1. Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL consist of financial liabilities held for trading and those designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if one of the following conditions is satisfied: (1) It has been acquired principally for the purpose of repurchasing in the near term; or (2) On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and there is objective evidence that the Group has 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 in an active market) whose fair value cannot be reliably measured.

A financial liability may be designated as at FVTPL upon initial recognition only when one of the following conditions is satisfied: (1) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise result from measuring liabilities or recognising the gains or losses on them on different bases; or (2) The financial liability forms part of a group of financial liabilities or a group of financial assets and financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is reported to key management personnel on that basis. (3) The qualified hybrid financial instrument combines financial asset with embedded derivatives.

Financial liabilities at FVTPL are subsequently measured at fair value. Any gains or losses arising from changes in the fair value or any dividend or interest expenses related to the financial liabilities are recognised in profit or loss.

#### 11.5.2. Other financial liabilities

For a derivative liability that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured, it is subsequently measured at cost. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with gain or loss arising from derecognition or amortization recognized in profit or loss.

#### 11.6 Derecognition 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, it recognizes the difference between the carrying amount 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.

#### 11.7 Derivatives and embedded derivatives

Derivative financial instruments include forward contracts, interest rate swaps, etc. Derivatives are initially measured at fair value at the date when the derivative contracts are entered into and are subsequently re-measured at fair value. The resulting gain or loss is recognized in profit or loss.

An embedded derivative is separated from the hybrid instrument, where the hybrid instrument is not designated as a financial asset or financial liability at fair value through profit or loss, and treated as a standalone derivative if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; and a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative. If the Group is unable to measure the embedded derivative separately either at acquisition or at a subsequent balance sheet date, it designates the entire hybrid instrument as a financial asset or financial liability at fair value through profit or loss.

#### 11.8 Offsetting financial assets and a financial liabilities

Where the Group has a legal right that is currently enforceable to set off the recognized financial assets and financial liabilities, and intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and the net amount is presented in the balance sheet. Except for the above circumstances, financial assets and financial liabilities shall be presented separately in the balance sheet and shall not be offset.

#### 11.9 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The consideration received from issuing equity instruments, net of transaction costs, are added to shareholders' equity.

All types of distributions made by the Group to holders of equity instruments are deducted from shareholders' equity. The Group does not recognize any changes in the fair value of equity instruments.

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

### (III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

#### 11.9.1 Repurchase of share capital

The consideration and transaction costs paid to repurchase share capital are deducted from shareholders' equity. No gain or loss is recognized in profit or loss on the repurchase, sale or cancellation of the Company's share capital. Repurchased share capital is presented as treasury share before cancellation or sale, and all the expenditure occurred in repurchase is accounted for cost of treasury shares. Treasury shares are not counted in profit appropriation. The Company presents treasury shares as the reserve item of shareholders' equity in the balance sheet. When the Company reduces the capital by means of repurchasing ordinary shares in accordance with statutory procedure, it reduces the share capital in the face value of cancelled shares. The Company recognizes the difference between the consideration paid (including transaction costs) and face value of shares in equity. When the amount of consideration paid exceeds total face value, the difference is offset against capital reserve (capital premium), surplus reserve and retained earnings in consequence, when the amount of consideration paid is less than total face value, the difference is recognized in the capital reserve (capital premium).

#### 11.10 Convertible loan notes

Convertible loan notes issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that is settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument. On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible loan notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity instrument, is included in other equity instruments. In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The conversion option classified as equity remains in equity. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs incurred for the issue of convertible loan notes are allocated to the liability component and equity component in proportion to their respective fair values. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and amortised over the period of the convertible loan notes using the effective interest method.

## 12. Accounts receivable

### 12.1 Receivables that are individually significant and for which bad debt provision is individually assessed

Basis for determining an individually significant receivable	A receivable that ranks top five largest is deemed as an individually significant receivable by the Group.
Method of determining provision for receivables that are individually significant and for which bad debt provision is individually assessed	For receivables that are individually significant, the Group assesses such receivables individually for impairment, if the Group determines that no objective evidence of impairment exists for individually assessed receivables, such receivables are included in a financial asset with similar credit risk and are collectively reassessed for impairment. Receivables for which an impairment loss is individually recognised are not included in a collective assessment of impairment.

### 12.2 Receivables for which bad debt provision is collectively assessed on a portfolio basis

Receivables that are not individually significant and receivables that are individually significant but are not impaired individually	Other receivables (excluding accounts receivable that are individually significant or not individually significant and for which bad debt provision has been assessed individually) are classified as two portfolios by nature, namely, amounts due from entities within scope of consolidated financial statements of Baowu Group and amounts due from other parties. Meanwhile accounts receivable within the two portfolios are divided into certain aging groups by regarding aging as the credit risk characteristic, of which the bad debt provisions for the current year in such aging groups are calculated based on the actual loss rate of equal or similar aging group of accounts receivable with similar risk characteristics in prior years and the proportion of bad debt provision of each aging group determined pursuant to the current condition. Among these accounts receivable, the amount due from entities within scope of consolidated financial statements of Baowu Group has made no bad debt provision while the amount due from other parties has made bad debt provision with details listed as below.
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Portfolios that aging analysis is used for bad debt provision:

Aging	Provision as a proportion of accounts receivable	Provision as a proportion of other receivables
Within 1 year (inclusive)	5%	5%
More than 1 year but not exceeding 2 years	30%	30%
More than 2 years but not exceeding 3 years	60%	60%
More than 3 years	100%	100%

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

### (III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

#### 12.3 Receivables that are individually not significant but for which bad debt provision is individually assessed

Reasons for determining individual provision for receivables There is objective evidence of impairment.

Method of determining provision for receivables	The difference between the estimated recoverable amount and the book value is recognized as bad debt.
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### 13. Inventories

#### 13.1 Categories of inventories

The Group's inventories mainly include raw materials, work in progress, finished goods, spare parts and others, etc. Inventories are initially measured at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other expenditures incurred in bringing the inventories to their present location and condition.

#### 13.2 Valuation method of inventories upon delivery

The actual cost of inventories upon delivery is calculated using the weighted average method.

#### 13.3 Basis for determining net realizable value of inventories

At the balance sheet date, inventories are measured at the lower of cost and net realizable value. If the net realizable value is below the cost of inventories, a provision for decline in value of inventories is made. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes. Net realizable value is determined on the basis of clear evidence obtained, and takes into consideration of the purposes of holding inventories and effect of post balance sheet events.

Provision for decline in value of other inventories is made based on the excess of cost of inventory over its net realizable value on an item-by-item basis.

After the provision for decline in value of inventories is made, if the circumstances that previously caused inventories to be written down below cost no longer exist so that the net realizable value of inventories is higher than their cost, the original provision for decline in value is reversed and the reversal is included in profit or loss for the period.

#### 13.4 Inventory count system

The perpetual inventory system is maintained for stock system.

#### 13.5 Amortization method for low cost and short-lived consumable items and packaging materials

Packaging materials and low cost and short-lived consumable items are amortized using the immediate write-off method.

### 14. Long-term equity investments

#### 14.1 Determination criteria of joint control and significant influence

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating policy decisions relating to the activity require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. When determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effect of potential voting rights of the investee (for example, warrants and convertible debts) held by the investing enterprises or other parties that are currently exercisable or convertible shall be considered.

#### 14.2 Determination of initial investment cost

For a long-term equity investment acquired through business combination involving enterprises under common control, shares of book value of owners' equity of combined party in financial statements of ultimate controlling party are recognized as initial investment cost of long-term equity investment at combination date. The difference between initial investment cost of long-term equity investment and cash paid, non-cash assets transferred and book value of liabilities assumed, is adjusted in capital reserve. If the balance of capital reserve is not sufficient, any excess is adjusted to retained earnings. If the consideration of the combination is satisfied by the issue of equity securities, the initial investment cost of the long-term equity investment is

## Notes To The Financial Statements – continued

### FOR THE YEAR ENDED 31 DECEMBER 2017

#### (III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

the share of book value of owners' equity of the acquired entity in the ultimate controlling party's consolidated financial statements at the date of combination. The aggregate face value of the shares issued is accounted for as share capital. The difference between the initial investment cost and the aggregate face value of the shares issued is adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess is adjusted to retained earnings. Where equity interests in an acquiree are acquired in stages through multiple transactions ultimately constituting a business combination involving entities under common control, the acquirer shall determine if these transactions are considered to be "a bundled transaction". If yes, these transactions are accounted for as a single transaction where control is obtained. If no, the initial investment cost of the long-term equity investment is the share of book value of owners' equity of the acquired entity in the ultimate controlling party's consolidated financial statements at the date of combination. The difference between the initial investment cost and the sum of carrying amount of equity investments previously held in the acquiree and the new investment cost is adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess is adjusted to retained earnings. Other comprehensive income recognized for the previously held equity investments by accounting treatment of equity method or available-for-sale financial assets is not subject to accounting treatment temporarily.

For a long-term equity investment acquired through business combination not involving enterprises under common control, the investment cost of the long-term equity investment is the cost of acquisition. Where equity interests in an acquiree are acquired in stages through multiple transactions ultimately constituting a business combination not involving entities under common control, the acquirer shall determine if these transactions are considered to be "a bundled transaction". If yes, these transactions are accounted for as a single transaction where control is obtained. If no, the sum of carrying amount of equity investments previously held in the acquiree and the new investment cost is deemed as the initial investment cost of long-term equity investments that was changed to be accounted for using cost method. If the equity previously held was accounted for using the equity method, the corresponding other comprehensive income is not subject to accounting treatment temporarily. If the equity investment previously held was classified as available-for-sale financial assets, the difference between the fair value and carrying amount, together with the accumulated fair value previously included in other comprehensive income are transferred to profit or loss for the period.

The expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services and other associated administrative expenses attributable to the business combination are recognized in profit or loss when they are incurred.

Long-term equity investment acquired otherwise than through a business combination is initially measured at its cost. When the entity is able to exercise significant influence or joint control (but not control) over an investee due to additional investment, the cost of long-term equity investments is the sum of the fair value of previously-held equity investments determined in accordance with Accounting Standard for Business Enterprises No.22 - Financial Instruments; Recognition and Measurement (CAS 22) and the additional investment cost.

#### 14.3 Subsequent measurement and recognition of profit or loss

##### 14.3.1. Long-term equity investment accounted for using the cost method

Long-term equity investments in subsidiaries are accounted for using the cost method in the Company's separate financial statements. A subsidiary is an investee that is controlled by the Group.

Under the cost method, a long-term equity investment is measured at initial investment cost. When additional investment is made or the investment is recouped, the cost of the long-term equity investment is adjusted accordingly. Investment income is recognized in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

##### 14.3.2. Long-term equity investment accounted for using the equity method

The Group accounts for investment in associates and joint ventures using the equity method. An associate is an entity over which the Group has significant influence and a joint venture is an entity over which the Group exercises joint control along with other investors.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is recognized in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, the Group recognizes its share of the net profit or loss and other comprehensive income of the investee for the period as investment income and other comprehensive income for the period. Meanwhile, carrying amount of long-term equity investment is adjusted: the carrying amount of long-term equity investment is decreased in accordance with its share of the investee's declared profit or cash dividends; Other changes in owners' equity of the investee other than net profit or loss and other comprehensive income are correspondingly adjusted to the carrying amount of the long-term equity investment, and recognized in the capital reserve. The Group recognizes its share of the investee's net profit or loss based on the fair value of the investee's individual identifiable assets, etc. at the acquisition date after making appropriate adjustments. When the investors' accounting policies and accounting period are inconsistent with those of the Company, the Company recognises investment income and other comprehensive income after making appropriate adjustments to conform to the Company's accounting policies and accounting period. However, unrealized gains or losses resulting from the Group's transactions with its associates and joint ventures, which do not constitute a business, are eliminated based on the proportion attributable to the Group and then investment gains or losses or is recognised. However, unrealised losses resulting

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

### (III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

from the Group's transactions with its associates and joint ventures which represent impairment losses on the transferred assets are not eliminated.

The Group discontinues recognising its share of net losses of the investee after the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero. If the Group has incurred obligations to assume additional losses of the investee, a provision is recognized according to the expected obligation, and recorded as investment loss for the period. Where net profits are subsequently made by the investee, the Group resumes recognising its share of those profits only after its share of the profits exceeds the share of losses previously not recognised.

#### 14.4. Disposal of long-term equity investments

On disposal of a long term equity investment, the difference between the proceeds actually received and receivable and the carrying amount is recognized in profit or loss for the period. For a long-term equity investment accounted for using the equity method, the amount included in the shareholders' equity attributable to the percentage interest disposed is transferred to profit or loss for the period. For a long-term equity investment accounted for using the cost method, if it is still accounted for cost method after disposal, other comprehensive income recognized before controlling the investee according to equity method or recognition and measurement of financial instruments, account for them on the basis of related assets and liabilities, and recognized in profit or loss for proportion; change of owners' equity except for net profit or loss, other comprehensive income and profit distribution is recognized in profit or loss of current period.

For a long-term equity investment accounted for using the cost method, if the remaining shares after the disposal are still accounted for using the cost method, other comprehensive income recognized before controlling the investee according to equity method or recognition and measurement of financial instruments, accounted for on the basis of directly disposed related assets and liabilities of the investee, and recognized in profit or loss for the period and carried forward proportionately ; changes of owners' equity except for net profit or loss, other comprehensive income and profit distribution are carried forward proportionately and recognized in profit or loss for the current period.

The Group loses control on investee due to disposal of part of shares, during preparing separate financial statement, remaining shares after disposal can make joint control or significant influence on investee, are accounted under equity method, and adjust them as they are accounted under equity method from acquisition date; if remaining shares after disposal cannot make joint control or significant influence on investee, they are accounted according to recognition and measurement of financial instrument, and the difference between fair value on date of losing control and book value is recognized in profit or loss of current period. Before the Group controls the investee, other comprehensive income recognized due to equity method or recognition and measurement of financial instruments, account for them on the basis of related assets and liabilities, and recognized in profit or loss for proportion; change of owners' equity except for net profit or loss, other comprehensive income and profit distribution is recognized in profit or loss of current period. Remaining shares after disposal are accounted under equity method, other comprehensive income and other owners' equity are carried forward as proportion; remaining shares after disposal are accounted due to recognition and measurement of financial instruments other comprehensive income and other owners' equity are all carried forward.

For the Group loses joint control or significant influence on investee after part disposal of shares, remaining shares after disposal are accounted according to recognition and measurement of financial instruments, the difference between fair value at the date of losing joint control or significant influence and book value is recognized in profit or loss of current period. Other comprehensive income recognized under equity method, is accounted on the basis of related assets or liabilities when stop using equity method, change of owners' equity except for net profit or loss, other comprehensive income and profit distribution is recognized in profit or loss of current period

The Group loses control on subsidiaries through step by step transactions of disposal, if transactions are package deal, all transactions are seemed as one transaction of disposal investment on subsidiaries, difference between amount of disposal and book value of long-term equity investment, is recognized as other comprehensive income, and recognized in profit or loss when losing control.

#### 15. Investment properties

Investment property is property held to earn rentals or for capital appreciation or both. It includes a land use right that is leased out and a building that is leased out.

An investment property is measured initially at cost. Subsequent expenditures incurred for such investment property are included in the cost of the investment property if it is probable that economic benefits associated with an investment property will flow to the Group and the subsequent expenditures can be measured reliably. Other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

The Group uses the cost model for subsequent measurement of investment property, and adopts a depreciation or amortization policy for the investment property which is consistent with that for buildings or land use rights.

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

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

### (III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

#### 16. Fixed assets

##### 16.1 Recognition criteria for fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and have useful lives of more than one accounting year. A fixed asset is recognized only when it is probable that economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Fixed assets are initially measured at cost.

Subsequent expenditures incurred for the fixed asset are included in the cost of the fixed asset and if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditures can be measured reliably. Meanwhile the carrying amount of the replaced part is derecognized. Other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

##### 16.2 Depreciation of each category of fixed assets

A fixed asset is depreciated over its useful life using the straight-line method since the month subsequent to the one in which it is ready for intended use. The useful life, estimated net residual value rate and annual depreciation rate of each category of fixed assets are as follows:

Category	Depreciation period (years)	Residual value (%)	Annual depreciation rate (%)
Buildings	15-45	4-5	2.1-6.4
Machinery and equipment	4-18	4-5	5.3-24.0
Transportation vehicles	5-18	4-5	5.3-19.2
Office and other equipment	4-9	4-5	10.6-24.0

Estimated net residual value of a fixed asset is 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.

##### 16.3 Identification basis, valuation methods and depreciation method for fixed assets acquired under finance leases

At the commencement of the lease term, the Group records the leased asset at an amount equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments at the inception of the lease, and recognises a long-term payable at an amount equal to the minimum lease payments. The difference between the recorded amounts is accounted for as unrecognised finance charge. Besides, initial direct costs that are attributable to the leased item incurred during the process of negotiating and securing the lease agreement are also added to the amount recognised for the leased asset.

The Group adopts a depreciation policy for a fixed asset held under a finance lease which is consistent with that for its owned fixed asset. If there is reasonable certainty that the Group will obtain ownership of the leased asset at the end of the lease term, the leased asset is depreciated over its useful life. If there is no reasonable certainty that the Group will obtain ownership of the leased asset at the end of the lease term, the leased asset is depreciated over the shorter of the lease term and its useful life.

##### 16.4 Other descriptions

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognised. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognised in profit or loss for the period.

The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least once at each financial year-end, and account for any change as a change in an accounting estimate.

#### 17. Construction in progress

Construction in progress is measured at its actual costs. The actual costs include various construction expenditures during the construction period, borrowing costs capitalized before it is ready for intended use and other relevant costs. Construction in progress is not depreciated. Construction in progress is transferred to a fixed asset when it is ready for intended use.

#### 18. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset are capitalized when expenditures for such asset and borrowing costs are incurred and activities relating to the acquisition, construction or production of the asset that are necessary to prepare the

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

### (III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

asset for its intended use or sale have commenced. Capitalization of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is suspended abnormally and when the suspension is for a continuous period of more than 3 months. Capitalization is suspended until the acquisition, construction or production of the asset is resumed. Other borrowing costs are recognized as an expense in the period in which they are 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 Group determines the amount of interest to be capitalized on such borrowings by applying a capitalization rate to the weighted average of the excess of cumulative expenditures on the asset over 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

### 19.1 Intangible assets

Intangible asset includes land use rights, software, and etc.

An intangible asset is measured initially at cost. When an intangible asset with a finite useful life is available for use, its original cost less net residual value and any accumulated impairment losses is amortized over its estimated useful life using the straight-line method. An intangible asset with an indefinite useful life is not amortized. The amortization method, useful life and net estimated residual value are set out as follows:

Category	Amortization method	Useful life (year)	Residual value rate (%)
Land use rights	Straight line method	40 - 70	0
Software	Straight line method	5	0
Ore mining rights	Straight line method	10	0
Others	Straight line method	3 - 50	0

For an intangible asset with a finite useful life, the Group reviews the useful life and amortization method at the end of the period, and makes adjustments when necessary.

### 19.2 Research and development expenditure

Expenditure during the research phase is recognized as an expense in the period in which it is incurred.

Expenditure during the development phase that meets all of the following conditions at the same time is recognized as intangible asset. Expenditure during development phase that does not meet the following conditions is recognized in profit or loss for the period.

- (1) it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- (2) the Group has the intention to complete the intangible asset and use or sell it;
- (3) the Group can demonstrate the ways in which the intangible asset will generate economic benefits, including the evidence of the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- (4) the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and
- (5) the expenditure attributable to the intangible asset during its development phase can be reliably measured.

If the expenditures cannot be distinguished between the research phase and development phase, the Group recognizes all of them in profit or loss for the period.

## 20. Impairment of long-term assets

The Group assesses at each balance sheet date whether there is any indication that the long-term equity investment, investment properties, fixed assets and CIP which measured by cost method, and intangible assets with a finite useful life may be impaired. If there is any indication that such assets may be



## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

### (III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

impaired, recoverable amounts are estimated for such assets. Intangible assets with indefinite useful life and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that the assets may be impaired.

Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. The recoverable amount of an asset is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset.

If the recoverable amount of an asset or an asset group is less than its carrying amount, the deficit is accounted for as an impairment loss and is recognised in profit or loss for the period.

Goodwill is tested for impairment at least at the end of each year. For the purpose of impairment testing, goodwill is considered together with the related assets group(s), i.e., goodwill is reasonably allocated to the related assets group(s) or each of assets group(s) expected to benefit from the synergies of the combination. An impairment loss is recognised if the recoverable amount of the assets group or sets of assets groups (including goodwill) is less than its carrying amount. The impairment loss is firstly allocated to reduce the carrying amount of any goodwill allocated to such assets group or sets of assets groups, and then to the other assets of the group pro-rata on the basis of the carrying amount of each asset (other than goodwill) in the group.

Once the impairment loss of such assets is recognized, it is not be reversed in any subsequent period.

#### 21. Long-term prepaid expenses

Long-term prepaid expenses represent expenses incurred that should be borne and amortized over the current and subsequent periods of more than one year. Long-term prepaid expenses are amortized using the straight-line method over the expected periods in which benefits are derived.

#### 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 benefit

##### 23.1 Accounting treatment for short-term employee benefits

Actually occurred short-term employee benefits are recognized as liabilities, with a corresponding charge to the profit or loss for the period or in the costs of relevant assets in the accounting period in which employees provide services to the Group. Staff welfare expenses incurred by the Group are recognized in profit or loss for the period or the costs of relevant assets based on the actually occurred amounts when it actually occurred. Non-monetary staff welfare expenses are measured at fair value.

Payment made by the Group of social security contributions for employees such as premiums or contributions on medical insurance, work injury insurance and maternity insurance, etc. and payments of housing funds, as well as trade union fund and employee education fund provided in accordance with relevant requirements, are calculated according to prescribed bases and percentages in determining the amount of employee benefits and recognized as relevant liabilities, with a corresponding charge to the profit or loss for the period or the costs of relevant assets in the accounting period in which employees provide services.

##### 23.2 Accounting treatment for post-employment benefits

Post-employment benefits are classified into defined contribution plans and defined benefit plans.

During the accounting period of rendering service to employees of the Group, amount which should be paid according to defined contribution plans is recognized as liabilities, and recognized in profit or loss or related costs of assets.

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

### (III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

The Company discounts all defined benefit plan obligations based on the market rate of return of the treasury bonds or high-quality corporate bonds in an active market that match the maturity date and currency of the defined benefit plan, including the expected obligations to be paid within twelve months after the accounting period that the employee renders services to the Group.

If the defined benefit plan involves an asset, the deficit or surplus from present value of obligation of defined benefit plans less fair value of planned asset of defined benefit plans are recognized as net liabilities or net assets of a defined benefit plan. When the defined benefit plan has a surplus, the net asset of defined benefit plan is measured at the lower of the surplus and the limit of the asset. The asset limit refers to the present value of the economic benefits that the enterprise can obtain from the defined benefit plan refund or reduce the future payment for the defined benefit plan.

At the end of the reporting period, the service costs of the employee benefits and net interest of net liabilities or net assets of the defined benefit plan are included in profit or loss or the cost of assets. The changes arising from the remeasurement of net liabilities or net assets are included in other comprehensive income and are not allowed to be reversed to profit or loss during the subsequent accounting period, but can be transferred within the range of equity.

Under the defined benefit plan, the service cost in the past is recognized as expense at the earlier of modifying the defined benefit plan and recognising the related restructuring expenses or termination benefits.

The enterprise recognises the gain or loss when settling the defined benefit plan. The gain or loss is the difference between the present value of the defined benefit plan obligation and the settlement price determined on the settlement date.

#### 23.3 Accounting treatment for termination benefits

When the Group terminates the employment relationship with employees before the expiry of the employment contracts or provides compensation as an offer to encourage employees to accept voluntary redundancy, if the Group has a formal plan for termination of employment relationship or has made an offer for voluntary redundancy which will be implemented immediately, and the Group cannot unilaterally withdraw from the termination plan or the redundancy offer; a provision for the compensation payable arising from the termination of employment relationship with employees is recognized with a corresponding charge to the profit or loss for the period.

An internal retirement plan is accounted for using the same principles as described above. Salaries and social insurance contributions to be paid to the internally retired employees by the Group during the period from the date when the employee ceases to provide services to the normal retirement date are recognized in profit or loss for the period when the recognition criteria for provisions are met with termination benefits.

#### 23.4 Accounting treatment for other long-term employee benefit

For other long-term employee benefits, where the definition of defined contribution plans is met, it is accounted for according to related requirements of defined contribution plans. Otherwise, net liabilities or net assets of such other long-term employee benefit are recognized and measured according to related requirements of defined benefit plans. At the end of the reporting period, the service costs of other long-term employee benefit, net interest of net liabilities or net assets and changes arising from remeasurement of net liabilities or net assets are recognized in profit or loss or cost of related assets.

### 24. Provisions

Provisions are recognized when the Group has a present obligation related to a contingency. It is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money. Where the effect of the time value of money is material, the amount of the provision is determined by discounting the related future cash outflows.

### 25. Share-based payments and equity instruments

A share-based payment is a transaction which the Group grants equity instruments, or incurs liabilities for amounts that are determined based on the price of equity instruments, in return for services rendered by employees. The Group's share-based payments are equity-settled share-based payments.

#### 25.1 Equity-settled share-based payments

Equity-settled share-based payments in exchange for services rendered by employees are measured at the fair value of the equity instruments granted to employees at the grant date. Such amount is recognized as related costs or expenses on a straight-line basis over the vesting period, based on the best estimate of the number of equity instruments expected to vest at the grant date, if the equity instruments vest immediately, with a corresponding increase in capital reserve. At each balance sheet date during the vesting period, the Group makes the best estimate according to the subsequent latest

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

### (III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

information of change in the number of employees who are granted with options that may vest, etc. and revises the number of equity instruments expected to vest. The effect of the above estimate is recognized as related costs or expenses, with a corresponding adjustment to capital reserve.

#### 25.2 Accounting treatment related to implementation, modification and termination of share-based payment arrangement

In case the Group modifies a share-based payment arrangement, if the modification increases the fair value of the equity instruments granted, the Group will include the incremental fair value of the equity instruments granted in the measurement of the amount recognised for services received. If the modification increases the number of the equity instruments granted, the Group will include the fair value of additional equity instruments granted in the measurement of the amount recognised for services received. The increase in the fair value of the equity instruments granted is the difference between fair value of the equity instruments before and after the modification on the date of the modification. If the Group modifies the terms or conditions of the share-based payment arrangement in a manner that reduces the total fair value of the share-based payment arrangement, or is not otherwise beneficial to the employee, the Group will continue to account for the services received as if that modification had not occurred (other than a cancellation of some or all the equity instruments granted).

If cancellation of the equity instruments granted occurs during the vesting period, the Group will account for the cancellation of the equity instruments granted as an acceleration of vesting, and recognise immediately the amount that otherwise would have been recognised over the remainder of the vesting period in profit or loss for the period, with a corresponding recognition in capital reserve. When the employee or counterparty can choose whether to meet the non-vesting condition but the condition is not met during the vesting period, the Group treats it as a cancellation of the equity instruments granted.

#### 25.3 Others

The consideration received from employees will be returned due to the cancellation of the equity instruments when the terms or conditions of the share-based payment arrangement are not met. The group increases its paid-in capital and capital reserve when receives such consideration and recognizes liability and treasury shares for the repurchase obligation.

### 26. Revenue

#### 26.1 Revenue from sales of goods

Revenue from sale of goods is recognized when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods; the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow to the Group; and the associated costs incurred or to be incurred can be measured reliably.

#### 26.2 Revenue arising from the rendering of services

Revenue from rendering of services is recognized when (1) the amount of revenue can be measured reliably; (2) it is probable that the associated economic benefits will flow to the enterprise; (3) the stage of completion of the transaction can be determined reliably; and (4) the associated costs incurred or to be incurred can be measured reliably. Revenue from rendering of services is recognized using the percentage of completion method at the balance sheet date. The stage of completion of a transaction for rendering for services is determined based on the proportion that costs incurred to date bear to the estimated total costs of the transaction. When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognized only to the extent of the costs incurred that will be recoverable, and the costs incurred are recognized as expenses for the period. When it is not probable that the costs incurred will be recovered, revenue is not recognized.

#### 26.3 Royalty revenue

The amount of royalty revenue is measured and confirmed in accordance with the period and method of charging as stipulated in the relevant contract or agreement.

#### 26.4 Interest revenue

The amount of interest revenue is measured and confirmed in accordance with the length of time for which the Group's monetary funds is used by others and the effective interest rates.

### 27. Government grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration. A government grant is recognised only when the Group can comply with the conditions attaching to the grant and the Group will receive the grant.

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

### (III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount. A government grant measured at a nominal amount is recognised immediately in profit or loss for the period.

#### 27.1 Determination basis and accounting treatment of government grants related to assets

For details of the Group's asset-related government grants, see Note (V).46, as related subsidies are directly related to the construction of fixed assets investment. These government grants are government grants related to assets. A government grant related to an asset is charged against carrying amount of related assets and included in profit or loss over the useful life of the related asset with average allocation method.

#### 27.2 Determination basis and accounting treatment of government grants related to income

The government grant related to income included in the Group's government grants is a government grant related to income for compensation of related costs and losses. For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognized as deferred income and recognized in profit or loss over the periods in which the related costs or losses are recognized; If the grant is a compensation for related expenses or losses already incurred, the grant is recognized immediately in profit or loss.

A government grant related to the Group's daily activities is recognized in other income based on the nature of economic activities; a government grant is not related to the Group's daily activities is recognized in non-operating income and expenses.

#### 27.3 Accounting treatment for policy preference loan discount

The policy preference loan discount received by the Group include the discount fund allocated by the Ministry of Finance to banks and the discount fund allocated to the enterprise directly.

When the discount fund is allocated by the Ministry of Finance to banks for loan purpose, the lending bank provides loans to the Group at policy preferential interest rate, one of the following accounting treatments are used: The amount of loans actually received is recorded as book amount of the borrowing, and borrowing cost is calculated based on the principal and policy preferential interest rate. The borrowing is recorded at the fair value and the borrowing cost is calculated using effective interest rate, the difference between the amount actually received and the fair value of the borrowing is recognized as deferred income. Deferred income is amortized using effective interest rate and write-off related borrowing costs.

The discount fund allocated directly to the enterprise is used to charge against the related borrowing costs.

For the repayment of a government grant already recognized, if the carrying value of related assets is written off upon initial recognition, the carrying value of the assets is adjusted; if there is any related deferred income, the repayment is offset against the carrying amount of the deferred income, and any excess is recognized in profit or loss for the period. For other situations, it is recognized immediately in profit or loss for the period.

Relocation compensation received for relocation in public interests

If the Group relocates for the benefits of the public interests such as overall planning of urban and rural areas and receives relocation compensation appropriated by the government directly from its fiscal budget, it recognizes such income as special payable. The income attributable to compensation for losses of fixed assets and intangible assets, related expenses, losses from suspension of production incurred during the relocation and reconstruction period, and purchases of assets after the relocation is transferred from special payable to deferred income and is accounted for as either a government grant related to an asset or a government grant related to income based on its nature. Any surplus of relocation compensation after deducting the amount transferred to deferred income is recognized as capital reserve.

### 28. Deferred tax assets / deferred tax liabilities

The income tax expenses include current income tax and deferred income tax.

#### 28.1. Current income tax

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

#### 28.2. Deferred tax assets and deferred tax liabilities

For temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the nil carrying amount of those items that are not recognized as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognized using the balance sheet liability method.

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

### (III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

Deferred tax is generally recognized for all temporary differences. Deferred tax assets for deductible temporary differences are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. However, for temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset or liability is recognized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future. At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates, according to tax laws, that are expected to apply in the period in which the asset is realized or the liability is settled.

Current and deferred tax expenses or income are recognized in profit or loss for the period, except when they arise from transactions or events that are directly recognized in other comprehensive income or in shareholders' equity, in which case they are recognized in other comprehensive income or in shareholders' equity; and when they arise from business combinations, in which case they adjust the carrying amount of goodwill.

At the balance sheet date, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilized. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

#### 28.3 Offset of Income Tax

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and 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 assets and liabilities on a net basis or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

## 29. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### 29.1.1 The Group as lessee under operating leases

Operating lease payments are recognized on a straight-line basis over the term of the relevant lease, and are either included in the cost of related asset or charged to profit or loss for the period. Initial direct costs incurred are charged to profit or loss for the period. Contingent rents are charged to profit or loss in the period in which they are actually incurred.

#### 29.1.2 The Group as lessor under operating leases

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs with more than an insignificant amount are capitalized when incurred, and are recognized in profit or loss on the same basis as rental income over the lease term. Other initial direct costs with an insignificant amount are charged to profit or loss in the period in which they are incurred. Contingent rents are charged to profit or loss in the period in which they actually arise.

### 29.2 Accounting treatment of financing leases

#### 29.2.1 The Group as lessee under finance leases

The accounting treatments are set out in Note (III) "16.3 Identification basis, valuation methods and depreciation method for fixed assets acquired under finance leases".

Unrecognised finance charges are recognised as finance charge for the period using the effective interest method over the lease term. Contingent rents are credited to profit or loss in the period in which they are actually incurred. The net amount of minimum lease payments less unrecognised finance charges is separated into long-term liabilities and the portion of long-term liabilities due within one year for presentation.

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

### (III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES – continued

#### 29.2.2 The Group as lessor under finance leases

At the commencement of the lease term, the aggregate of the minimum lease receivable at the inception of the lease and the initial direct costs is recognized as a finance lease receivable, and the unguaranteed residual value is recorded at the same time. The difference between the aggregate of the minimum lease receivable, the initial direct costs and the unguaranteed residual value, and the aggregate of their present values is recognized as unearned finance income. Unearned finance income is recognized as finance income for the period using the effective interest method over the lease term. Contingent rents are credited to profit or loss in the period in which they are actually incurred.

The net amount of financial lease receivables less unearned finance income is separated into long-term debts receivable and the portion of long-term debts receivable due within one year for presentation.

#### 30. Discontinued operations

A discontinued operation is a component of an entity that can be clearly distinguished and satisfies one of the following conditions, and such component has been disposed of or is classified as held for sale:

- Such component represents a separate major line of business or geographical area of operations;
- Such component is part of the separate major line of business or geographical area of operations to be disposed of based on the associated plan;
- Such component is a subsidiary acquired exclusively for the purpose of resale.

#### 31. Basis of determining significant accounting policies and key assumptions and uncertainties in accounting estimates

In the application of the Group's accounting policies, which are 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, due to the internal uncertainty of the operating activities. These judgments, estimates and assumptions are based on historical experiences of the Group's management as well as other factors that are considered to be relevant. Actual results may differ from these estimates.

The aforementioned judgments, estimates and assumptions are reviewed regularly on a going concern basis. The effect of a change in accounting estimate is recognized in the period of the change, if the change affects that period only; or recognized in the period of the change and future periods, if the change affects both.

Key assumptions and uncertainties in accounting estimates

The followings are the key assumptions and uncertainties in accounting estimates at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in future periods.

##### 31.1 Provision for decline in value of inventories

Note III. (13) describes that inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price for inventories, less all the estimated costs of completion and costs necessary to make the sales.

Operational procedures have been in place to monitor this risk as a significant proportion of the Group's working capital is devoted to inventories. Physical counts on all inventories are carried out by the management on a periodical basis in order to determine whether they are impaired. This involves a comparison of carrying amount of the inventories with the respective net realizable value to ascertain whether provision is required to be made in the financial statements for the items that have risks in decline in value. Appropriate accounting estimates should be made for the selling price used for net realizable value, the cost to be incurred at the time of completion, the selling expenses, and the amount of related taxes and fees. The management has considered the historical experience and current production costs and selling expenses based on the best estimate to ensure the reasonableness of its accounting estimates. In this regard, the management is satisfied that adequate inventory provision has been made for inventories.

##### 31.2 Bad debt provision for receivables

The Company makes bad debt provision for receivables when there is clear evidence that the recovery of receivables is uncertain. As the Company's management needs to judge historical record of debt recovery, debt aging, financial status of debtors and overall economic environment when evaluating the provision, the measurement of bad debt provision is uncertain. Although there is no reason to believe significant change will take place on the assumption on which the measurement of receivables is based, the carrying amount and provision of receivables will change when actual results are different from previous assumptions.

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

### (III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

#### 31.3 Deferred tax assets

The recognition of deferred tax assets is primarily subject to actual profit and actual tax rate employed by deductible temporary differences in the future. The recognized deferred tax assets will be reversed and recognized in profit or loss, when the actual profit is less than the expectation, or the actual tax rate is lower than the expectation. Furthermore, due to the uncertainty of whether there is enough taxable profit in the future for some subsidiaries, carrying forward losses of future years and deductible temporary differences are not fully recognized as deferred tax assets in these subsidiaries.

#### 31.4 Fixed assets provision

The Group reviews whether there is any indication of impairment for the fixed assets at the balance sheet date. Impairment tests will be carried out when any indications of the book value may not be recoverable. If book value of assets or asset group is higher than the recoverable amount, there is impairment. An asset's fair value less costs to sell, is referenced to the price in a binding sale agreement in an arm's length transaction, adjusted for incremental costs that would be directly attributable to the disposal of the asset. When the current value of the expected future cash flow is forecasted, the management estimates the expected future cash flow of the asset or asset group, and selects the appropriate discount rate to determine the present value of future cash flow. Based on procedures mentioned above, the management of the Group considered that the provision has been sufficiently recognized.

#### 32. Changes in accounting policies

The Group started adopting the Accounting Standard for Business Enterprise No.42 Held-for-sale Non-current Assets and Disposal Groups and Discontinued Operations issued by Ministry of Finance ("MoF") in 2017, and the Accounting Standard for Business Enterprise No.16 - Government Grants revised by MoF in 2017 respectively since 28 May 2017 and 12 June 2017 respectively. Besides, the financial statements have been prepared under the Notice of the Revised Format of Financial Statements for General Business Enterprise (Cai Kuai (2017) No. 30, hereinafter referred to as the "Cai Kuai No.30 Document") released by the MoF on 25 December 2017.

##### Government grants

Prior to the implementation of the Accounting Standard for Business Enterprise No.16 - Government Grants (revised), the government grants are included in non-operating income and expenses, regardless of whether they are related to daily activities. After the implementation of the Accounting Standard for Business Enterprise No.16 - Government Grants (revised), a government grant related to the Group's daily activities is recognized in other income; a government grant is not related to the Group's daily activities is recognized in non-operating income and expenses.

The Group has accounted for the above change in accounting policy on a prospective basis. Such changes in accounting policy has no impact on the financial statements for the comparable years.

##### Held-for-sale Non-current Assets and Disposal Groups and Discontinued Operations

Accounting Standard for Business Enterprise No.42 Held-for-sale Non-current Assets and Disposal Groups and Discontinued Operations specifies regulations for classifications and measurement of held-for-sale non-current assets or disposal group, requiring separately present profit or loss arising from continued operations or discontinued operations in the income statement with detailed disclosures about information of the held-for-sale non-current assets or disposal group and discontinued operations. This standard requires prospective approach for accounting treatment, which has no impact on the financial statements for the comparable years.

##### Presenting profit or loss from disposal of assets

Prior to the release of the Cai Kuai No. 30 Document, the gains or losses recognized from sales of held-for-sale non-current assets (excluding financial instruments, long-term equity investment or investment properties) or disposal group, and gains or losses arising from disposal of fixed assets, construction in progress, and intangible assets not classified as held-for-sale are presented under the item of "non-operating income" or "non-operating expenses". After the release of the Cai Kuai No.30 Document, gains or losses recognized from sales of held-for-sale non-current assets (excluding financial instruments, long-term equity investment or investment properties) or disposal groups, and gains or losses arising from disposal of fixed assets, construction in progress and intangible assets not classified as held-for-sale are presented under the item of "income from disposal of assets" (Losses arising from damages or disposal of non-current assets due to natural disaster or loss of use function are presented under "Non-operating expenses"). The Group has accounted for the above change in presenting accounts retrospectively, and adjusted comparable data for prior year.

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

### (IV) TAXES

#### Major categories of taxes and tax rates

Category of tax	Basis of tax computation	Tax rate
Value-added tax	Taxable revenue of goods sales	6%, 11%, 13% or 17%
City maintenance and construction tax	Actual turnover tax	1%~7%
Educational surtax and surcharge	Actual turnover tax	1%~5%
Enterprise income tax	Taxable income	Note 1
Business tax(Note 2)	Taxable revenue	3% or 5%
Overhead charges of river way	Actual turnover tax	Applicable rates set by the government
Property tax	Residual value of the taxable buildings or rental income	Applicable rates set by the government
Individual income tax	Taxable individual income	Applicable rates set by the government

**Note1:** The income tax rate of the Company is 25%. Subsidiaries of the Group are subject to respective applicable income tax rates on taxable income. The overseas subsidiaries of the Group pay enterprise income tax according to the local tax laws.

**Note2:** In March 2016, as approved by the fourth session of the twelfth National People's Congress, the pilot schemes on levying VAT in place of business tax have been developed overall in nationwide since 1 May 2016, with all businesses tax payers of industries of construction, real estate, finance and living services etc included. Meanwhile, according to Notice on Full Launch of the Pilot Scheme on Levying Value-added Tax in Place of Business Tax (Cai Shui [2016] No. 36) which jointly issued by Ministry of Finance and State Administration of Taxation, since 1 May 2016, the Group has paid VAT instead of business tax for its interest income and lease income, etc., subjected to 6% VAT rate.

### (V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

#### 1. Cash and bank balances

RMB

Item	Closing balance			Opening balance(Restated)		
	Foreign Currency	Exchange Rate	Amount in RMB	Foreign Currency	Exchange Rate	Amount in RMB
Cash:						
RMB			686,037.28			859,695.08
Bank deposits:						
RMB			11,142,089,379.44			8,617,098,522.43
USD	529,478,318.62	6.5342	3,459,717,229.50	424,411,870.33	6.9370	2,944,145,144.51
JPY	9,039,157,468.74	0.0579	523,367,217.44	5,481,155,997.04	0.0596	326,627,566.67
EUR	92,537,163.81	7.8023	722,002,713.23	91,167,841.61	7.3068	666,145,185.04
HKD	8,119,051.25	0.8359	6,786,714.94	32,142,416.89	0.8945	28,751,713.33
THB	4,779,393.49	0.1998	954,922.82	3,283,365.92	0.1940	636,972.20
Other currencies			418,340,004.86			210,617,219.18
Other cash and bank balances:						
RMB			54,292,679.23			136,262,071.05
USD			153,290.99			-
Other currencies			-			90,429,888.09
Statutory reserve deposit with PBOC by Finance Co.			1,528,973,751.54			1,003,231,967.25
Total			17,857,363,941.27			14,024,805,944.83
Including: Subtotal of deposit with overseas banks			3,691,471,641.39			3,370,934,341.35

Details of restricted bank balances are shown as follows:

RMB

Item	Closing balance	Opening balance
Deposit reserve in central bank by Finance Co.	1,528,973,751.54	1,003,231,967.25



## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

### (V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

At 31 December 2017, RMB 3,691,471,641.39 (at 31 December 2016: RMB 3,370,934,341.35) was deposited in overseas banks. At 31 December 2017, apart from statutory reserves from the central bank, other currency funds of the Group mainly consist of cash for investment of RMB 3,433,364.35 (at 31 December 2016: RMB 8,006,848.75), bank acceptance bill's guarantee deposit of RMB 28,474,804.85 (at 31 December 2016: RMB 109,703,801.66), letter of credit's deposit of RMB 14,880,648.26 (at 31 December 2016: RMB 9,531,943.88) and credit card deposit of RMB 3,861.67 (at 31 December 2016: RMB 325,873.52), performance bond of RMB 153,290.99 (at 31 December 2016: RMB 90,429,888.09) and etc.

### 2. Financial assets at FVTPL

RMB

Item	Closing balance	Opening balance
Held-for-trading financial assets		
Including: Investments in debt instruments	1,430,136,340.00	5,516,613.20
Investments in equity instruments	111,038,666.40	977,369,259.44
Derivative financial assets	184,991,617.23	139,977,912.03
Total	1,726,166,623.63	1,122,863,784.67

The management of the Company believes that there exists no significant restriction on realizing the held-for-trading financial assets.

### 3. Notes receivable

#### (1) Categories of notes receivable

RMB

Category	Closing balance	Opening balance (Restated)
Bank acceptance	23,399,045,356.81	14,017,752,343.68
Commercial acceptance	8,457,978,731.73	3,218,226,760.15
Total	31,857,024,088.54	17,235,979,103.83

As at 31 December 2017, the Group has a carrying amount of RMB 219,270,000.00 (at 31 December 2016: RMB 4,407,953,146.46) of undue notes receivable discounted. The major risks and rewards associated with these notes receivable have been transferred. As a result, the Group has derecognised these discounted undue notes receivable.

- (2) Notes receivables of RMB 2,000,000.00 have been pledged as security at the end of the reporting period, which have been used for issuing acceptance payable. (31 December 2016: RMB 506,496,683.43)
- (3) For the notes receivable due from the shareholders holding at least 5% of the Company's shares with voting power and other related parties at the beginning and end of the year, refer to Note (X). 6 (1).

### 4. Accounts receivable

#### (1) Disclosure of accounts receivable by categories:

RMB

Category	Closing balance					Opening Balance				
	Carrying amount		Bad debt provision		Carrying amount	Carrying amount		Bad debt provision		Carrying amount
	Amount	Proportion (%)	Bad debt provision	Proportion (%)		Amount	Proportion (%)	Bad debt provision	Proportion (%)	
Accounts receivable that are individually significant and for which bad debt provision has been assessed individually	1,924,539,201.60	14	57,717,392.72	3	1,866,821,808.88	5,137,628,525.89	30	20,273,124.08	-	5,117,355,401.81
Accounts receivables with provision accrued collectively on a portfolio basis	10,586,938,225.66	76	374,384,350.69	4	10,212,553,874.97	10,783,755,389.27	63	429,396,236.20	4	10,354,359,153.07
Accounts receivable that are not individually significant but for which bad debt provision has been assessed individually	1,375,807,185.22	10	1,375,807,185.22	100	-	1,271,490,565.55	7	1,271,490,565.55	100	-
Total	13,887,284,612.48	100	1,807,908,928.63	13	12,079,375,683.85	17,192,874,480.71	100	1,721,159,925.83	10	15,471,714,554.88

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

### (V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

Accounts receivable that are individually significant or not individually significant but for which bad debts has been assessed individually as at 31 December 2017:

RMB

Content of accounts receivable	Closing Balance			
	Amount	Bad debt provision	Proportion of provision (%)	Reasons for provision
Accounts receivable that are individually significant	1,924,539,201.60	57,717,392.72	3	Note 1
Accounts receivable with long aging	1,375,807,185.22	1,375,807,185.22	100	Note 2
Total	3,300,346,386.82	1,433,524,577.94	/	/

Accounts receivable that are individually significant or not individually significant but for which bad debts have been assessed individually as at 31 December 2016:

RMB

Content of accounts receivable	Opening Balance (Restated)			
	Amount	Bad debt provision	Proportion of provision (%)	Reasons for provision
Accounts receivable that are individually significant	5,137,628,525.89	20,273,124.08	/	Note 1
Accounts receivable with long aging	1,271,490,565.55	1,271,490,565.55	100	Note 2
Total	6,409,119,091.44	1,291,763,689.63	/	/

**Note1:** The Group assessed the bad debt provision of accounts receivable which are individually significant separately. As at 31 December 2017, nil of bad debt provision is accrued for accounts receivable that are individually significant (as at 31 December 2016: Nil). By reference to the Note III.12.2, receivables for which bad debt provision is collectively assessed on a portfolio basis according to credit risk characteristics, as at 31 December 2017, an amount of RMB 57,717,392.72 is accrued as bad debt provision (at 31 December 2016: RMB 20,273,124.08).

**Note2:** Provision for bad debt aged over 3 years is fully made due to a slim chance of recollection.

The aging analysis of accounts receivable is as follows:

RMB

Aging	Closing balance				Opening balance (Restated)			
	Amount	Proportion (%)	Bad debt provision	Carrying amount	Amount	Proportion (%)	Bad debt provision	Carrying amount
Within 1 year	10,234,446,868.90	93	312,708,518.27	9,921,738,350.63	8,896,959,848.03	92	314,461,324.78	8,582,498,523.25
More than 1 year but not exceeding 2 years	314,445,383.91	3	47,748,848.54	266,696,535.37	378,613,268.11	4	35,400,252.29	343,213,015.82
More than 2 years but not Exceeding 3 years	187,124,573.69	2	51,270,634.73	135,853,938.96	187,468,604.13	2	42,667,227.20	144,801,376.93
More than 3 years	268,281,222.78	2	177,914,384.74	90,366,838.04	218,257,711.54	2	130,707,350.43	87,550,361.11
Total	11,004,298,049.28	100	589,642,386.28	10,414,655,663.00	9,681,299,431.81	100	523,236,154.70	9,158,063,277.11

The aging analysis of bad debt provision on portfolio basis:

RMB

Aging	Closing Balance		
	Accounts Receivable	Bad Debt Provision	Proportion (%)
Within 1 year	9,393,903,704.07	283,567,149.37	3
More than 1 year but not exceeding 2 years	561,692,082.31	41,894,481.65	7
More than 2 year but not exceeding 3 years	142,064,643.03	48,922,719.67	34
More than 3 years	489,277,796.25	-	-
Total	10,586,938,225.66	374,384,350.69	4

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

## (V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

Aging	Opening Balance (Restated)			RMB
	Accounts Receivable	Bad Debt Provision	Proportion (%)	
Within 1 year	9,937,025,516.89	325,862,629.02	3	
More than 1 year but not exceeding 2 years	485,181,439.84	48,645,093.59	10	
More than 2 year but not exceeding 3 years	199,112,763.83	54,888,513.59	28	
More than 3 years	162,435,668.71	-	-	
Total	10,783,755,389.27	429,396,236.20	4	

## (2) Bad debt provision, reversal and change due to foreign currency translations

For the year, the Company recorded a bad debt provision of RMB 192,292,615.42, reversed bad debt provision of RMB 86,815,976.65 due to collections, decreased bad debt provision by RMB 11,642,814.86 due to disposal of subsidiaries; and decreased bad debt provision of RMB 7,084,821.11 due to foreign currency translations.

## (3) Write-off of accounts receivable

There was no write-off for accounts receivable during the current year.

## (4) For the accounts receivable due from the shareholders holding at least 5% of the Company's shares with voting power and other related parties at the beginning and end of the year; refer to Note (X). 6 (2).

## (5) Accounts receivable from the top five customers

As at 31 December 2017, the balance of the accounts receivable from the top five customers is RMB 1,924,539,201.60, which accounts for 14% of the total. The bad debt provision is 57,717,392.72 RMB.

## (6) As at 31 December 2017, a total carrying amount of RMB 36,560,834.94 of accounts receivable is mortgaged for a short-term borrowing of RMB 36,560,834.94 by means of bank guarantee (As at 31 December 2016, the Group has no accounts receivable mortgaged for a short-term borrowing by means of bank guarantee.)

## (7) At the end of the reporting period, no accounts receivables should be derecognized due to transfer of financial assets.

## 5. Prepayments

## (1) Aging analysis of prepayments is as follows:

Aging	Closing balance		Opening balance (Restated)		RMB
	Amount	Proportion (%)	Amount	Proportion (%)	
Within 1 year	7,786,828,284.52	98	10,722,657,029.25	96	
More than 1 year but not exceeding 2 years	179,812,367.35	2	396,344,062.45	4	
More than 2 years but not exceeding 3 years	26,339,609.69	-	18,182,896.00	-	
More than 3 years	25,420,816.84	-	22,169,417.48	-	
Total	8,018,401,078.40	100	11,159,353,405.18	100	

As at 31 December 2017, prepayments with more than one year are mainly intended for purchase of large equipment used for projects under construction.

## (2) Prepayments to the top five suppliers

As at 31 December 2017, the prepayments to the top five suppliers amounted to RMB 4,013,741,862.55, accounting for 50% of the total.

## (3) For prepayments due to the shareholders holding at least 5% of the Company's shares with voting power and other related parties at the beginning and end of the year; refer to Note (X). 6 (3).

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

### (V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

(4) Disclosure of prepayments by supplier categories is as follows:

RMB

Category	Closing balance	Opening balance (Restated)
Individually significant prepayments	4,013,741,862.55	2,595,389,606.94
Other insignificant prepayments	4,004,659,215.85	8,563,963,798.24
Total	8,018,401,078.40	11,159,353,405.18

## 6. Interest receivable

(1) Interest receivable

RMB

Item	Closing balance	Opening balance (Restated)
Interest receivable	13,568,978.49	140,829,540.88

Category of interest receivable

RMB

Item	Closing balance	Opening balance (Restated)
Time deposit	5,918,528.54	1,865,381.81
Loans	5,791,279.44	5,679,342.86
Interest receivable from transfer of financial assets (Note (V).15 (Note 1))	-	131,890,573.75
Others	1,859,170.51	1,394,242.46
Total	13,568,978.49	140,829,540.88

At the balance sheet date, the aging of interest receivable is within one year.

(2) For interest receivable due from related parties, refer to Note (X), 6(4).

## 7. Dividends receivable

RMB

Item(or investee)	Closing balance	Opening balance(Restated)
CISDI Engineering Co., Ltd. (Note I)	12,554,000.00	23,852,647.00
Taichang Wugang Wharf Co., Ltd.	26,464,682.63	47,266,216.52
Wuxi Bao-Mit Steel Distribution Co.,Ltd.	793,338.62	-
Nanjing Tiemei Transportation Trade Co.,Ltd.	5,231,185.43	-
Total	45,043,206.68	71,118,863.52

**Note1:** As at 31 December 2017, the aging of dividends due from CISDI Engineering Co., Ltd. of RMB 12,554,000.00 in above dividends receivable are within two to three years. The management believes there is no recoverable risk in the above dividends receivable.

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

## (V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

## 8. Other receivables

(I) Disclosure of other receivables by categories:

RMB

Category	Closing balance					Opening Balance (Restated)				
	Carrying amount		Bad debt provision		Book value	Carrying amount		Bad debt provision		Book value
	Amount	Pro-portion (%)	Amount	Pro-portion (%)		Amount	Pro-portion (%)	Amount	Pro-portion (%)	
Other receivables that are individually significant and for which bad debt provision has been assessed individually	1,333,756,242.27	47	-	-	1,333,756,242.27	564,955,530.36	25	127,017,186.28	22	437,938,344.08
Other receivables with provision accrued collectively on a portfolio basis	1,453,598,838.29	52	86,101,835.73	6	1,367,497,002.56	1,624,145,209.11	73	18,314,525.95	1	1,605,830,683.16
Other receivables that are not individually significant but for which bad debt provision has been assessed individually	35,895,810.37	1	35,895,810.37	100	-	47,452,067.03	2	47,452,067.03	100	-
Total	2,823,250,890.93	100	121,997,646.10	4	2,701,253,244.83	2,236,552,806.50	100	192,783,779.26	9	2,043,769,027.24

Other receivables that are individually significant or not individually significant but for which bad debt provision has been assessed individually as at 31 December 2017:

RMB

Content of other receivables	Closing balance			Reasons
	Amount	Bad debt provision	Proportion of provision (%)	
Other receivables with significant balances	1,333,756,242.27	-	-	Note 1
Other receivables with long aging	35,895,810.37	35,895,810.37	100	Note 2
Total	1,369,652,052.64	35,895,810.37	/	/

RMB

Content of other receivables	Opening balance (Restated)			Reasons
	Amount	Bad debt provision	Proportion of provision (%)	
Other receivables with significant balances	564,955,530.36	127,017,186.28	22	Note 1
Other receivables with long aging	47,452,067.03	47,452,067.03	100	Note 2
Total	612,407,597.39	174,469,253.31	/	/

**Note 1:** Other receivables with significant balances mainly consist of deposits paid to customs, advances of project expense and receivables with low risk of collection such as amount due from related parties within the Group. The carrying amount of other receivables with significant balances for the Group is 1,333,756,242.27 (31 December 2016: RMB 564,955,530.36), and no bad debt provision was made as at 31 December 2017 (bad debt provision on such balances is RMB 127,017,186.28 as at 31 December 2016). The management of the Group believes that sufficient bad debt provision has been made for such other receivables.

**Note 2:** The possibility of collecting the above mentioned other receivables with long aging is very small. Therefore, the Company made full bad debt provision for the above other receivables.

Aging analysis of other receivables is as follows:

RMB

Aging	Closing balance				Opening balance (Restated)			
	Amount	Proportion (%)	Bad debt provision	Carrying amount	Amount	Proportion (%)	Bad debt provision	Carrying amount
Within 1 year	2,290,259,072.30	81	12,485,683.32	2,277,773,388.98	1,563,165,871.02	70	8,084,527.50	1,555,081,343.52
More than 1 year but not exceeding 2 years	65,054,358.78	2	3,283,888.58	61,770,470.20	473,901,157.51	21	131,682,988.16	342,218,169.35
More than 2 years but not exceeding 3 years	310,603,502.97	11	70,332,263.83	240,271,239.14	15,084,401.15	1	5,564,196.57	9,520,204.58
More than 3 years	157,333,956.88	6	35,895,810.37	121,438,146.51	184,401,376.82	8	47,452,067.03	136,949,309.79
Total	2,823,250,890.93	100	121,997,646.10	2,701,253,244.83	2,236,552,806.50	100	192,783,779.26	2,043,769,027.24

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

### (V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

The aging analysis of bad debt provision on portfolio basis:

Aging	Closing balance			RMB
	Other receivables	Bad debt provision	Proportion (%)	
Within 1 year	1,092,291,567.21	12,485,683.32	1	
More than 1 year but not exceeding 2 years	65,054,358.78	3,283,888.58	5	
More than 2 year but not exceeding 3 years	174,814,765.79	70,332,263.83	40	
More than 3 year	121,438,146.51	-	-	
Total	1,453,598,838.29	86,101,835.73	6	

Aging	Opening balance (Restated)			RMB
	Other receivables	Bad debt provision	Proportion (%)	
Within 1 year	1,373,276,654.22	8,084,527.50	1	
More than 1 year but not exceeding 2 years	211,077,634.05	4,665,801.88	2	
More than 2 year but not exceeding 3 years	15,084,401.15	5,564,196.57	37	
More than 3 year	24,706,519.69	-	-	
Total	1,624,145,209.11	18,314,525.95	1	

#### (2) Bad debt provision and reversal

For the year, the Company recorded a bad debt provision of RMB 13,641,716.10, reversed bad debt provision of RMB 71,466,403.10, decreased bad debt provision by RMB 12,984,023.78 due to disposal of subsidiaries; and increased in bad debt provision of RMB 22,577.62 due to foreign currency translations.

#### (3) Write-off of other receivables

There was no write-off for other receivables during the current year.

#### (4) For other receivables due from the shareholders holding at least 5% of the Company's shares with voting power and other related parties at the beginning and end of the year; refer to Note (X). 6 (5).

#### (5) Others receivables from the top five customers

As at 31 December 2017, other receivables from the top five customers amounted to RMB 1,333,756,242.27, accounting for 47% of the total. There was no bad debt provision for other receivables.

#### (6) At the end of the reporting period, no other receivables are related to government grants.

#### (7) At the end of the reporting period, no other receivables should be derecognized due to transfer of financial assets.

#### (8) At the end of the reporting period, no assets or liabilities have been formed due to transferring of other receivable and the related continuous involvement.

### 9. Financial assets purchased under resale agreements

Item	Closing balance	Opening balance	RMB
Financial assets purchased under resale agreements	3,583,919,000.00	-	

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

## (V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

## 10. Inventories

## (1) Categories of inventories

RMB

Item	Closing balance			Opening balance (Restated)		
	Gross carrying amount	Provision for decline in value of inventories	Net carrying amount	Gross carrying amount	Provision for decline in value of inventories	Net carrying amount
Raw materials	9,791,770,393.36	17,987,879.79	9,773,782,513.57	13,564,260,018.89	263,509,295.64	13,300,750,723.25
Work-in-progress	11,642,073,752.75	506,802,464.20	11,135,271,288.55	11,000,915,672.18	519,498,645.09	10,481,417,027.09
Finished goods	15,206,117,969.43	1,226,806,001.64	13,979,311,967.79	22,098,141,366.92	773,426,914.40	21,324,714,452.52
Spare parts and others	4,984,598,402.65	384,926,555.96	4,599,671,846.69	4,736,676,212.93	262,106,962.67	4,474,569,250.26
Total	41,624,560,518.19	2,136,522,901.59	39,488,037,616.60	51,399,993,270.92	1,818,541,817.80	49,581,451,453.12

## (2) Provision for decline in value of inventories

RMB

Category of inventories	Opening balance (Restated)	Provision in current year	Decrease in the current period			Exchange differences arising from translation of financial statements denominated in foreign currencies	Closing balance
			Reversals	Write-off	Other decrease		
Raw materials	263,509,295.64	21,856,716.73	(273,194,590.34)	-	-	5,816,457.76	17,987,879.79
Work-in-progress	519,498,645.09	213,159,290.93	(223,467,264.95)	(843,482.23)	-	(1,544,724.64)	506,802,464.20
Finished goods	773,426,914.40	682,712,166.01	(157,548,326.54)	(71,370,036.21)	(530,000.00)	115,283.98	1,226,806,001.64
Spare parts and others	262,106,962.67	191,202,377.34	(8,212,658.09)	(54,814,784.98)	(19,626.41)	(5,335,714.57)	384,926,555.96
Total	1,818,541,817.80	1,108,930,551.01	(662,422,839.92)	(127,028,303.42)	(549,626.41)	(948,697.47)	2,136,522,901.59

## (3) Provision for decline in value of inventories

Item	Basis of making provision for decline in value of inventories	Reasons for reversal of decline in value of inventories for the period	Proportion of amount of reversal for the period to the closing balance of the relevant category of inventories
Raw materials	Carrying amount higher than net realizable value	Market price rebound or product cost reduction	3%
Work-in-progress	Carrying amount higher than net realizable value	Market price rebound or product cost reduction	2%
Finished goods	Carrying amount higher than net realizable value	Market price rebound or product cost reduction	1%
Spare parts and others	Carrying amount higher than net realizable value	Market price rebound or product cost reduction	-

## (4) Closing balance of inventories including capitalized borrowing costs:

No inventory was used for guarantee as at 31 December 2017, and no interest expense was capitalized in the closing balance of inventory as at 31 December 2017.

# Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

## (V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

### 11. Non-current assets due within one year

RMB

Item	Closing balance	Opening balance (Restated)
Trust financial products	500,000,000.00	325,441,243.86
Accounts receivable from disposal of assets (Note1)	-	4,500,000,000.00
Long-term receivables due within one year (Note2)	47,982,220.29	-
Total	547,982,220.29	4,825,441,243.86

**Note 1:** At the end of 2016, accounts receivable from disposal of assets due within one year is RMB4.5 billion, including RMB2.6 billion from Shanghai Baosteel Stainless Co., Ltd. and 1.9 billion from Baosteel Special Steel Co., Ltd., refer to Note (V), 15 note (1).

**Note 2:** The long-term receivable due within one year is RMB 47,982,220.29 from Wuhan Iron & Steel Group, which is the deposit for the leaseback of equipment.

For the amounts due from related parties in non-current assets due within one year, refer to Note (X), 6(6).

### 12. Other current assets

RMB

Item	Closing balance	Opening balance (Restated)
Deductible VAT input	4,554,429,294.19	5,596,095,433.23
Financial products (Note)	10,762,000,000.00	15,070,134,075.19
Others	58,045,511.13	419,563,735.54
Total	15,374,474,805.32	21,085,793,243.96

**Note 1:** Financial products are non-guaranteed floating income, financial instruments with no active market quotation and major investing in money market, high credit grade bonds and trust plans (beneficiary rights) etc. The Group recognised the above financial products as other current assets due to the maturity of such products are within one year.

### 13. Loans and advances to customers

#### (1) Category of loans and advances to customers

RMB

Item	Closing balance	Opening balance
Loans	483,153,438.36	240,937,972.02
Discounts	3,465,972,646.92	3,142,141,965.03
Impairment loss for loans	(7,354,605.18)	(65,387,995.89)
Total	3,941,771,480.10	3,317,691,941.16

#### (2) Impairment loss for loans

RMB

Item	Opening balance	Provision in current year	Decrease in current year		Exchange differences arising from translation of financial statements denominated in foreign currencies	Closing balance
			Reversals	Write-off		
Impairment loss for loans	65,387,995.89	-	(58,033,390.71)	-	-	7,354,605.18

Loans and advances to customers due to shareholders holding at least 5% of the Company's shares with voting power at the beginning and closing of the current period are nil.

For the loans and advances to customers due to related party at the beginning and end of the current period, refer to Note (X), 6(7).



# Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

## (V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

### 14. Available-for-sale financial assets

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

RMB

Item	Closing balance			Opening balance (Restated)		
	Carrying value	Provision	Book value	Carrying value	Provision	Book value
Available-for-sale debt instruments	2,168,550,310.20	50,240,011.70	2,118,310,298.50	2,279,900,591.70	50,240,011.70	2,229,660,580.00
Available-for-sale equity instruments	11,600,694,410.84	702,232,589.48	10,898,461,821.36	11,726,296,696.43	698,227,406.41	11,028,069,290.02
Including: Fair Value measurement	1,942,291,033.95	682,297,503.21	1,259,993,530.74	2,085,499,214.50	682,297,503.21	1,403,201,711.29
Cost measurement	9,658,403,376.89	19,935,086.27	9,638,468,290.62	9,640,797,481.93	15,929,903.20	9,624,867,578.73
Total	13,769,244,721.04	752,472,601.18	13,016,772,119.86	14,006,197,288.13	748,467,418.11	13,257,729,870.02

#### (2) Closing balance of available-for-sale financial assets measured at fair value:

RMB

Categories	Available-for-sale debt instruments	Available-for-sale equity instruments	Total
Amortized cost of debt instruments at the end of the year / Cost of equity instruments	2,181,592,856.47	1,496,770,240.39	3,678,363,096.86
Fair value at the end of the year	2,118,310,298.50	1,259,993,530.74	3,378,303,829.24
Accumulated amount recognized in other comprehensive income arising from the change of fair value	(13,042,546.27)	445,520,793.56	432,478,247.29
Impairment provision accrued	50,240,011.70	682,297,503.21	732,537,514.91

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

## (V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

## (3) Closing balance of available-for-sale financial assets measured at cost:

Investees				
	Opening balance (Restated)	increase	decrease	
CISDI	9,508,999.34	-	-	
Shanghai Baosteel Xinyue Human Resources Service Co., Ltd.	1,500,000.00	-	-	
Shanghai Baoxin Digital Technology Co., Ltd.(Note)	600,000.00	-	-	
Jinchuan Automation Engineering Co. Ltd.	1,000,000.00	-	-	
Shanghai Huayi Information Technology Co., Ltd	3,000,000.00	-	-	
Henan Longyu energy Limited by Share Ltd	370,269,254.56	-	-	
Yongcheng coal (Group) Co., Ltd.	279,000,000.00	-	-	
Henan Zhenglong Coal Industry Co Ltd	45,569,714.27	-	-	
China First Capital Management Inc	3,000,000.00	-	-	
Yantai iron and steel processing Co. Ltd. Po	5,600,000.00	-	-	
Huarun land (Beijing) Co., Ltd.	1,618,750.00	-	-	
Anhui merchants Limited by Share Ltd	3,000,000.00	-	-	
Hanyang Spare Parts Co. Ltd.	3,311,720.00	-	-	
Bao Hua Rui mining Limited by Share Ltd	103,282,213.00	-	-	
Shanghai Luojing Ore Terminal Co., Ltd.	88,734,096.00	-	-	
The Yangtze River Economic Development (Group) Limited by Share Ltd	980,000.00	-	-	
Steam (Beijing) Automotive Lightweight Technology Research Co Ltd	3,000,000.00	-	-	
Corex	5,000,000.00	-	-	
Globalore Pte Ltd	16,870,363.80	-	780,626.40	
Baometal S.r.L	14,746,583.76	1,000,018.10	-	
PetroChina Pipeline Ltd (Note)	8,643,900,787.20	-	-	
Wuhan Huagong Venture Capital Co.,Ltd.	12,300,000.00	-	-	
Changxin Fund Management Co.,Ltd.	25,005,000.00	-	-	
Shanghai Ouye Data Technology Co., Ltd.	-	17,386,503.26	-	
Total	9,640,797,481.93	18,386,521.36	780,626.40	

## (4) Provision movement of available-for-sale financial during reporting period

## Categories

Opening balance(Adjusted)

Provision in current year

Including: Transfer from other comprehensive income

Decrease in current year

Including:Transfer from fair value rebound

Closing balance

RMB

Carrying balance	Provision				Proportion in the investee (%)	Cash bonus
Closing balance	Opening balance (Restated)	increase	decrease	Closing balance		
9,508,999.34	-	-	-	-	6.28	1,262,063.03
1,500,000.00	-	-	-	-	15.00	-
600,000.00	600,000.00	-	-	600,000.00	15.00	-
1,000,000.00	-	-	-	-	7.13	2,438,734.21
3,000,000.00	-	-	-	-	15.00	-
370,269,254.56	-	-	-	-	12.96	-
279,000,000.00	-	-	-	-	7.78	-
45,569,714.27	-	-	-	-	4.91	49,149,134.00
3,000,000.00	1,710,073.92	-	-	1,710,073.92	5.00	-
5,600,000.00	-	-	-	-	10.00	-
1,618,750.00	-	-	-	-	0.09	-
3,000,000.00	3,000,000.00	-	-	3,000,000.00	3.53	-
3,311,720.00	3,311,720.00	-	-	3,311,720.00	20.00	-
103,282,213.00	-	-	-	-	50.00	19,036,458.00
88,734,096.00	-	-	-	-	12.00	-
980,000.00	-	-	-	-	0.11	-
3,000,000.00	-	-	-	-	6.90	-
5,000,000.00	-	-	-	-	6.25	-
16,089,737.40	3,426,457.80	-	-	3,426,457.80	14.29	-
15,746,601.86	-	-	-	-	10.00	-
8,643,900,787.20	-	-	-	-	3.52	452,597,154.43
12,300,000.00	-	-	-	-	9.88	3,952,000.00
25,005,000.00	3,881,651.48	-	-	3,881,651.48	15.15	23,329,665.00
17,386,503.26	-	4,005,183.07	-	4,005,183.07	49.00	-
9,658,403,376.89	15,929,903.20	4,005,183.07	-	19,935,086.27		551,765,208.67

RMB

Available-for-sale debt instruments	Available-for-sale equity instruments	Total
50,240,011.70	698,227,406.41	748,467,418.11
-	4,005,183.07	4,005,183.07
-	-	-
-	-	-
-	-	-
50,240,011.70	702,232,589.48	752,472,601.18

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

## (V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

## 15. Long-term receivables

RMB

Item	Closing balance			Opening balance(Restated)		
	Carrying balance	Impairment provision	Book value	Carrying balance	Impairment provision	Book value
Finance leases receivables	47,982,220.29	-	47,982,220.29	45,933,082.98	-	45,933,082.98
including: Unrealized finance income	(2,017,779.71)	-	(2,017,779.71)	(4,066,917.02)	-	(4,066,917.02)
Less: Finance lease receivables due within one year	47,982,220.29	-	47,982,220.29	-	-	-
Accounts receivable from disposal of assets (Note1)	-	-	-	4,500,000,000.00	-	4,500,000,000.00
Less: Accounts receivable from disposal of assets due within one year (Note1)	-	-	-	4,500,000,000.00	-	4,500,000,000.00
Accounts receivable from employee borrowings for down payment of first-time homebuyers (Note2)	323,443,628.36	-	323,443,628.36	218,565,000.00	-	218,565,000.00
Total	323,443,628.36	-	323,443,628.36	264,498,082.98	-	264,498,082.98

RMB 0.00 of bad debt provision has been reserved in current year.

**Note 1:** In accordance with the Connected Transaction Bulletin (Lin 2012-05) 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 Division issued by the Company on March 14, 2012, the Company transferred the assets and equities of the Stainless and Special Steel Business Division at the valuation value based on 31 December 2011 on the asset valuation report issued by Zhongzi Asset Appraisal Co., Ltd. The Company completed the abovementioned asset transfer on April 1, 2012. The accounts receivable from disposal of assets is RMB22.5 billion and will be paid equally in five years. From 2013 onwards, the Company will receive both the interest and principal on the accounts receivable from disposal of assets every year and the last payment at the end of 2017.

**Note 2:** Employee borrowings for down payment of first-time homebuyers is provided to some employees with different loan limits, and bearing borrowing rate at 50% of that for Housing Provident Fund. The tenure is within 10 years. Early repayment or equal repayment shall be made since the third year after the borrowing. Employees shall make full repayment within 8 years.

At the beginning and end of the year, long-term receivables due from shareholders holding at least 5 % (including 5%) of the Company's shares with voting power are nil.

In this reporting period, no long-term receivable is derecognized due to the transfer of financial assets.

In this reporting period, no asset and liability are formed due to long-term account receivable continuous involvement.

## 16. Long-term equity investments

## (I) Details of long-term equity investment are as following:

RMB

Name of investee	Opening balance (Restated)	Movement of current year								Closing balance	Closing balance of impairment
		Increase	Decrease	Profit and loss recognized under equity method	Other comprehensive adjustment	Other equity movement	Cash dividend and profits when announced	Provision for impairment	Others		
I. Joint ventures											
BNA	1,753,133,618.04	-	-	207,379,944.31	-	(1,707,169.99)	-	-	-	1,958,806,392.36	-
Bao-Island Enterprise	618,541,073.50	-	-	13,466,986.20	(35,915,863.40)	-	-	-	-	596,092,196.30	-
Shandong Baohua	64,536,216.03	-	-	4,696,991.45	-	-	-	-	-	69,233,207.48	-
JFE Steel Sheet	1,641,574,356.04	-	-	182,342,536.41	-	4,559,497.86	-	-	-	1,828,476,390.31	35,000,000.00
Baowei Auto Part	187,544,945.89	-	-	35,379,157.38	-	-	(30,000,000.00)	-	-	192,924,103.27	-
Changsha Baosheng	3,775,652.35	-	-	(1,742,725.96)	-	-	-	-	-	2,032,926.39	-
Baosheng Fineblanking	72,077,121.86	-	-	(8,317,000.28)	-	-	-	-	-	63,760,121.58	-
Wuhan Baozhang Auto Steel Part Co.	29,676,110.76	-	-	(6,454,079.11)	-	-	-	-	-	23,222,031.65	-
Wuhan Pingmei Wugang Joint Coking Co., Ltd.	734,304,891.38	-	-	20,947,407.42	-	-	-	-	-	755,252,298.80	-
Changshu Weishihe Daheng Metal Material Technology Co., Ltd.	26,769,289.56	-	-	(2,892,397.59)	-	-	-	-	-	23,876,891.97	-
Wuhan Iron and Steel Zhejiang Gold Trading Co., Ltd.	-	51,741,946.40	-	313,114.16	-	-	-	-	-	52,055,060.56	-
Cheerwu Traders Limited	-	8,476,499.00	(8,511,250.00)	34,751.00	-	-	-	-	-	-	-
Wuhan Iron and Steel Petrochemical Industrial Gas Co., Ltd.	-	59,731,437.99	-	8,444,741.97	-	3,109,382.07	-	-	-	71,285,562.03	-
Wuhan Wugang Metal Resources Casting Technology Co., Ltd.	13,000,000.00	-	(13,000,000.00)	-	-	-	-	-	-	-	-
Subtotal	5,144,933,275.41	119,949,883.39	(21,511,250.00)	453,599,427.36	(35,915,863.40)	5,961,709.94	(30,000,000.00)	-	-	5,637,017,182.70	35,000,000.00

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

## (V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

RMB

Name of investee	Opening balance (Restated)	Movement of current year								Closing balance	Closing balance of impairment
		Increase	Decrease	Profit and loss recognized under equity method	Other comprehensive adjustment	Other equity movement	Cash dividend and profits when announced	Provision for impairment	Others		
II. Associates											
Weld Company	119,818,396.97	-	-	22,230,811.60	-	-	(13,961,200.00)	-	-	128,088,008.57	-
Renwei Software	3,131,624.96	-	-	464,918.42	-	-	-	-	-	3,596,543.38	-
Henan Pingbao	466,769,390.88	-	-	156,874,307.48	-	55,163,750.23	(16,000,000.00)	-	-	662,807,448.59	-
Tianjin BCM	38,158,721.31	-	(84,194,032.67)	46,035,311.36	-	-	-	-	-	-	-
Wuxi Baomit	67,850,725.94	-	-	1,666,781.28	-	-	(793,338.62)	-	-	68,724,168.60	-
Sichuan Daxing	24,583,026.44	-	-	2,280,873.31	-	96,792.16	-	-	-	26,960,691.91	-
Vietnam Can Making	70,917,112.01	-	-	10,693,355.52	-	-	-	-	(Note2) (4,117,833.75)	77,492,633.78	-
Beijing Qingke	10,196,471.73	-	-	1,954,904.93	-	-	-	-	-	12,151,376.66	-
Zhengzhou Hongzhong	25,424,836.82	-	-	2,696,881.25	-	-	-	-	-	28,121,718.07	-
Guangqi Baoshang	60,263,845.25	-	-	8,283,054.33	-	158,930.09	(3,498,841.40)	-	-	65,206,988.27	-
Wuxi Baomeifeng	24,357,537.27	-	-	2,279,831.48	-	-	-	-	-	26,637,368.75	-
Guangzhou Nansha	6,191,402.95	-	-	(322,141.99)	-	-	-	-	-	5,869,260.96	-
Tianjin Zhongzhi	6,539,654.39	-	-	(1,803,019.24)	-	-	-	-	-	4,736,635.15	-
Shanghai Zhiji Information Technology Co., Ltd.	7,147,877.36	-	-	3,232,439.43	-	-	-	-	-	10,380,316.79	-
Shanghai Runyi Incubator Management Corporation Limited	2,407,627.16	-	-	599,241.18	-	-	-	-	-	3,006,868.34	-
Shanghai Batchsight Pharmaceutical Technology Co., Ltd.	1,237,640.00	3,200,000.00	-	6,275.24	-	-	-	-	-	4,443,915.24	-
Guangdong Zhanjiang Port Longteng Shipping Co., Ltd.	27,482,258.14	-	-	2,763,865.45	-	-	-	-	-	30,246,123.59	-
Cangcang (Shanghai) Supply Chain Management Co., Ltd.	472,161.45	-	(474,892.61)	2,731.16	-	-	-	-	-	-	-
Nanjing Tiemei Transportation Trade Co., Ltd.	-	2,026,085.82	-	-	-	-	-	-	-	2,026,085.82	-
Shanghai Baoneng Information Technology Co., Ltd.	-	10,000,000.00	-	125,912.84	-	-	-	-	-	10,125,912.84	-
Shanghai Jiayun Baoou Logistics Co., Ltd.	-	4,900,000.00	(4,900,000.00)	-	-	-	-	-	-	-	-
Shanghai Ouye Logistics Co., Ltd.	-	(Note1) 163,958,359.50	-	(20,236,475.99)	-	(17,999,787.91)	-	-	-	125,722,095.60	-
Ouyeel Cloud Commerce Corporation Limited	-	(Note1) 1,379,245,513.31	-	(38,663,874.13)	(33,746.42)	(164,761.91)	-	-	-	1,340,383,130.85	-
Ouyeel Finance Co., Ltd.	-	(Note1) 296,899,393.17	-	1,303,590.58	(332,469.00)	-	-	-	-	297,870,514.75	-
Wuhan Baohan Welding Equipment Co., Ltd.	3,012,623.72	-	-	823,332.85	-	-	-	-	-	3,835,956.57	-
Shanghai Rural Commercial Bank Co., Ltd.	-	4,491,500,000.00	-	-	-	-	-	-	-	4,491,500,000.00	-

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

## (V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

RMB

Name of investee	Opening balance (Restated)	Movement of current year								Closing balance	Closing balance of impairment
		Increase	Decrease	Profit and loss recognized under equity method	Other comprehensive adjustment	Other equity movement	Cash dividend and profits when announced	Provision for impairment	Others		
Wuhan Iron & Steel Group Finance Corporation Limited	1,546,588,959.91	-	-	73,453,646.84	-	-	(68,760,000.00)	-	-	1,551,282,606.75	-
China Pingmei Shenma Energy And Chemical Group Co.,Ltd.	1,720,753,356.80	-	-	(159,806,557.28)	-	-	-	-	-	1,560,946,799.52	-
Dalian Jiaxiang Technology Co.,Ltd.	35,697,334.18	-	-	6,086,763.06	-	-	-	-	-	41,784,097.24	-
Hubei Pingwu Industry and Trade Co., Ltd.	8,687,487.12	-	-	1,089,492.99	-	-	-	-	-	9,776,980.11	-
Wuhan Ansheng Economic&Trade Co.,Ltd.	7,525,034.88	-	-	(3,530,158.75)	-	-	-	-	-	3,994,876.13	-
Taichang Wugang Dock Co.,Ltd.	328,379,999.49	-	-	24,824,617.90	-	-	(26,464,682.63)	-	(Note2) (19,598,497.92)	307,141,436.84	-
Taichang Wuhan Steel Distribution Co., Ltd.	27,001,417.03	-	-	126,150.83	-	-	-	-	((Note2) (1,567,849.32)	25,559,718.54	-
Wuhan Wugang Dansk Technology Magnetic Material Co., Ltd.	-	15,787,639.95	-	(818,540.58)	-	-	-	-	-	14,969,099.37	-
Wuhan Wugang Jinzi Steel Processing Co., Ltd.	-	9,487,624.15	-	1,992,376.91	-	-	-	-	-	11,480,001.06	-
TWB Company L.L.C.	725,829,971.37	-	-	72,129,814.87	-	-	(47,142,587.44)	-	(Note2) (41,714,737.65)	709,102,461.15	-
Shanghai JinShang Network Technology Co.,Ltd.	-	8,834,040.06	-	32,051.95	-	-	-	-	-	8,866,092.01	-
Wuhai Yellow River Yiteng Pigment Carbon Black Co., Ltd.	-	1,500,000.00	-	157,890.66	-	-	-	-	-	1,657,890.66	-
Subtotal	5,366,426,495.53	6,387,338,655.96	(89,568,925.28)	219,030,457.74	(366,215.42)	37,254,922.66	(176,620,650.09)	-	(66,998,918.64)	11,676,495,822.46	-
Equity transferred from old system trade right due to non-tradable share reform	7,949,489.18	-	-	-	-	-	-	-	-	7,949,489.18	-
Total	10,519,309,260.12	6,507,288,539.35	(111,080,175.28)	672,629,885.10	(36,282,078.82)	43,216,632.60	(206,620,650.09)	-	(66,998,918.64)	17,321,462,494.34	35,000,000.00

No significant differences noted of accounting policies between the Group and its associates and joint ventures. In addition, liquidity of long term investment and investment income do not have material limitation.

**Note 1:** The Company lost control over the original subsidiary after disposing of part of the equity investment, and the remaining equity investment was accounted for under the equity method.

**Note 2:** Other changes were mainly due to differences in translation of financial statements dominated in foreign currency.

# Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

## (V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

### 17. Investment properties

Measurement model for investment properties

Investment properties measured at cost.

RMB			
Item	Building	Land use right	Total
<b>I. Total original carrying amount</b>			
1. Opening balance	213,543,938.33	318,321,681.83	531,865,620.16
2. Increase in current year	100,329,646.03	-	100,329,646.03
(1) Transfer from construction in progress	100,329,646.03	-	100,329,646.03
3. Decrease in current year	13,036,508.17	-	13,036,508.17
(1) Transfer to fixed assets	10,634,533.06	-	10,634,533.06
(2) Disposal	2,401,975.11	-	2,401,975.11
4. Closing balance	300,837,076.19	318,321,681.83	619,158,758.02
<b>II. Accumulated depreciation and accumulated amortisation:</b>			
1. Opening balance	98,930,126.75	68,622,729.60	167,552,856.35
2. Increase in current year	11,556,814.49	8,248,080.48	19,804,894.97
(1) Provision or amortization	11,556,814.49	8,248,080.48	19,804,894.97
3. Decrease in current year	6,105,870.75	-	6,105,870.75
(1) Transfer to fixed assets	3,893,672.74	-	3,893,672.74
(2) Disposal	2,212,198.01	-	2,212,198.01
4. Closing balance	104,381,070.49	76,870,810.08	181,251,880.57
<b>III. Provision for impairment</b>			
1. Opening balance	-	-	-
2. Increase in current year	-	-	-
3. Decrease in current year	-	-	-
4. Closing balance	-	-	-
<b>IV. Carrying amount</b>			
1. Closing balance	196,456,005.70	241,450,871.75	437,906,877.45
2. Opening balance	114,613,811.58	249,698,952.23	364,312,763.81

As at 31 December 2017, a net value of RMB 50,042,179.56 of buildings and land use right has not obtained certificate of titles yet (2016: RMB 60,884,421.78).

### 18. Fixed assets

#### (I) Fixed assets

RMB					
Item	Buildings	Machinery and equipment	Transportation vehicles	Office and other equipment	Total
<b>I. Original carrying amount</b>					
1. Opening balance (Restated)	86,054,916,298.22	266,512,640,594.91	20,901,334,363.79	25,464,669,010.68	398,933,560,267.60
2. Increase in current year	1,385,437,725.20	7,476,577,148.83	1,276,049,010.77	739,305,477.01	10,877,369,361.81
(1) Acquisition	237,849,785.08	112,773,039.95	91,142,057.98	300,815,198.78	742,580,081.79
(2) Transfer from CIP	1,098,373,238.73	7,198,188,027.78	1,182,354,200.37	429,096,371.91	9,908,011,838.79
(3) Transfer from investment properties	10,634,533.06	-	-	-	10,634,533.06
(4) Transfer from other non-current assets	26,155,899.88	75,814,876.57	2,552,752.42	9,393,906.32	113,917,435.19
(5) Translation differences of financial statements denominated in foreign currencies	12,424,268.45	89,801,204.53	-	-	102,225,472.98
3. Reclassified	(2,631,657,875.74)	2,773,677,057.33	1,362,408,992.58	(1,504,428,174.17)	-

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

## (V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

					RMB
Item	Buildings	Machinery and equipment	Transportation vehicles	Office and other equipment	Total
<b>I. Original carrying amount</b>					
4. Decrease in current year	1,908,669,395.63	7,330,367,164.69	1,108,076,120.16	609,981,399.69	10,957,094,080.17
(1) Disposal or retirement	1,519,446,458.81	5,276,650,782.03	1,054,583,399.95	461,272,738.19	8,311,953,378.98
(2) Transfer to other non-current assets	292,982,336.06	1,715,963,540.89	44,611,956.53	63,519,725.05	2,117,077,558.53
(3) Disposal of subsidiaries	96,240,600.76	337,752,841.77	8,426,081.84	83,165,312.18	525,584,836.55
(4) Translation differences of financial statements denominated in foreign currencies	-	-	454,681.84	2,023,624.27	2,478,306.11
5. Closing balance	82,900,026,752.05	269,432,527,636.38	22,431,716,246.98	24,089,564,913.83	398,853,835,549.24
<b>II. Accumulated depreciation</b>					
1. Opening balance (Restated)	40,038,092,941.84	160,583,757,664.82	16,212,466,880.10	17,280,523,831.47	234,114,841,318.23
2. Increase in current year	3,016,166,642.38	12,150,567,405.92	1,459,650,941.51	1,184,479,636.68	17,810,864,626.49
(1) Provision	3,000,572,536.51	12,066,504,583.27	1,457,517,996.34	1,177,473,269.71	17,702,068,385.83
(2) Transfer from investment properties	3,893,672.74	-	-	-	3,893,672.74
(3) Transfer from other non-current assets	6,290,254.56	22,740,018.43	2,132,945.17	7,006,366.97	38,169,585.13
(4) Translation differences of financial statements denominated in foreign currencies	5,410,178.57	61,322,804.22	-	-	66,732,982.79
3. Reclassified	-	(2,328,829.30)	(9,279.60)	2,338,108.90	-
4. Decrease in current year	1,419,264,723.04	6,018,970,633.53	903,029,216.69	553,407,717.12	8,894,672,290.38
(1) Disposal or retirement	1,226,443,629.65	4,509,369,257.21	853,459,459.80	450,117,028.76	7,039,389,375.42
(2) Transfer to other non-current assets	175,338,987.24	1,428,354,884.50	42,361,842.37	58,534,060.69	1,704,589,774.80
(3) Disposal of subsidiaries	17,482,106.15	81,246,491.82	6,832,122.13	43,604,662.02	149,165,382.12
(4) Translation differences of financial statements denominated in foreign currencies	-	-	375,792.39	1,151,965.65	1,527,758.04
5. Closing balance	41,634,994,861.18	166,713,025,607.91	16,769,079,325.32	17,913,933,859.93	243,031,033,654.34
<b>III. Provision for impairment</b>					
1. Opening balance (Restated)	147,924,772.38	743,215,780.87	27,963,613.58	17,775,124.03	936,879,290.86
2. Increase in current year	58,038,220.51	664,430,820.36	1,277,026.45	13,675,326.09	737,421,393.41
(1) Provision	39,536,472.47	612,817,665.71	934,674.25	11,650,690.30	664,939,502.73
(2) Transfer from other non-current assets	18,501,748.04	49,634,492.92	342,352.20	2,024,635.79	70,503,228.95
(3) Translation differences of financial statements denominated in foreign currencies	-	1,978,661.73	-	-	1,978,661.73
3. Decrease in current year	20,837,144.62	52,122,466.75	18,530.60	179,952.58	73,158,094.55
(1) Disposal or retirement	20,837,144.62	52,122,466.75	-	179,952.58	73,139,563.95
(2) Translation differences of financial statements denominated in foreign currencies	-	-	18,530.60	-	18,530.60
4. Closing balance	185,125,848.27	1,355,524,134.48	29,222,109.43	31,270,497.54	1,601,142,589.72
<b>IV. Carrying amount</b>					
1. Closing balance	41,079,906,042.60	101,363,977,893.99	5,633,414,812.23	6,144,360,556.36	154,221,659,305.18
2. Opening balance (Restated)	45,868,898,584.00	105,185,667,149.22	4,660,903,870.11	8,166,370,055.18	163,881,839,658.51



# Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

## (V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

### (2) Temporarily idle fixed assets

As at 31 December 2017 and 31 December 2016, the total carrying amount of temporarily idle fixed assets is Nil.

### (3) Fixed assets under finance leases at the end of the year

RMB

Item	Original carrying amount	Accumulated depreciation	Provision for impairment	Carrying amount
Machinery and equipment of Wuhan Iron & Steel, First, Second, and Third Silicon Steel Plants (Note)	9,566,232,281.58	6,205,086,176.98	-	3,361,146,104.60

**Note:** In December 2015, Wuhan Iron & Steel Co., Ltd. and CNOOC International Financial Leasing Co., Ltd. signed a "Finance Leasing Contract", under which the first, second, and third silicon steel plant of Wuhan Iron & Steel had a finance lease transaction with CNOOC with a financing amount of RMB 5 billion for a period of 3 years and a leasing rate of 3.89% (excluding VAT). When the lease period expires, Wuhan Iron & Steel Co., Ltd. will repurchase the leased equipment at RMB 1 yuan.

### (4) Carrying amount of fixed assets leased out under operating leases

RMB

Item	Closing balance	Opening balance (Restated)
Buildings	973,064,239.14	980,789,823.91
Machinery and equipment	195,600,774.81	124,982,827.08
Transportation vehicles	17,431,140.72	16,084,244.42
Office and other equipment	8,439,902.13	6,170,063.06
Total	1,194,536,056.80	1,128,026,958.47

### (5) Fixed assets of which certificates of title have not been obtained

As at 31 December 2017, the property right of the buildings, amounting to RMB 2,632,974,331.09 (31 December 2016: RMB 21,584,311,054.36), is still in the process of being transferred to the Group.

### (6) Details of movement of fixed assets:

As at 31 December 2017, the net carrying balance of net value of fixed asset is RMB 546,513,885.89 (at 31 December 2016 RMB 591,507,715.71) and that of land use right is RMB 93,944,620.66 (31 December 2016 RMB 89,428,894.55). Amount which use collateral to obtain long-term borrowing is RMB 23,927,888.37, borrowing due within one year is RMB 39,241,416.51, short-term borrowing is RMB 305,548,500.57. Total borrowing amounting to RMB 368,717,805.45 (31 December 2016: 435,798,069.80).

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

### (V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

#### 19. Construction in progress

##### (1) Details of construction in progress:

Item	Closing balance		
	Carrying amount	Provision for impairment	Net carrying amount
Technical upgrade and infrastructure construction	11,012,506,028.57	1,037,512,765.77	9,974,993,262.80

**Note:** As at 31 December 2017, the Group does not have construction in progress as collateral to obtain loan.

##### (2) Changes in significant construction in progress:

Item	Budget	Opening balance (Restated)	Increase in current period	Transfer to investment properties	Transfer to fixed assets	Transfer to intangible assets	Transfer to long-term prepaid expenses
Technical upgrade and infrastructure construction	34,289,340,762.77	13,513,646,603.47	8,322,681,988.60	(100,329,646.03)	(9,908,011,838.79)	(449,303,030.12)	(292,627,708.92)

##### (3) Impairment of construction in progress:

Construction in progress	Opening balance
Nantong Steel	1,037,020,394.17
Chemical Co.,	492,371.60
<b>Total</b>	<b>1,037,512,765.77</b>

#### 20. Materials for construction of fixed assets

Item
Special materials
Special equipment
Others
<b>Total</b>

RMB

Opening balance (Restated)		
Carrying amount	Provision for impairment	Net carrying amount
13,513,646,603.47	1,037,512,765.77	12,476,133,837.70

RMB

Decrease in disposal of subsidiaries	Translation differences arising from translation of financial statements dominated in foreign currencies	Closing balance	Amount invested as a proportion of budget amount (%)	Accumulated capitalized interest	Including: Capitalized interest for the period	Capitalization rate for the period(%)	Capital sources
(73,272,333.73)	(278,005.91)	11,012,506,028.57	32	703,339,002.11	66,213,024.89	3.915-4.275	Self-funding & borrowing

RMB

Provision in current year	Closing balance
-	1,037,020,394.17
-	492,371.60
-	1,037,512,765.77

RMB

Closing balance	Opening balance (Restated)
6,349.45	1,885,566.85
111,277,437.14	40,449,445.95
8,788,605.44	20,369,734.06
120,072,392.03	62,704,746.86

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

## (V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

## 21. Intangible assets

## (I) Intangible assets

					RMB
Item	Land use right	Software	Ore mining rights	Others	Total
<b>I. Total original carrying amount</b>					
1. Opening balance (Restated)	12,691,827,209.49	951,036,397.88	793,458,940.00	300,784,455.44	14,737,107,002.81
2. Increase in current year	594,358,254.13	45,100,808.29	2,557,878.39	832,312.65	642,849,253.46
(1) Purchase	142,750,408.49	37,500,125.80	-	832,312.65	181,082,846.94
(2) Transfer from construction in progress	449,208,690.50	94,339.62	-	-	449,303,030.12
(3) Translation differences arising from translation of financial statements denominated in foreign currencies	2,399,155.14	7,506,342.87	2,557,878.39	-	12,463,376.40
3. Decrease in current year	28,400,151.35	318,583,586.35	-	250,487.48	347,234,225.18
(1) Disposal	16,126,284.18	39,230,529.41	-	16,777.35	55,373,590.94
(2) Decrease in disposal of subsidiaries	12,273,867.17	279,353,056.94	-	233,710.13	291,860,634.24
4. Closing balance	13,257,785,312.27	677,553,619.82	796,016,818.39	301,366,280.61	15,032,722,031.09
<b>II. Accumulated amortization</b>					
1. Opening balance (Restated)	1,575,180,603.11	469,240,486.29	182,993,977.35	72,561,656.61	2,299,976,723.36
2. Increase in current year	270,785,914.42	152,288,098.52	79,502,389.47	5,371,724.20	507,948,126.61
(1) Provision	270,785,914.42	147,428,896.57	78,476,385.40	5,371,724.20	502,062,920.59
(2) Translation differences arising from translation of financial statements denominated in foreign currencies	-	4,859,201.95	1,026,004.07	-	5,885,206.02
3. Decrease in current year	5,858,813.49	166,850,494.95	-	200,272.71	172,909,581.15
(1) Disposal	3,346,068.96	37,312,865.07	-	-	40,658,934.03
(2) Decrease in disposal of subsidiaries	2,487,945.60	129,537,629.88	-	200,272.71	132,225,848.19
(3) Translation differences arising from translation of financial statements denominated in foreign currencies	24,798.93	-	-	-	24,798.93
4. Closing balance	1,840,107,704.04	454,678,089.86	262,496,366.82	77,733,108.10	2,635,015,268.82
<b>III. Provision for impairment</b>					
1. Opening balance (Restated)	-	34,692.26	-	13,610,153.50	13,644,845.76
2. Increase in current year	-	2,354.31	-	-	2,354.31
(1) Translation differences arising from translation of financial statements denominated in foreign currencies	-	2,354.31	-	-	2,354.31
3. Closing balance	-	37,046.57	-	13,610,153.50	13,647,200.07
<b>IV. Carrying amount</b>					
1. Closing balance	11,417,677,608.23	222,838,483.39	533,520,451.57	210,023,019.01	12,384,059,562.20
2. Opening balance (Restated)	11,116,646,606.38	481,761,219.33	610,464,962.65	214,612,645.33	12,423,485,433.69

Explanation of intangible assets

As at 31 December 2017, land use rights without certificates is RMB 14,627,806.11 (at 31 December 2016: Nil).

As at 31 December 2017, the net carrying balance of fixed assets that the Group hold is RMB 546,513,885.89 (at 31 December 2016: RMB 591,507,715.71). The balance of land use right is RMB 93,944,620.66 (at 31 December 2016: RMB 89,428,894.55). Amount which use collateral to obtain long-term borrowing is RMB 23,927,888.37; long-term borrowings due within one year is RMB 39,241,416.51; short-term borrowing is RMB 305,548,500.57. Total borrowing is amounting to RMB 368,717,805.45 (at 31 December 2016: RMB 435,798,069.80).

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

## (V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

## 22. Goodwill

RMB

Item	Opening balance (Restated)	Increase in current year	Amortisation in current year	Translation differences of financial statements denominated in foreign currencies	Closing balance
M & A ThyssenKrupp laser welding business	487,784,475.38	-	-	33,102,378.60	520,886,853.98

**Note:** The increase in goodwill in this period was due to the changes in exchange rates. When the Group conducts an impairment test on the relevant asset group portfolio, it classifies goodwill into asset groups within the consolidation scope that are relevant to the business for impairment testing. The cash flow forecast is the forecast for the next 8 years based on the development trend of the laser welding business industry, the Company's financial budget and future planning goals, etc. After 8 years, the cash flow is assumed to remain unchanged; the discount rate of the above assets has considered the comprehensive factors such as market maturity and risk premium degree in different countries; based on the recoverable amount measured by the above income method, and comparing with the relevant book value, it is confirmed that no impairment loss occurred in the current period.

## 23. Long-term prepaid expenses

RMB

Item	Opening balance (Restated)	Increase in current year	Amortization in current year	Decrease in disposal of subsidiaries	Translation differences of financial statements denominated in foreign currencies	Closing balance
Decoration fees	283,019,260.50	296,703,544.13	74,256,740.91	634,820.60	-	504,831,243.12
Leasing expenses	7,764,496.43	54,616.10	20,972.58	7,744,855.75	1,331.90	54,616.10
Relocation expense of Mei steel coke oven (Note)	780,029,736.72	-	25,366,820.76	-	-	754,662,915.96
Huangshi Phase II Codling Rolling High voltage power expense	739,282.50	-	591,426.00	-	-	147,856.50
Upfront expenses of ore mining	37,897,985.84	58.80	2,354,889.85	-	625,276.71	36,168,431.50
Others	60,739,064.34	615,078.64	26,599,674.90	-	31,152.53	34,785,620.61
<b>Total</b>	<b>1,170,189,826.33</b>	<b>297,373,297.67</b>	<b>129,190,525.00</b>	<b>8,379,676.35</b>	<b>657,761.14</b>	<b>1,330,650,683.79</b>

**Note:** According to the "Agreement on Relocating Residents in Health Protection Area of Shanghai Meishan Iron and Steel Co., Ltd. in the 11th Five-Year Period" signed by Shanghai Meishan Iron and Steel Co., Ltd. ("Meishan Steel"), Banqiao sub-district office of Nanjing Yuhuatai District and Nanjing Yuhua Economic and Technological Development Zone Management Committee on 16 October 2012, residents within 1 kilometer from Meishan coke oven construction project are compensated by Meishan Steel at RMB 880,000,000, whereas Meishan Steel shall pay RMB 750,000,000.00 to Banqiao sub-district office of Nanjing Yuhuatai District, and RMB 130,000,000 to Nanjing Yuhua Economic and Technological Development Zone Management Committee, respectively. In accordance with the agreement, Meishan Steel has paid RMB 120,000,000 in 2012, RMB 510,000,000 in 2013, RMB 110,000,000.00 in 2014, RMB 70,000,000.00 in 2015, and RMB 30,000,000.00 in 2016, leaving RMB 40,000,000.00 unpaid to be recognized in non-current liabilities due within one year. The above compensation undertaken by Meishan Steel will be amortized in accordance with the remaining lives of the major assets of the related construction project.

## 24. Deferred tax assets/deferred tax liabilities

## (I) Unoffset deferred tax assets

RMB

Item	Closing balance		Opening balance (Restated)	
	Deductible temporary differences	Deferred tax asset	Deductible temporary differences	Deferred tax asset
Provision for impairment losses of assets	3,906,802,492.21	977,344,783.17	3,794,965,901.43	978,586,583.55
Unrealized profit from inter-group transactions	341,961,203.72	85,490,300.93	623,349,794.27	155,837,448.62
Deductible losses	20,399,624.20	5,099,906.05	3,746,694,199.51	936,673,549.88
Differences between depreciation and amortization of fixed assets and intangible assets	1,069,255,308.16	267,313,827.04	922,885,906.29	230,721,476.58
Salaries and termination benefits	1,110,983,781.19	276,876,743.09	547,718,443.07	136,655,603.52
Losses from changes in fair values	582,841,122.54	145,109,503.17	211,306,174.64	52,826,543.66
Others	2,681,518,624.48	656,748,120.33	724,678,770.48	151,074,391.34
<b>Total</b>	<b>9,713,762,156.50</b>	<b>2,413,983,183.78</b>	<b>10,571,599,189.69</b>	<b>2,642,375,597.15</b>

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

## (V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

## (2) Unoffset deferred liabilities

RMB

Item	Closing balance		Opening balance	
	Temporary taxable difference	Deferred tax liability	Temporary taxable difference	Deferred tax liability
Overdue tax payment from investment income	3,003,933,527.95	554,630,107.08	2,952,923,075.30	539,102,274.46
Gains from changes in fair values	472,120,345.08	118,030,086.27	454,576,973.08	113,644,243.27
Unrealized gains or losses from internal transactions	-	-	1,442,564,624.67	360,641,156.17
Appreciation of assessment on assets of business combination involving enterprise not under common control	99,825,892.04	24,956,473.01	129,085,823.23	30,227,410.81
Ore mining rights	57,278,538.24	14,319,634.56	25,688,308.80	7,706,492.64
Others	11,084,985.72	2,842,946.82	10,825,487.21	2,765,893.74
Total	3,644,243,289.03	714,779,247.74	5,015,664,292.29	1,054,087,471.09

## (3) Details of deferred tax assets and deferred tax liabilities after offset:

RMB

	Deferred tax assets or liabilities after offset at the end of the reporting period	Deductible or taxable temporary differences after offset at the end of the reporting period	Deferred tax assets or liabilities after offset at the beginning of the reporting period	Deductible or taxable temporary differences after offset at the beginning of the reporting period
Deferred tax assets	-	2,413,983,183.78	360,641,156.17	2,281,734,440.98
Deferred tax liabilities	-	714,779,247.74	360,641,156.17	693,446,314.92

## (4) Details of temporary unrecognized deductible deferred tax asset

RMB

Item	Closing balance	Opening balance (Restated)
Provision for impairment losses of assets	3,616,247,059.80	2,877,861,890.35
Deductible losses (note)	7,952,151,639.96	16,207,757,399.04
Others	2,001,749,924.43	1,692,659,792.32
Total	13,570,148,624.19	20,778,279,081.71

## (5) Deductible losses, for which no deferred tax assets are recognized, will expire in the following years

RMB

Year	Closing balance	Opening balance (Restated)
2017	-	4,646,747,096.37
2018	2,109,319,469.81	2,670,442,953.69
2019	2,012,846,886.29	2,865,826,981.89
2020	3,317,591,364.01	4,201,994,485.12
2021	440,946,899.28	1,822,745,881.97
2022	71,447,020.57	-
Subtotal	7,952,151,639.96	16,207,757,399.04

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

### (V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

#### 25. Other non-current assets

RMB

Item	Closing balance	Opening balance (Restated)
Prepayment for construction equipment	84,152,724.31	264,533,426.61
Loans due from Bao-Island Enterprise	117,905,780.14	117,905,780.14
Payment for Trust financial products	150,000,000.00	1,221,324,397.65
Luoqing assets to be disposed (Note 1)	176,311,254.81	187,966,523.82
Assets of Tinplate Plant to be disposed of (Note 2)	403,277,606.35	-
Others	37,712,917.79	40,482,542.16
Total	969,360,283.40	1,832,212,670.38

**Note 1:** As the plant of the Company in Luoqing Area stopped production in 2012, relevant assets have entered into the stage of disposal and reuse arguments. As at 31 December 2017, a balance of RMB 176,311,254.81 was to be disposed of.

**Note 2:** The tinplate plant of the Group was shut down for environment protection in accordance with the regulation of the government in 2017, and relevant assets have entered into the stage of disposal and reuse arguments.

#### 26. Short-term borrowings

##### (I) Classification of short-term borrowings

RMB

Item	Closing balance	Opening balance (Restated)
Secured loans with securities under the custody of lenders (note 1)	36,560,834.94	17,983,343.93
Mortgage loans (note 2)	305,548,500.57	366,482,211.39
Guaranteed loans	12,000,000.00	662,804,967.13
Unsecured and non-guaranteed loans	59,928,336,815.51	51,033,458,667.19
Total	60,282,446,151.02	52,080,729,189.64

At the balance sheet date, the interest rate of the Group's short-term borrowings dominated in RMB ranges from 3.350% to 4.785% per annum (2016: 2.95% to 4.785% per annum); in USD from 1 month LIBOR+0.4% to 3 months LIBOR+2.45% per annum (2016: 1 months LIBOR+0.87% to 3 months LIBOR+2.45% per annum); in EURO from 0.05% to 1.10% per annum (2016: 0.25 % to 1.50 % per annum).

**Note 1:** Closing balances of 2017 refers to the loans obtained from the accounts receivable as collateral, seeing Note (V). 4(6) for details. Opening balances of 2017 refer to discounted but outstanding bank acceptance and commercial acceptance with right of recourses, seeing Note (V). 3(1) for details.

**Note 2:** Details are set out in Note (V). 18(6) and Note (V). 21.

##### Bank facilities

As at 31 December 2017, the unutilized bank facilities of the Group approximate RMB 123.089 billion. The management of the Company believes that the above mentioned facilities and the net cash flows from operating activities will be sufficient to repay the current liabilities due within one year.

#### 27. Customer deposits and deposits from banks and other financial institution

RMB

Item	Closing balance	Opening balance
Current deposits	2,040,333,953.49	1,378,410,006.53
Fixed deposits	6,430,687,001.92	7,937,556,142.50
Total	8,471,020,955.41	9,315,966,149.03

Customer deposits and deposits from banks and other financial institutions attributable to shareholders holding at least 5% of the Company's shares with voting power in the current period refer to Note (X). 6(8).

#### 28. Taking from banks and other financial institutions

RMB

Item	Closing balance	Opening Balance
Taking from domestic banks	400,000,000.00	-

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

### (V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

#### 29. Notes payable

RMB

Category	Closing balance	Opening balance (Restated)
Commercial acceptances	10,060,327,304.34	11,774,606,104.06
Bank acceptances	456,736,492.13	5,225,607,824.92
Total	10,517,063,796.47	17,000,213,928.98

The above notes payable will due in year 2018.

As at 1 December 2017 and 31 December 2016, notes payable due to any shareholders holding at least 5% of the Company's shares with voting power is Nil.

For notes payable due to related parties, refer to Note (X), 6(9).

#### 30. Accounts payable

(1) Details of accounts payable are as follows:

RMB

Item	Closing balance	Opening balance (Restated)
Accounts payable for equipment	4,768,859,566.36	5,282,089,642.19
Accounts payable for raw materials	21,441,779,283.24	16,103,815,633.32
Total	26,210,638,849.60	21,385,905,275.51

As at 31 December 2017, accounts payable aged over one year; i.e. RMB 1,480,748,539.39 in total (2016: RMB1,561,452,135.46), are construction fees for technical revamping and infrastructure projects with a long period of construction.

For accounts payable due from any shareholder holding at least 5% of the Company's shares with voting power and related parties as at 1 December 2017 and 31 December 2017, refer to Note (X), 6(10).

#### 31. Receipts in advance

(1) Details of receipts in advance are as follows:

RMB

Item	Closing balance	Opening balance (Restated)
Receipts in advance	23,744,883,795.03	27,301,573,846.83

(2) As at 1 December 2017 and 31 December 2017, significant receipts in advance with aging of more than one year is nil.

(3) For receipts in advance due from any shareholders holding at least 5% of the Company's shares with voting power and related parties as at 1 December 2017 and 31 December 2017, refer to Note (X), 6(11).

#### 32. Financial assets sold under repurchase agreements

RMB

Item	Closing balance	Opening balance (Restated)
Financial assets sold under repurchase agreements	130,556,138.69	152,321,609.86



## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

### (V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

#### 33. Employee benefits payable

##### (1) Details of employee benefits payable

RMB

Item	Opening balance (Restated)	Increase in current year	Decrease in current year	Closing balance
1. Short-term employee benefits	1,716,468,378.28	13,057,085,569.51	12,693,142,157.73	2,080,411,790.06
2. Post-retirement benefit – defined contribution plan	1,773,794.80	1,649,362,707.76	1,650,771,583.95	364,918.61
3. Termination benefits	158,801,318.93	721,618,981.11	595,588,059.56	284,832,240.48
Total	1,877,043,492.01	15,428,067,258.38	14,939,501,801.24	2,365,608,949.15

##### (2) Details of short-term employee benefit

RMB

Item	Opening balance (Restated)	Increase in current year	Decrease in current year	Closing balance
I. Wages or salaries, bonuses, allowances and subsidies	1,317,367,816.16	10,245,037,747.55	9,929,857,254.11	1,632,548,309.60
II. Staff welfare	-	555,819,401.30	555,819,401.30	-
III. Social security contributions	1,244,206.62	904,848,142.01	905,259,618.05	832,730.58
Including: Medical insurance	666,559.50	699,116,718.31	699,658,849.35	124,428.46
Work injury insurance	74,117.35	63,026,405.70	63,093,317.80	7,205.25
Maternity insurance	54,090.66	61,664,375.89	61,709,509.26	8,957.29
Disability employment insurance	102,213.54	43,110,299.80	43,030,785.57	181,727.77
Others	347,225.57	37,930,342.31	37,767,156.07	510,411.81
IV. Housing funds	149,935.00	803,722,869.71	803,810,321.37	62,483.34
V. Labor union and education fund	257,967,579.87	339,413,046.11	290,150,713.45	307,229,912.53
VI. Short-term paid absences	-	147,289,388.01	147,289,388.01	-
VII. Others	139,738,840.63	60,954,974.82	60,955,461.44	139,738,354.01
Total	1,716,468,378.28	13,057,085,569.51	12,693,142,157.73	2,080,411,790.06

As at 31 December 2017, the employee benefits payable of the Group, amounting to RMB 947,040,898.48 (2016: RMB 947,040,898.48) is in line with pay-to-performance. There are no overdue employee benefits payable or non-monetary benefits as at 31 December 2017.

##### (3) Defined contribution plan

RMB

Item	Opening balance (Restated)	Increase in current year	Decrease in current year	Closing balance
Basic pension insurance	1,424,907.41	1,397,841,911.68	1,399,034,431.84	232,387.25
Unemployment insurance	103,988.81	43,195,708.43	43,290,061.44	9,635.80
Annuity fund	244,898.58	208,325,087.65	208,447,090.67	122,895.56
Total	1,773,794.80	1,649,362,707.76	1,650,771,583.95	364,918.61

The Group has set up the pension fund insurance and employment insurance by the government regulation. According to the plan, the Group deposits employee's monthly basic salary into the insurance every month. Besides the mentioned expense above, the Group no longer bears any further payments. The relevant expenditure will be accounted into profit and loss or capitalized.

In the current year, the Group should deposit RMB 1,397,841,911.68 and RMB 43,195,708.43 into pension insurance and unemployment insurance, respectively (2015: RMB 1,373,304,551.03 and RMB 69,911,645.91 respectively). As at December 31, 2017, the Group has outstanding payments of RMB 232,387.25 and RMB 9,635.80 (2016: RMB 1,424,907.41 and RMB 103,988.81, respectively) for pension insurance and unemployment insurance. The relevant subsequent payments will be settled after reporting period.

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

## (V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

## 34. Taxes payable

RMB

Item	Closing balance	Opening balance( Restated)
Value-added tax	2,292,161,243.72	825,220,441.21
Enterprise income tax	1,510,450,971.68	2,095,528,629.54
Individual income tax	181,209,490.05	144,652,907.55
City construction and maintenance tax	158,008,337.79	52,758,479.72
Property tax	98,333,715.00	110,101,653.78
Others	459,066,998.70	335,651,743.17
Total	4,699,230,756.94	3,563,913,854.97

## 35. Interest payable

RMB

Item	Closing balance	Opening balance (Restated)
Interest payable on medium-term notes	230,653,698.62	135,467,397.26
Interest payable to Wuhan Iron & Steel	153,300,000.00	153,300,000.00
Interest payable on borrowings	137,562,539.28	213,685,616.74
Interest payable on corporate bonds of Bao-trans	60,142,034.37	56,905,007.09
Interest payable on convertible bonds of Baoxin	400,000.00	-
Total	582,058,272.27	559,358,021.09

For interest payable due to shareholders holding at least 5% of the Company's shares with voting power in the current period, refer to Note (X). 6(12).

## 36. Dividends payable

RMB

Item	Closing balance	Opening balance (Restated)
Wuhan Iron & Steel Group Asset Management Co., Ltd.	43,797,939.11	-
MITSUI & CO., LTD.	5,619,417.93	-
China Metallurgical Southern Wuhan Iron & Steel Group Design Institute Co., Ltd.	631,162.72	-
Guizhou Aluminum Plant	603,743.23	603,743.23
Xinjiang Ba Iron Jiayu Industry and Trade Corporation	-	27,706,314.65
Qirong Trading Co., Ltd.	-	1,387,400.00
Angguo Enterprise Co., Ltd.	-	5,458,834.52
Others	22,022.21	22,022.21
Total	50,674,285.20	35,178,314.61

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

### (V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

#### 37. Other payables

(1) Details of other payables are as follows:

RMB		
Item	Closing balance	Opening balance (Restated)
Guarantee and deposit fees	766,588,407.51	617,902,037.88
Advances	255,733,038.76	242,098,309.57
Transportation and port fees	138,319,752.53	126,381,178.36
Construction fees payable	628,124,391.32	623,776,640.41
Safety production risk fund	23,643,443.20	59,939,504.70
Principal and interest payable of investors' wealth management products (Note)	-	1,472,729,157.17
Commission fees	8,857,884.50	7,819,118.87
Others	153,502,132.17	138,625,712.86
<b>Total</b>	<b>1,974,769,049.99</b>	<b>3,289,271,659.82</b>

**Note:** This item consists of the principal and interest payable of entrusted products offered by Ouyee, the subsidiary of the Company invested by investors,

(2) For details of other payables attributable to shareholders holding at least 5% of the Company's shares with voting power and related parties as at 1 December 2017 and 31 December 2017, refer to Note (X). 6(13).

(3) Description of significant other payables aged more than one year:

The other payables aged more than one year amount to RMB 135,203,522.09 (2016: RMB 110,560,088.56), which are mainly composed of deposits payable that the Company hasn't paid due to long-term service contracts.

#### 38. Non-current liabilities due within one year

(1) Details of non-current liabilities due within one year are as follows:

RMB		
Item	Closing balance	Opening balance (Restated)
Long-term borrowings due within one year	229,136,603.63	1,426,830,219.31
Long-term payables due within one year	4,026,599,010.15	560,000,000.00
Bonds payable due within one year	16,151,545,772.29	-
<b>Total</b>	<b>20,407,281,386.07</b>	<b>1,986,830,219.31</b>

(2) Long-term borrowings due within one year

As at December 31, 2017, the Group holds balance of long-term borrowing due within one year in RMB 229,136,603.63 (December 31, 2016: RMB 1,426,830,219.31). See note (V). 18(6) for more details of collateral regarding long-term borrowings.

(3) Long-term payables due within one year

RMB		
Item	Closing balance	Opening balance (Restated)
Payables on compensation for relocation (note 1)	40,000,000.00	60,000,000.00
Finance lease payables (note 2)	3,986,599,010.15	500,000,000.00
<b>Total</b>	<b>4,026,599,010.15</b>	<b>560,000,000.00</b>

**Note 1:** Details of the payables for on compensation for relocation refer to Note (V). 23.

**Note 2:** Details of the payables for on compensation for relocation refer to Note (V). 42.1.

# Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

## (V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

### (4) Long-term bonds payable due within one year

Name	Par value	Issue date	Terms of financing bills	Issue amount	Opening balance
Bao-trans bonds (note 1)	USD 500,000,000.00	5 December 2013	5 years	USD 500,000,000.00	3,447,878,149.45
Bao-trans bonds (note 1)	EUR 500,000,000.00	22 February 2015	3 years	EUR 500,000,000.00	3,629,042,698.67
14 WISCO Debt (Note 3)	7,000,000,000.00	1 July 2015	3 years	RMB 7,000,000,000.00	6,975,482,426.20
Subtotal					14,052,403,274.32
Name	Par value	Issue date	Terms of financing bills	Issue amount	Opening balance
Medium-term notes (15Baosteel MMT001)(Note4)	2,000,000,000.00	26 October 2015	3 years	RMB 2,000,000,000.00	2,000,000,000.00
Total					16,052,403,274.32

**Note 1:** In December 2013, Baotrans Co., Ltd ("Baotrans"), a subsidiary of the Company was approved by the year 2012 general shareholders' meeting on 26 April 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. Baotrans issued bonds with issuing price 99.199% of par value (USD 0.5 billion) and fixed interest rate 3.75% per annum on 5 December 2013. Interest will be paid semi-annually on June 12 and December 12 December, respectively. The bond will be due on 12 December, 2018.

**Note 2:** Baotrans Co., Ltd ("Baotrans"), a subsidiary of the Company was approved to issue bonds denominated in Euro with the amount no more than EUR 1 billion (including EUR 1 billion) in accordance with the resolution of the first interim meeting of shareholders' meeting of Developing Direct Financing on 26 January 2015. On 23 February 2015, Baotrans issued bonds with principal of EUR500 million at discount of 99.713% of principal. The fixed interest rate is 1.625% per annum, interest will be paid on every 23 February annually and the bond will be due on 23 February, 2018.

## 39. Other current liabilities

### (1) Other current liabilities:

Items
Short-term financing bills
Others
Total

### (2) Changes of short-term financing bills

Name	Par value	Issue date	Terms of financing bills	Issue amount
Bonds payable-super-short-term financing bills (Note1)	3,000,000,000.00	14/11/2016	270 days	3,000,000,000.00
Bonds payable-super-short-term financing bills (Note1)	5,000,000,000.00	17/11/2016	180 days	5,000,000,000.00
Bonds payable-super-short-term financing bills (Note1)	5,000,000,000.00	24/11/2016	210 days	5,000,000,000.00
Bonds payable-super-short-term financing bills (Note1)	5,000,000,000.00	1/12/2016	240 days	5,000,000,000.00
Bonds payable-super-short-term financing bills (Note1)	3,000,000,000.00	22/01/2017	270 days	3,000,000,000.00
Total	21,000,000,000.00			21,000,000,000.00

**Note 1:** According to the "Proposal on increment of issued super-short-term and short-term financing liabilities" approved by the second extraordinary general meeting on 18 November 2015, the Company is eligible to issue super-short-term financing bills with principal no more than RMB 30 billion (including RMB30 billion) in National Association of Financial Market Institutional Investors. The third issuance of RMB 3 billion in 2016 was made on 11 November 2016 at par value of RMB 100 per bill, with tenure of 270 days and annual rate of 2.63%. The fourth issuance of RMB 5 billion in 2016 was made on 15 November 2016 at par value of RMB 100 per bill, with tenure of 180 days and annual rate of 2.62%. The fifth issuance of RMB 5 billion in 2016 was made on 23 November 2016 at par value of RMB 100 per bill, with tenure of 210 days and annual rate of 2.66%. The sixth issuance of RMB 5 billion in 2016 was made on 30 November 2016 at par value of RMB 100 per bill, with tenure of 240 days and annual rate of 2.75%. The first issuance of RMB 3 billion in 2017 was made on 22 January 2017 at par value of RMB 100 per bill, with tenure of 270 days and annual rate of 3.28%.

RMB

Interest payable at the beginning of the year	Interest accrued based on par value	Amortization of premiums or discounts & Exchange gains and losses	Interest payable at the end of the year	Payment in current year	Closing balance
6,503,437.50	122,516,250.00	(190,807,281.77)	6,125,812.50	122,516,250.00	3,257,448,492.68
50,401,569.59	64,423,877.60	270,422,816.41	54,016,221.87	57,882,635.69	3,902,392,104.71
153,300,000.00	306,600,000.00	16,222,748.70	153,300,000.00	306,600,000.00	6,991,705,174.90
210,205,007.09	493,540,127.60	95,838,283.34	213,442,034.37	486,998,885.69	14,151,545,772.29
Interest payable at the beginning of the year	Interest accrued based on par value	Amortization of premiums or discounts & Exchange gains and losses	Interest payable at the end of the year	Payment in current year	Closing balance
13,308,493.15	73,600,000.00	-	13,308,493.15	73,600,000.00	2,000,000,000.00
223,513,500.24	567,140,127.60	95,838,283.34	226,750,527.52	560,598,885.69	16,151,545,772.29

**Note 3:** Approved by [2015] No. 418 Document of China Securities Regulatory Commission, the Company was allowed to publicly issue corporate bonds with a nominal value of no more than RMB 7 billion. The actual amount of corporate bonds issued by Wuhan Iron & Steel Co., Ltd. in 2015 (hereinafter referred to as "14 Wuhan Iron & Steel Bonds") was RMB7 billion, with a price of RMB100 each, a period of 3 years and a coupon rate of 4.38%. "14 Wuhan Iron & Steel Bonds" were provided unconditional and non-cancellable joint liability guarantees by Wuhan Iron & Steel Group and Baosteel Co., Ltd.

**Note 4:** Baosteel Co., Ltd. held its first temporary general meeting of shareholders on 26 January 2015. The meeting reviewed and approved the "Proposal on Direct Financing in Domestic and Foreign Markets" and agreed that the Company could apply to issue medium-term notes with a total principal amount not exceeding 20 billion yuan (including 20 billion yuan) to the National Association of Financial Market Institutional Investors. The Company made the issuance of medium-term notes amounting RMB 2 billion at par value, with tenure of 3 years and annual interest rate of 3.68 %. Interests are paid annually and the principle is paid in lump sum when it is due. The value date is 26 October 2015, and the principle will be paid on 26 October 2018.

RMB

Closing balance	Opening balance (Restated)
-	18,052,896,712.32
52,914,690.00	83,563,516.85
52,914,690.00	18,136,460,229.17

RMB

Opening balance	Issue in this period	Accrued interest based on book value	The premium and discount amortization	Payment in current year	Closing balance
3,012,321,369.86	-	46,043,013.70		3,058,364,383.56	-
5,015,791,780.82	-	48,810,958.91		5,064,602,739.73	-
5,013,482,191.78	-	63,038,356.17		5,076,520,547.95	-
5,011,301,369.86	-	79,109,589.04		5,090,410,958.90	-
-	3,000,000,000.00	72,789,041.10		3,072,789,041.10	-
18,052,896,712.32	3,000,000,000.00	309,790,958.92		21,362,687,671.24	-

# Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

## (V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

### 40. Long-term borrowings

#### (1) Categories of long-term borrowings

Items
Unsecured and non-guaranteed loans
Secured loans with securities under the custody of the Group (note)
Guaranteed loans
Total

**Note:** Details of secured loans with securities under the custody of the Group are set out in Note (V). 18(66) and Note (V).21.

#### (2) Top five balances of long-term borrowings

As at 31 December 2017, the top five balances of long-term borrowings sum to RMB 371,260,224.31 (31 December 2016: RMB 958,003,095.38)

### 41. Bonds payable

#### (1) Bond payable

Items
Bao-trans Corporate Bond
Medium-term notes
14 Wuhan Iron & Steel Bonds (Note)
Baoxin Convertible Bonds
Total

**Note 2:** For details of the 14 Wuhan Iron & Steel Bonds, refer to Note (V). 38(4).

#### (2) Movement of bonds payable

Name of bonds	Par value	Issue date	Term of the bond	Issue amount	Opening balance
Baoxin Convertible Bonds (110039) (Note 1)	712,000,000.00	23 November 2017	6 years	(Note 4) 712,000,000.00	-
Name of bonds	Par value	Issue date	Term of the bond	Issue amount	Opening balance
Medium-term notes (16Baosteel MMT001)(Note2)	5,000,000,000.00	22 March 2016	3 years	5,000,000,000.00	5,000,000,000.00
Medium-term notes (17Baosteel MMT001)(Note3)	3,000,000,000.00	21 February 2017	3 years	3,000,000,000.00	-
Total					5,000,000,000.00

**Note 1:** In accordance with the "Approval on Shanghai Baoxin Software Co., Ltd. to Publicly Issue Convertible Corporate Bonds" by China Securities Regulatory Commission (Zheng Jian License [2017] No. 1707), Shanghai Baoxin Software Co., Ltd. (hereinafter referred to as "Baoxin Software"), a subsidiary of the Company, publicly issued convertible corporate bonds with a total face value of RMB 721 million with resale agreements on 23 November 2017. There were 7.12 million of shares in total, with RMB 100 per share, and a coupon rate of 0.3% for the first year; 0.5% for the second year; 1.0% for the third year; 1.3% for the fourth year; 1.5% for the fifth year; and 1.8% for the sixth year. The annual interest payment date of each year is the first day of the issuance of the convertible bonds issued and the principal shall be paid off at one time when the bonds expire. The transfer period shall start from the first trading day after six months since the date to the maturity date of the convertible bonds. The subject shares are RMB ordinary shares (A shares) of Baoxin Software publicly issued at the Shanghai Stock Exchange and the initial transfer price was RMB18.46 per share.

Resale terms: (1) Conditional resale terms: if the closing price of Baoxin A-shares for any consecutive 30 trading days within the last two interest-bearing years of the convertible bonds is less than 70% of the current transfer price, the holder of the convertible bond has the right to sell back all or part of the convertible bonds to Baoxin at the par value plus the interest accrued for the current period. If the transfer price adjustment occurs within the aforementioned 30 trading days, the pre-adjustment transaction date shall be calculated based on the pre-adjustment transfer price and closing price, and the adjusted transaction date shall be the adjusted transfer price and closing price. If there is a downward revision of the transfer price, the above 30 consecutive trading days shall be recalculated from the first trading day after the transfer price is revised downwards. During the last two interest-bearing years of the convertible bond, the holder may exercise the resale right once in accordance with the above-mentioned conditions after the conditions for first-time sales are met for the first time; If the convertible bond holder does not declare and implement the resale within the

RMB

Closing balance	Opening balance (Restated)
185,919,340.00	648,562,375.00
23,927,888.37	40,049,479.92
203,520,775.91	270,081,304.24
413,368,004.28	958,693,159.16

Among the borrowing mentioned above, the interest rate of borrowings dominated in USD ranges from 3 months LIBOR+1.55% to 3 months LIBOR+3.00% per annum; in JPY 1% per annum; in KRW 2.87% per annum; in RMB from 4.1325% to 5.39% per annum, and EUR 1.15% per annum.

RMB

Closing balance	Opening balance (Restated)
-	7,076,920,848.12
8,000,000,000.00	7,000,000,000.00
-	6,975,482,426.20
553,245,927.39	-
8,553,245,927.39	21,052,403,274.32

RMB

Issue in the current year	Opening interest payable	Accrued interest based on par value	Amortization of premiums or discounts	Payment in current year	Closing interest payable	Closing balance
563,071,806.65	-	400,000.00	(9,825,879.26)	-	400,000.00	553,245,927.39
Issue in the current year	Opening interest payable	Accrued interest based on par value	Amortization of premiums or discounts	Payment in current year	Closing interest payable	Closing balance
-	122,158,904.11	157,000,000.00	-	157,000,000.00	122,158,904.11	5,000,000,000.00
3,000,000,000.00	-	95,186,301.36	-	-	95,186,301.36	3,000,000,000.00
3,000,000,000.00	122,158,904.11	252,186,301.36	-	157,000,000.00	217,345,205.47	8,000,000,000.00

reporting period of the Company's announced resale for the first time, the holder shall not exercise the resale right in the interest bearing year. The convertible bond holder cannot exercise part of the resale right for several times. (2) Additional resale terms: If Baoxin Software's implementation of the convertible bonds is significantly different from the Company's commitment in the prospectus, it is deemed as changing the use of the raised funds according to the relevant regulations of the China Securities Regulatory Commission, the convertible bond holder has one resale right for the bonds. The holder of the convertible bonds has the right to sell all or part of the convertible bond he holds to the Company at the par value of the bond plus the accrued interest for the current period. The holder may, after satisfying the conditions for additional resale, sell back the bonds within the reporting period after the announcement of Baoxin Software; if the seller does not implement the resale within the reporting period, the holder shall not exercise the additional right of resale.

As at 31 December 2017, there were no shares formed by transfers.

The market interest rates of unsecured equivalent bonds are used to estimate the fair value of the liabilities. The difference between the issue price of convertible bonds and the fair value of the liabilities is included in other equity instruments as the value of the conversion option.

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

### (V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

**Note 2:** As at 22 March 2016, the Company made the first issuance of medium-term notes amounting RMB 5 billion at par value, with tenure of 3 years and annual interest rate of 3.14 %. Interests are paid annually and the principle is paid in lump sum when it is due. The value date is 22 March 2016, and the principle will be paid on 22 March 2019.

**Note 3:** As at 20 February 2017, the Company made the first issuance of medium-term notes amounting RMB 3 billion at par value, with tenure of 3 years and annual interest rate of 3.70 %. Interests are paid annually and the principle is paid in lump sum when it is due. The value date is 21 February 2017, and the principle will be paid on 22 February 2017.

**Note 4:** The issue amount is the balance after deducting the subscription amount of Baosteel.

#### 42. Long-term payables

RMB

Items	Closing balance	Opening balance (Restated)
Finance lease payables (Note 1)	4,199,455,427.15	5,009,653,802.00
Less: Unrecognised finance costs	212,856,417.00	541,595,112.15
Less: Long-term finance lease payables due within one year	3,986,599,010.15	500,000,000.00
Accounts payable for relocation expense of Mei steel coke oven	40,000,000.00	60,000,000.00
Less: Long-term payables due within one year	40,000,000.00	60,000,000.00
Repurchase obligation of equity incentive plan (Note 2)	712,416,884.50	49,879,268.00
Purchase of fixed assets	-	50,293.80
<b>Total</b>	<b>712,416,884.50</b>	<b>4,017,988,251.65</b>

**Note 1:** On 10 December 2015, Wuhan Iron & Steel Co., Ltd. and CNOOC International Financial Leasing Co., Ltd. signed a "Finance Leasing Contract", under which the first, second, and third silicon steel plant of Wuhan Iron & Steel had a finance lease transaction with CNOOC with a financing amount of RMB 5 billion for a period of 3 years and a leasing rate of 3.89% (excluding VAT). When the lease period expires, Wuhan Iron & Steel Co., Ltd. will repurchase the leased equipment at RMB 1 yuan. As at 31 December 2017, the finance leasing business of Wuhan Iron & Steel involved a principal amount payable of RMB 4,199,455,427.15, and a balance of unrecognized financing expense of RMB 212,856,417.00 (reclassified to non-current liabilities due within one year at the end of the year).

**Note 2:** As at 31 December 2017, liability causing by repurchase obligation for employee stock option has been recognized, amounting to RMB 712,416,884.50. Refer to Note (XI).1

#### 43. Long-term employment benefits payable

RMB

Items	Closing balance	Opening balance (Restated)
Termination benefits-net liability from defined benefit plan	141,462,620.89	125,426,566.84
Termination benefits	626,923,137.75	225,879,462.15
Other long-term employment benefits	12,664,048.36	12,028,714.39
<b>Total</b>	<b>781,049,807.00</b>	<b>363,334,743.38</b>

#### 44. Special payables

RMB

Item	Opening balance	Increase in current year	Decrease in current year	Closing balance
Government appropriation	261,860,000.00	-	-	261,860,000.00

#### 45. Provisions

RMB

Items	Closing balance	Opening balance (Restated)
Products quality assurance	-	18,267.00
Other (Note)	1,989,562.11	4,178,022.17
<b>Total</b>	<b>1,989,562.11</b>	<b>4,196,289.17</b>

**Note:** It mainly represents the cost of environmental protection after the completion of the mining of the subsidiary Wuhan Iron & Steel (Australia) Co., Ltd.



## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

## (V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

## 46. Deferred income

RMB

Item	Opening balance (Restated)	Increase in current year	Decrease in current year	Closing balance
Government grants (Note)	1,156,751,257.72	296,209,821.12	336,081,799.82	1,116,879,279.02

Note: Details of deferred income-Government grants:

RMB

Item	Opening balance	Additions	Recognized in other income	Decrease in disposal of subsidiaries	Other decreases	Closing balance	Assets related/ Income related
Key industries and comprehensive technology transformation projects	842,626,785.56	56,926,126.66	87,782,415.77	35,352,667.00	-	776,417,829.45	Assets related
Interest allowance on special loan	119,878,903.82	-	9,378,233.53	-	-	110,500,670.29	Assets related
Compensation from relocation	89,088,707.31	-	5,857,392.93	-	-	83,231,314.38	Assets related
Allowance for infrastructure	88,444,464.33	48,926,100.00	10,105,101.37	-	-	127,265,462.96	Assets related
High-tech subsidies	16,712,396.70	155,594,022.44	152,842,417.20	-	-	19,464,001.94	Income related
Other	-	34,763,572.02	29,689,075.04	-	5,074,496.98	-	Income related
Total	1,156,751,257.72	296,209,821.12	295,654,635.84	35,352,667.00	5,074,496.98	1,116,879,279.02	

## 47. Other non-current liabilities

RMB

Item	Closing balance	Opening balance
Other	-	315,720.00

## 48. Share capital

RMB

	Opening balance	New issue of shares	Bonus issue	Changes for the year			Subtotal	Closing balance
				Capitalization of surplus reserve	Others			
<b>2017:</b>								
I. Restricted share	26,114,800.00	166,828,200.00	-	-	(14,557,350.00)		152,270,850.00	178,385,650.00
II. Tradable shares								
1. Ordinary shares denominated in RMB (Note 2 and Note3)	16,424,278,824.00	5,652,516,701.00	-	-	12,930,700.00		5,665,447,401.00	22,089,726,225.00
III. Total shares	16,450,393,624.00	5,819,344,901.00	-	-	(1,626,650.00)		5,817,718,251.00	22,268,111,875.00
<b>2016:</b>								
I. Restricted share	43,238,700.00	-	-	-	(17,123,900.00)		(17,123,900.00)	26,114,800.00
II. Tradable shares								
1. Ordinary shares denominated in RMB (Note 1)	16,424,278,824.00	-	-	-	-		-	16,424,278,824.00
III. Total shares	16,467,517,524.00	-	-	-	(17,123,900.00)		(17,123,900.00)	16,450,393,624.00

**Note 1:** As at 31 December 2016, the share capital of the Company was RMB 16,450,393,624. Among the 16,424,278,824 shares of tradable RMB ordinary shares of the Company, Baowu Group holds 11,523,385,833 shares, accounting for 70.05% of the total share capital directly and indirectly.

**Note 2:** Pursuant to "Merger Agreement for Equity Exchange" signed between the Company and Wuhan Iron & Steel, the Company merged Wuhan Iron & Steel and completed the transaction on 1 March 2017. The Company issued additional 5,652,516,701 A shares for this merger.

**Note 3:** On 23 May 2017, the Company held the 18th meeting of the Sixth Board of Directors to discuss and approve the "Proposal on the Unlocking of Baosteel's Restricted Stock Plan during the Second Unlocking Period". Accordingly, 12,930,700 restricted stocks of the Company were unlocked during the second unlocking period and were listed and circulated on 19 June 2017.

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

### (V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

The Company held the 14th meeting of the 6th Board of Directors on 30 November 2016 and approved the Proposal on Adjusting the Incentive Targets of the Restricted Stock Plan. The Company repurchased and cancelled the 253,400 restricted shares held by Zhu Hanming that have not reached the unlocking conditions at the issue price. The above-mentioned 253,400 restricted shares have all been transferred to the Company's repurchase-only securities account and were cancelled on 7 February 2017.

The Company held the 20th meeting of the 6th Board of Directors on 24 August 2017 and approved the Proposal on Adjusting the Incentive Targets of the Restricted Stock Plan. The Company repurchased and cancelled the 1,373,250 restricted shares held by the incentive targets, such as Ye Meng etc. that have not reached the unlocking conditions at the granting price. The above-mentioned 1,373,250 restricted shares have all been transferred to the Company's repurchase-only securities account and were cancelled on 12 December 2017.

The Company held the 25th meeting of the 6th Board of Directors on 22 December 2017, and approved the Proposal on the Implementation of the Second Phase of A-share Restricted Stock Plan. The Company was granted 166,828,200 restricted shares, which have been registered at China Securities Depository and Clearing Corporation Limited Shanghai Branch on 16 January 2018.

As at the end of the reporting period, the share capital of the Company amounts to RMB 22,268,111,875.00. Among the 22,089,726,225 tradable shares of the Company, Baowu Group held 11,523,385,833 shares and Wuhan Iron & Steel Group held 2,982,172,472 shares. Baowu Group held a total of 14,505,558,305 shares directly and indirectly, accounting for 65.14% of total share capital.

### 49. Capital reserve

RMB

Item	Opening balance (Restated)	Increase in current year	Decrease in current year	Closing balance
<b>2017:</b>				
Capital premium	51,556,901,300.74	564,314,017.33	5,654,553,533.96	46,466,661,784.11
Including: Reserve from conversion of state owned shares	5,726,556,609.73	-	-	5,726,556,609.73
Share premium	35,544,632,541.81	513,537,666.50	-	36,058,170,208.31
Difference arising from business combination under common control	10,206,693,980.77	-	5,652,516,701.00	4,554,177,279.77
Share-based payment recognized in capital reserve	29,938,611.36	7,559,718.23	2,036,832.96	35,461,496.63
Provision for equity investment (Note 1)	49,079,557.07	43,216,632.60	-	92,296,189.67
Other capital reserves	2,235,430,613.53	12,466,820.76	-	2,247,897,434.29
<b>Total</b>	<b>53,792,331,914.27</b>	<b>576,780,838.09</b>	<b>5,654,553,533.96</b>	<b>48,714,559,218.40</b>
<b>2016:</b>				
Capital premium	51,558,322,601.02	30,847,100.41	32,268,400.69	51,556,901,300.74
Including: Reserve from conversion of state owned shares	5,726,556,609.73	-	-	5,726,556,609.73
Share premium	35,552,985,818.27	16,489,538.77	24,842,815.23	35,544,632,541.81
Difference arising from business combination under common control	10,210,528,037.86	-	3,834,057.09	10,206,693,980.77
Share-based payment recognized in capital reserve	20,452,805.91	12,917,561.64	3,431,756.19	29,938,611.36
Provision for equity investment (Note 1)	47,799,329.25	1,440,000.00	159,772.18	49,079,557.07
Other capital reserves	2,204,823,271.69	30,607,341.84	-	2,235,430,613.53
<b>Total</b>	<b>53,763,145,872.71</b>	<b>61,454,442.25</b>	<b>32,268,400.69</b>	<b>53,792,331,914.27</b>

**Note 1:** Changes in provision for equity investment is due to the movement of capital reserve of joint ventures and associates the Group accounts for by using equity method.

### 50. Other equity instruments

RMB

Items	Closing balance	Opening balance
Convertible equity component (Note(V) 41 (2)Note1)	77,717,323.62	-

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

## (V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

## 51. Treasury shares

Item	Amount	RMB
<b>2017</b>		
Opening balance	49,879,268.00	
Increase in the year:		
Second-phase equity incentive (Note(XI). 1)	665,644,518.00	
Decrease in the year:		
Cancellation (Note(XI). 1)	(3,106,901.50)	
Closing Balance	712,416,884.50	
<b>2016</b>		
Opening balance	82,585,917.00	
Decrease in the year:		
Cancellation	(32,706,649.00)	
Closing Balance	49,879,268.00	

## 52. Other comprehensive income

Item	Opening balance (Restated)	Change for current year					Closing balance
		Amount before tax	Less: Transfer to profit or loss from other comprehensive income in previous years	Less: Income tax expense	Attributable to the owners of the Company (after tax)	Minority interest (after tax)	
I. Items that will not be reclassified subsequently to profit or loss	(29,586,184.80)	(978,452.67)	-	6,553,684.53	5,575,231.86	-	(24,010,952.94)
Including: Changes of net liability and assets from defined benefit plans	(30,156,184.80)	(978,452.67)	-	6,553,684.53	5,575,231.86	-	(24,580,952.94)
Others	570,000.00	-	-	-	-	-	570,000.00
II. Other comprehensive income that will be reclassified to profit or loss	(253,365,022.79)	29,457,322.16	(14,387,814.43)	(39,099,231.18)	(24,027,571.84)	(2,151.61)	(277,392,594.63)
Including: Shares of other comprehensive income in the investee that will be reclassified to profit or loss under equity method	(23,694,677.74)	(36,282,078.82)	-	-	(36,282,078.82)	-	(59,976,756.56)
Profit or loss on changes in the fair value of available-for-sale financial assets	219,334,073.43	165,732,903.65	(14,387,814.43)	(39,099,231.18)	115,131,972.11	(2,886,114.07)	334,466,045.54
Translation differences of financial statements denominated in foreign currencies	(449,004,418.48)	(99,993,502.67)	-	-	(102,877,465.13)	2,883,962.46	(551,881,883.61)
Total other comprehensive income	(282,951,207.59)	28,478,869.49	(14,387,814.43)	(32,545,546.65)	(18,452,339.98)	(2,151.61)	(301,403,547.57)

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

## (V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

RMB

Item	Opening balance (Restated)	Change for current year					Closing balance
		Amount before tax	Less: Transfer to profit or loss from other comprehensive income in previous years	Less: Income tax expense	Attributable to the owners of the Company (after tax)	Minority interest (after tax)	
I. Items that will not be reclassified subsequently to profit or loss	(18,637,840.14)	(14,773,627.02)	-	3,825,282.36	(10,948,344.66)	-	(29,586,184.80)
Including: Changes of net liability and assets from defined benefit plans	(19,207,840.14)	(14,773,627.02)	-	3,825,282.36	(10,948,344.66)	-	(30,156,184.80)
Other	570,000.00	-	-	-	-	-	570,000.00
II. Other comprehensive income that will be reclassified to profit or loss	(791,023,586.37)	588,923,653.72	(13,371,166.09)	(22,572,131.41)	537,658,563.58	15,321,792.64	(253,365,022.79)
Including: Shares of other comprehensive income in the investee that will be reclassified to profit or loss under equity method	(66,998,586.15)	43,303,908.41	-	-	43,303,908.41	-	(23,694,677.74)
Profit or loss on changes in the fair value of available-for-sale financial assets	142,680,836.06	108,365,860.97	(13,371,166.09)	(22,572,131.41)	76,653,237.38	(4,230,673.90)	219,334,073.43
Translation differences of financial statements denominated in foreign currencies	(866,705,836.28)	437,253,884.34	-	-	417,701,417.79	19,552,466.54	(449,004,418.48)
Total other comprehensive income	(809,661,426.51)	574,150,026.70	(13,371,166.09)	(18,746,849.05)	526,710,218.92	15,321,792.64	(282,951,207.59)

## 53. Special reserve

RMB

Item	Opening balance (Restated)	Increase in the year	Decrease in the year	Closing balance
2017:				
Safe production cost	52,525,505.43	450,775,393.32	461,718,850.02	41,582,048.73
2016:				
Safe production cost	28,109,524.07	443,574,102.31	419,158,120.95	52,525,505.43

Extracted the special reserve based on the "The Management Methods of the Extract and Use of the Enterprise Security Costs of Production" ([2012] No. 16) for the production safety fee.

## 54. Surplus reserve

RMB

Item	Opening balance	Increase in the year	Decrease in the year	Closing balance
2017:				
Statutory surplus reserve	12,311,516,022.65	940,118,338.46	-	13,251,634,361.11
Discretionary surplus reserve	15,582,968,362.43	940,118,338.46	-	16,523,086,700.89
Total	27,894,484,385.08	1,880,236,676.92	-	29,774,721,062.00
2016:				
Statutory surplus reserve	11,622,601,293.28	688,914,729.37	-	12,311,516,022.65
Discretionary surplus reserve	14,894,053,633.06	688,914,729.37	-	15,582,968,362.43
Total	26,516,654,926.34	1,377,829,458.74	-	27,894,484,385.08

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

### (V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

According to China Company Laws and the Article of Association of the Company, the Company is required to transfer 10% of its net profit to the statutory surplus reserve. The discretionary surplus reserve is appropriated subsequent to the appropriation of statutory surplus reserve and subject to approval. Upon approval, the discretionary surplus reserve can be used to make up the losses from previous years or increase the Company's share capital.

#### 55. Retained earnings

RMB

Item	Amount	Proportion of appropriation
<b>2017:</b>		
Retained earnings at beginning of year before restatement	43,236,393,452.96	
Business combinations involving enterprises under common control	8,684,695,948.69	
Retained earnings at beginning of year after restatement	51,921,089,401.65	
Add: Net profit attributable to owners of the Company for the year	19,170,337,569.64	
Less: Appropriation to statutory surplus reserve	940,118,338.46	10% of net profit of the Company
Appropriation to discretionary surplus reserve	940,118,338.46	10% of net profit of the Company
Declaration of dividends on ordinary shares	4,641,557,954.25	Note
Retained earnings at end of year	64,569,632,340.12	
<b>2016:</b>		
Retained earnings at beginning of year before restatement	36,636,724,454.28	
Business combinations involving enterprises under common control	8,574,281,952.10	
Retained earnings at beginning of year after restatement	45,211,006,406.38	
Add: Net profit attributable to owners of the Company for the year	9,075,928,087.45	
Less: Appropriation to statutory surplus reserve	688,914,729.37	10% of net profit of the Company
Appropriation to discretionary surplus reserve	688,914,729.37	10% of net profit of the Company
Declaration of dividends on ordinary shares	988,015,633.44	
Retained earnings at end of year	51,921,089,401.65	

**Note:** According to the resolution in the 7th Session of the 7th Board Meeting on 28 April 2017, which was approved in 2016 annual general shareholders' meeting on 24 May 2017, the Company announced cash dividend to all registered shareholders as of the announcement date with total amount of RMB 4,641,557,954.25 (before tax) based on the total number of shares of 22,102,656,925 (See Note (V). 48).

#### 56. Operating income and operating costs

RMB

Item	Amount recognized in current year		Amount recognized in prior year (Restated)	
	Income	Cost	Income	Cost
Principal businesses	287,855,324,526.12	247,262,079,652.93	244,975,767,830.42	217,196,669,508.75
Other businesses	1,237,575,733.16	1,163,022,746.22	1,193,684,009.49	1,015,531,238.65
<b>Total</b>	<b>289,092,900,259.28</b>	<b>248,425,102,399.15</b>	<b>246,169,451,839.91</b>	<b>218,212,200,747.40</b>

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

## (V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

## 57. Taxes and levies

RMB

Item	Amount recognized in current year	Amount recognized in prior year (Restated)	Basis of calculation
Business tax	-	24,441,887.95	Note
City construction and maintenance tax	539,975,426.28	339,908,852.87	Note
Education surcharges	434,547,693.93	268,999,988.61	Note
Property tax	318,020,459.35	-	Note
Land use tax	148,556,625.26	-	Note
Stamp tax	293,873,825.41	-	Note
Others	144,930,374.22	20,360,123.28	Note
Total	1,879,904,404.45	653,710,852.71	

Note: Details of basis of calculation refer to Note (IV).

## 58. Selling expenses

RMB

Item	Amount recognized in current year	Amount recognized in prior year (Restated)
Shipping and storage expenses	1,730,434,938.80	1,379,925,938.14
Payroll	987,973,549.57	976,292,634.49
Depreciation and amortization expenses	73,590,196.17	87,295,022.51
Others	574,453,302.79	484,674,314.24
Total	3,366,451,987.33	2,928,187,909.38

## 59. Administrative expenses

RMB

Item	Amount recognized in current year	Amount recognized in prior year (Restated)
Research and development expenses	4,207,433,798.89	3,942,009,922.79
Payroll	3,287,046,545.90	2,220,446,934.55
Tax expenses	-	846,576,046.48
Depreciation and amortization expenses	678,979,952.84	652,135,987.30
Inventory (gains) losses on current assets	168,761,182.01	201,859,944.50
Others	1,289,753,993.03	1,291,767,558.26
Total	9,631,975,472.67	9,154,796,393.88

## 60. Financial expenses

RMB

Item	Amount recognized in current year	Amount recognized in prior year (Restated)
Interest expenses	3,700,446,962.66	4,439,062,728.13
Less: Capitalized interest expenses	66,213,024.89	441,381,939.39
Less: Interest income	168,683,587.80	437,698,383.32
Foreign exchange losses (gains)	(158,874,958.66)	307,612,926.05
Others	63,743,142.79	109,020,470.19
Total	3,370,418,534.10	3,976,615,801.66

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

## (V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

## 61. Impairment losses of assets

## (1) Impairment losses of assets

RMB

Item	Amount recognized in current year	Amount recognized in prior year (Restated)
I. Bad debt losses	47,651,951.77	(401,398,336.94)
II. Provision for decline in value of inventories	446,507,711.09	279,252,359.43
III. Impairment of available-for-sale financial assets	4,005,183.07	4,644,049.45
IV. Impairment of fixed assets	664,939,502.73	430,866,985.38
V. Impairment of construction in progress	-	227,221,124.49
VI. Loan losses	(58,033,390.71)	(99,135,822.74)
VII. Impairment of other non-current assets	9,210,177.38	99,233,811.61
VIII. Others	11,010,014.59	16,154,560.59
Total	1,125,291,149.92	556,838,731.27

## (2) Provision for impairment of assets

RMB

Items	Opening balance of carrying amount (Restated)	Increase in current period		Decrease in current period				Differences from translation of foreign currency	Closing balance of carrying amount
		Provision	Other increase	Reversal	Disposal	Write-off	Other decrease		
I. Bad debt provision	1,913,943,705.09	205,934,331.52	-	158,282,379.75	-	-	24,626,838.64	(7,062,243.49)	1,929,906,574.73
II. Provision for written-down of inventories	1,818,541,817.80	1,108,930,551.01	-	662,422,839.92	-	127,028,303.42	549,626.41	(948,697.47)	2,136,522,901.59
III. Provision for impairment of available-for-sale financial assets	748,467,418.11	4,005,183.07	-	-	-	-	-	-	752,472,601.18
IV. Provision for impairment of long-term equity investments	35,000,000.00	-	-	-	-	-	-	-	35,000,000.00
V. Provision for impairment of fixed assets	936,879,290.86	664,939,502.73	70,503,228.95	-	73,139,563.95	-	-	1,960,131.13	1,601,142,589.72
VI. Provision for impairment of materials for construction of fixed assets	280,136.39	-	-	-	-	-	-	-	280,136.39
VII. Provision for impairment of construction in progress	1,037,512,765.77	-	-	-	-	-	-	-	1,037,512,765.77
VIII. Provision for loan losses	65,387,995.89	-	-	58,033,390.71	-	-	-	-	7,354,605.18
IX. Provision for impairment of intangible investment	13,644,845.76	-	-	-	-	-	-	2,354.31	13,647,200.07
X. Provision for impairment of other non-current assets	87,015,255.52	9,210,177.38	-	-	-	16,512,026.57	70,503,228.95	-	9,210,177.38
XI. Others	16,154,560.59	11,010,014.59	-	-	-	-	27,163,533.66	(1,041.52)	-
Total	6,672,827,791.78	2,004,029,760.30	70,503,228.95	878,738,610.38	73,139,563.95	143,540,329.99	122,843,227.66	(6,049,497.04)	7,523,049,552.01

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

## (V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

## 62. Gains from changes in fair value

RMB

Items resulting in gains from changes in fair values	Amount recognized in current year	Amount recognized in prior year (Restated)
Financial assets at fair value through profit or loss	(144,173,336.48)	136,256,344.66
Financial liabilities at fair value through profit or loss	(39,971,337.63)	(33,444,474.96)
Total	(184,144,674.11)	102,811,869.70

## 63. Investment income

RMB

Item	Amount recognized in current year	Amount recognized in prior year (Restated)
Income from available-for-sale financial assets during the holding period	551,765,208.67	122,705,523.16
Income from disposal of available-for-sale financial assets	3,208,939.46	-
Income from long-term equity investments under equity method	672,629,885.10	3,162,130.29
Stock investment income	3,673,827.88	15,128,651.74
Bond investment income	9,661,717.37	22,865,626.56
Fund investment income	46,784,129.05	12,000,782.30
Losses from disposal of derivative financial instruments (note )	(63,774,547.27)	(33,783,923.95)
Investment income from disposal of other wealth management products	913,802,370.00	933,168,610.38
Interest income from held-for-trading financial assets measured at fair value	49,659,920.00	-
Gains or losses arising from disposal of subsidiaries and re-measurement of residual equity at fair value	854,646,304.81	-
Others	213,492.70	-
Total	3,042,271,247.77	1,075,247,400.48

Note: This item mainly consists of investment losses arising from forward exchange transaction and ore swap transaction.

## 64. Other income

RMB

Item	Amount recognized in current year	Amount recognized in prior year	Assets related / Income related
Transfer of prior year government grants related to technology improvement	94,879,614.81	-	Assets related
Subsidies for high-tech achievement transformation	154,995,389.20	-	Both income and assets related
Local fiscal subsidy	75,409,159.73	-	Income related
Total gains on disposal of non-current assets	58,183,655.55	-	Income related
Including: Gains on disposal of fixed assets	5,857,392.93	-	Income related
Gains on disposal of intangible assets	156,874,371.59	-	Income related
Government grants	546,199,583.81	-	



## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

## (V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

## 65. Non-operating income

(1) Details of non-operating income:

RMB

Item	Amount recognized in current year	Amount recognized in prior year (Restated)	Amount incurred in non-recurring gains and loss in current period
Total gains on disposal of non-current assets	176,640,509.15	60,619,535.45	176,640,509.15
Including: Gains on disposal of fixed assets	176,640,509.15	29,363,310.56	176,640,509.15
Gains on disposal of intangible assets	-	31,256,224.89	-
Government grants	-	379,239,000.16	-
Compensation income	46,488,862.08	32,410,316.54	46,488,862.08
Others	51,397,075.61	35,799,196.19	51,397,075.61
Total	274,526,446.84	508,068,048.34	274,526,446.84

(2) Government grants recognized in profit and loss in the current period:

RMB

Item	Amount recognized in current year	Amount recognized in prior year (Restated)	Assets related / Income related
Transfer of prior year government grants related to technology improvement	-	94,281,175.42	Assets related
Subsidies for high-tech achievement transformation	-	137,736,740.02	Both income and assets related
Local fiscal subsidy	-	53,540,629.73	Income related
Tax refunds	-	13,613,048.83	Income related
Compensation for relocation	-	6,288,560.02	Income related
Other fiscal subsidy	-	73,778,846.14	Income related
Total	-	379,239,000.16	

## 66. Non-operating expenses

RMB

Item	Amount recognized in current year	Amount recognized in prior year (Restated)	Amount incurred in non-recurring gains and loss in current period
Total losses on disposal of non-current assets	1,022,650,955.02	474,084,620.06	1,022,650,955.02
Including: Losses on disposal of fixed assets	1,022,650,955.02	474,084,620.06	1,022,650,955.02
Donations to third parties	19,512,854.31	13,039,591.00	19,512,854.31
Others	121,402,928.55	51,024,733.38	121,402,928.55
Total	1,163,566,737.88	538,148,944.44	1,163,566,737.88

## 67. Income tax expenses

RMB

Item	Amount recognized in current year	Amount recognized in prior year (Restated)
Current tax expenses	3,727,566,604.73	2,179,461,833.45
Adjustment to prior period's income tax	60,017,235.14	(12,465,520.13)
Deferred tax expenses	(155,590,921.31)	382,895,790.48
Total	3,631,992,918.56	2,549,892,103.80

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

## (V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

Reconciliation of income tax expenses to the accounting profit is as follows:

RMB

	Amount recognized in current year	Amount recognized in prior year (Restated)
Accounting profit	24,035,130,135.61	11,888,934,371.01
Income tax expenses calculated at 25%	6,008,782,533.90	2,972,233,592.75
Adjustment to prior period's income tax	60,017,235.14	(12,465,520.13)
Effect of expenses that are not deductible for tax purposes	58,676,321.94	39,130,971.23
Effect of tax-free income	(532,178,381.51)	(343,618,308.38)
Effect of unrecognized deductible losses and deductible temporary differences (note)	501,426,625.31	719,106,198.59
Effect of using previously unrecognized deductible losses and deductible temporary differences	(1,947,803,551.75)	(409,959,025.98)
Additional tax incentives	(437,903,367.99)	(314,614,321.58)
Effect of different tax rates of subsidiaries	(68,480,878.33)	(99,280,626.86)
Others	(10,543,618.15)	(640,855.84)
Total	3,631,992,918.56	2,549,892,103.80

## 68. Other comprehensive income

Refer to Notes (V), 52.

## 69. Notes to items in the cash flow statement

## (1) Other cash receipts relating to operating activities

RMB

Item	Amount recognized in current year	Amount recognized in prior year (Restated)
Non-operating income, government grants and etc.	2,251,319,557.07	2,216,193,357.67

## (2) Other cash payments relating to operating activities

RMB

Item	Amount recognized in current year	Amount recognized in prior year (Restated)
Selling expenses	959,666,229.02	915,002,189.64
Administrative expenses	2,079,310,019.41	1,630,036,290.54
Others	2,830,148,040.42	1,690,247,275.05
Total	5,869,124,288.85	4,235,285,755.23

## (3) Other cash receipts relating to investing activities

RMB

Item	Amount recognized in current year	Amount recognized in prior year (Restated)
Proceeds on disposal of assets and investments in Wusong area	4,675,813,655.96	4,879,536,386.73
Interest income	124,760,505.59	71,272,598.30
Others	9,231,371.64	604,736.95
Total	4,809,805,533.19	4,951,413,721.98

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

## (V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

## (4) Other cash payments relating to investing activities

RMB

Item	Amount recognized in current year	Amount recognized in prior year (Restated)
Cash payment for the settlement of derivative instruments	68,481,544.39	37,320,304.46
Payment for borrowings by employees used for property purchase	114,110,000.00	146,085,000.00
Total	182,591,544.39	183,405,304.46

## (5) Other cash receipts relating to financing activities

RMB

Item	Amount recognized in current year	Amount recognized in prior year (Restated)
Wuhan Iron & Steel returns of finance lease	500,000,000.00	500,000,000.00
Repurchase of restricted shares not meeting unlocking conditions	-	27,154,088.00
Acquisition of equity interest held by minority shareholders of subsidiaries	-	9,280,000.00
Total	500,000,000.00	536,434,088.00

## 70. Supplementary information to the cash flow statement

## (I) Supplementary information to the cash flow statement

RMB

Supplementary information	Amount recognized in current year	Amount recognized in prior year (Restated)
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	20,403,137,217.05	9,339,042,267.21
Add: Provision for impairment losses of assets	1,125,291,149.92	556,838,731.27
Depreciation of fixed assets and investment properties	17,721,873,280.80	16,895,855,516.83
Amortization of intangible assets	502,062,920.59	453,563,306.76
Amortization of long-term prepaid expenses	129,190,525.00	97,193,330.93
Losses(gains) on disposal of fixed assets, intangible assets and other long-term assets	846,010,445.87	413,465,084.61
Gains on changes in fair value	184,144,674.11	(102,811,869.70)
Financial expenses	3,306,575,697.63	3,869,060,121.22
Investment income	(3,042,271,247.77)	(1,075,247,400.48)
Decrease in deferred tax assets	(148,562,139.94)	265,402,737.34
Increase in deferred tax liabilities	(7,028,781.37)	105,195,454.32
Decrease in inventories	6,734,531,850.72	(15,079,582,257.04)
Decrease in receivables from operating activities	(13,686,619,844.91)	(6,992,047,014.94)
Increase in payables from operating activities	(991,062,153.33)	13,657,328,138.68
Net cash flow from operating activities	33,077,273,594.37	22,403,256,147.01
2. Net changes in cash and cash equivalents:		
Closing balance of cash	16,328,390,189.73	13,021,573,977.58
Less: Opening balance of cash	13,021,573,977.58	11,436,548,713.14
Add: Closing balance of cash equivalents	3,583,919,000.00	-
Less: Opening balance of cash equivalents	-	2,140,000,000.00
Net increase in cash and cash equivalents	6,890,735,212.15	(554,974,735.56)

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

### (V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

#### (2) Composition of cash and cash equivalents

RMB

Item	Amount recognized in current year	Amount recognized in prior year (Restated)
I. Cash	16,328,390,189.73	13,021,573,977.58
Including: Cash on hand	686,037.28	859,695.08
Bank deposits	16,273,258,182.23	12,794,022,323.36
Other cash and bank balances	54,445,970.22	226,691,959.14
II. Cash equivalents	3,583,919,000.00	-
III. Closing balance of cash and cash equivalents	19,912,309,189.73	13,021,573,977.58

Cash and cash equivalents exclude restricted cash and cash equivalents of the Company or subsidiaries within the Group.

#### 71. Assets with restricted ownership or right of use

RMB

Item	Closing carrying balance	Reason to be restricted
Cash and bank balances	1,528,973,751.54	Statutory reserves deposited with People's Bank of China by financial company
Notes receivable	2,000,000.00	The restricted notes receivable amounting to RMB 2,000,000.00 were pledged to banks for issue of notes payable
Account Receivables	36,560,834.94	The Group's accounts receivable amounted to RMB 36,560,834.94 and short-term loans of RMB 36,560,834.94 were obtained through the factoring business as a pledge.
Fixed asset	3,907,659,990.49	Refer to Notes (V), 18(3),(6)
Intangible asset	93,944,620.66	Mortgage loan
Total	5,569,139,197.63	

#### 72. Foreign currency items

##### (I) Foreign currency items

RMB

Item	Closing balance (Foreign currency)	Rate	Closing balance (RMB)
Cash			
Including: USD	529,501,778.41	6.5342	3,459,870,520.49
JPY	9,039,157,468.74	0.0579	523,367,217.44
EUR	92,537,163.81	7.8023	722,002,713.23
HKD	8,119,051.25	0.8359	6,786,714.94
Others			419,294,927.68
Accounts receivable			
Including: USD	488,564,573.04	6.5342	3,192,378,633.14
EUR	149,122,852.38	7.8023	1,163,501,231.13
JPY	577,188,787.38	0.0579	33,409,418.58
Others			167,428,252.46
Short-term borrowings			
Including: USD	1,875,994,781.18	6.5342	12,258,125,099.20
EUR	271,206,239.92	7.8023	2,116,032,445.73
WON	9,000,000,000.00	0.0061	54,981,000.00
Long-term borrowings			
Including: USD	60,579,117.47	6.5342	395,836,069.37
EUR	1,572,099.33	7.8023	12,265,990.64
JPY	11,580,000.00	0.0579	670,285.14
WON	2,989,689,435.26	0.0061	18,264,012.76
Bonds payable			
EUR	500,159,197.25	7.8023	3,902,392,104.71

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

### (V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

#### 73. Government grants

##### (I) Basic situation of government grants

RMB

Category	Amount	Presented items	Amount recognised in profit or loss
Government grants related to assets	112,949,425.70	Deferred income, Other income	100,737,007.74
Government grants related to income	434,190,380.53	Deferred income, Other income	445,462,576.07
Total	547,139,806.23		546,199,583.81

#### 74. Calculation for basic earnings per share and diluted earnings per share

The current net profit attributable to ordinary shareholders at the calculation of basic earnings per share:

RMB

	2017	2016 (Restated)
Current net profit attributable to ordinary shareholders	19,170,337,569.64	9,075,928,087.45
Including: Net profit attributable to continuing operations	19,170,337,569.64	9,075,928,087.45

Number of shares

	2017	2016 (Restated)
Quantity of outstanding ordinary shares at the beginning of the year (Note)	22,076,795,525.00	22,076,795,525.00
Less: Weighted average quantity of repurchased ordinary shares in the current period	6,465,350.00	-
Weighted average quantity of outstanding ordinary shares at the beginning of the year	22,083,260,875.00	22,076,795,525.00

Earnings per share

	2017	2016 (Restated)
Calculation of net profit attributable to shareholders of the Company		
Basic earnings per share(RMB/share)	0.86	0.41
Diluted earnings per share(RMB/share)	0.86	0.41
Calculation of net profit attributable to shareholders of the Company on continuing operations:		
Basic earnings per share(RMB/share)	0.86	0.41
Diluted earnings per share(RMB/share)	0.86	0.41

Note: Calculation of diluted earnings per share has considered the quantity of restricted shares.

## Notes To The Financial Statements – continued

### FOR THE YEAR ENDED 31 DECEMBER 2017

#### (VI) CHANGES OF SCOPE OF CONSOLIDATION

##### 1. Business combination involving enterprises under common control

###### (1) Business combination involving enterprises under common control during the current year

RMB

Name of party being combined	Equity proportion from business combination	Basis for business combinations involving enterprises under common control	Combination date	Determination basis for combination date	Income of the acquiree from the beginning of the current period to combination date	Net profit of the party being combined from the beginning of the current period to the combination date	Income of the party being combined in the comparable period	Net profit of the party being combined in the comparable period
Wuhan Iron & Steel Co., Ltd.	100%	Note	1 March 2017	Note	12,927,261,397.43	71,273,863.89	61,309,852,853.12	133,743,829.54

**Note:** According to the "Informative Announcement Concerning the Equity Exchange" issued by the Company on 15 February 2017, and the "Merger Agreement for Equity Exchange" signed between the Company and Wuhan Iron & Steel on 22 September 2016, the Company's merger of Wuhan Iron and Steel Co., Ltd. (hereinafter referred to as "the merger") has fulfilled the internal decision-making procedures of the Company and Wuhan Iron and Steel respectively, and obtained the approval of China's Securities Regulatory Commission" on Baoshan Iron & Steel's merger of Wuhan Iron & Steel (Zheng Jian License No. 3199) and has obtained approvals from all other competent regulatory authorities before the completion of the merger. The date of the share registration for the merger was on 14 February 2017. After the equity exchange, the equity of Wuhan Iron & Steel held by the shareholders will be converted to shares of the Company in proportion of 1:0.56, i.e., every 1 share of Wuhan Iron & Steel is exchanged for 0.56 share of Baosteel. The registration of the new shares of Baosteel involved in this merger was completed on 17 February 2017. Baosteel issued 5,652,516,701 new A shares for this merger. These additional shares were tradable and were listed on 27 February 2017. In addition, according to the "Merger Agreement", Wuhan Iron & Steel shall transfer all the existing assets, liabilities, business, qualifications, personnel, contracts and all other rights and obligations of Wuhan Iron & Steel to the newly established Wuhan Steel Co., Ltd. (hereinafter referred to as "Wuhan Steel Limited") prior to the merger and delivery. The transfer was actually completed on 28 February 2017, and the shareholder of Wuhan Steel Limited was changed to the Company. Pursuant to the "Merger Agreement", 1 March 2017 was the combination date. Since March 2017, Wuhan Steel Limited was incorporated in the scope of the consolidated financial statements.

According to the overall background of this merger, and based on the principle of substance over form, the merger between the Company and Wuhan Iron and Steel was actually a business combination involving entities under the same control, was accounted for in accordance with the "Accounting Standards for Business Enterprises No. 20 - Business Combination". Therefore, the assets and liabilities of Wuhan Iron & Steel are included in the consolidated financial statements of the Group at the financial book value. At the same time, it is deemed that Wuhan Iron & Steel has always been part of the Group and will be reflected at the beginning of the listed comparable period. Therefore, the comparative data in the consolidated financial statements was also re-presented to include the financial position, results of operation and cash flows of Wuhan Iron & Steel.

###### (2) Carrying amount of assets and liabilities of the acquiree at the combination date

RMB

Wuhan Iron And Steel Company Limited		
	Combination date	31 December 2016
<b>Assets:</b>		
Current assets	35,966,013,599.65	34,628,170,804.02
Non-current assets	55,875,137,503.68	56,531,529,102.22
<b>Liabilities:</b>		
Current liabilities	51,000,023,262.19	50,491,535,650.17
Non-current liabilities	11,874,901,612.70	11,837,078,271.63
<b>Net assets</b>	<b>28,966,226,228.44</b>	<b>28,831,085,984.44</b>
Less: Minority interests	331,371,997.72	319,116,514.85
<b>Net assets Obtained</b>	<b>28,634,854,230.72</b>	<b>28,511,969,469.59</b>
Including: Special reserve	38,519,965.16	26,871,120.81
Other comprehensive income	(172,010,313.26)	(222,861,382.00)

## Notes To The Financial Statements – continued

### FOR THE YEAR ENDED 31 DECEMBER 2017

#### (VI) CHANGES OF SCOPE OF CONSOLIDATION - continued

##### 2. Disposal of major subsidiaries

RMB								
Name of subsidiary	Equity disposal consideration	Equity disposal proportion (%)	Proportion of remaining equity at the date of losing control (%)	Determination basis for time point of losing control	Difference amount of disposal consideration and shares of corresponding net assets of the subsidiary at consolidated level	Fair value of remaining equity at the date of losing control	Gains or losses arising from re-measuring remaining equity at fair value	Amount of other comprehensive income related to equity investments of the original subsidiary transferred to investment profit or loss
Ouyeel Cloud Commerce Corporation Limited	-	14.28	36.72	Note	524,599,208.50	1,379,245,513.31	854,646,304.81	-

**Note:** According to the Capital Increase Agreement signed by the Company's subsidiary, Ouyeel Cloud Commerce Corporation Limited ("Ouyeel Cloud Commerce"), and existing shareholders: namely 6 investors including Baowu Group, the Company, Shanghai Baosteel International Economic Trade Co., Ltd. (a subsidiary of the Company) and Baosteel Group jointly, the 6 investors including Baosteel Group proposed to increase capital of RMB933,333,335.00. The capital increase has been completed in July 2017. After the capital increase, the shareholding proportion held by the Company and its subsidiaries in Ouyeel Cloud Commerce decreased from 51% to 36.72%, the Company could only appoint 2 of the 9 directors of Ouyeel Cloud Commerce, and the Group no longer controlled Ouyeel Cloud Commerce. Therefore, since August 2017, the Group has no longer included Ouyeel Cloud Commerce in the scope of the consolidated financial statements, and accounted for using the equity method.

#### (VII) EQUITY IN OTHER ENTITIES

##### 1. Interests in subsidiaries

###### (I) Composition of the Group

Name of the subsidiary	Place of operation	Place of incorporation	Nature of operation	Equity interest held (%)		Ways of acquisition
				Directly	Indirectly	
Yantai Lubao Steel Tubes Co., Ltd. (Lubao Baosteel)	China	Yantai city	Manufacture	100	-	Business combinations involving enterprises under common control
Baosteel Huangshi Coating & Galvanizing Co., Ltd. (Huangshi Coating & Galvanizing)	China	Huangshi city	Manufacture	50.63	-	Business combinations involving enterprises under common control
Shanghai Baosteel International Economic & Trading Co., Ltd. (Baosteel International)	China	Shanghai	Steel trading	100	-	Business combinations involving enterprises under common control
Shanghai Meishan Iron & Steel Co., Ltd. (Meishan Steel)	China	Nanjing city	Manufacture	77.04	-	Business combinations involving enterprises under common control
Shanghai Baosight Software Co., Ltd. (Baosight Software)	China	Shanghai	Information technology	55.5	-	Business combinations involving enterprises under common control
Baosteel America Inc (Baosteel America)	USA	Texas, USA	Steel trading	100	-	Business combinations involving enterprises under common control
Howa Trading Co., Ltd. (Howa Trading)	Japan	Tokyo, Japan	Steel trading	100	-	Business combinations involving enterprises under common control
Baosteel Europe GmbH (Baosteel Europe)	Germany	Hamburg, Germany	Steel trading	100	-	Business combinations involving enterprises under common control
Baosteel Singapore PTE Ltd. (Baosteel Singapore)	Singapore	Singapore	Steel trading	100	-	Business combinations involving enterprises under common control
Bao-Trans Enterprises Ltd. (Bao-Trans Enterprises)	HK SAR, China	HK SAR, China	Steel trading	100	-	Business combinations involving enterprises under common control
Shanghai Baosteel Chemical Co., Ltd. (Baosteel Chemical)	China	Shanghai	Manufacture	100	-	Business combinations involving enterprises under common control
Baosteel Group Finance Co., Ltd. (Finance Co.)	China	Shanghai	Finance	62.1	-	Business combinations involving enterprises under common control
Baosteel Zhanjiang Iron & Steel Co., Ltd. (Zhanjiang Steel)	China	Zhanjiang city	Manufacture	90	-	Business combinations involving enterprises under common control
Xinjiang Karamay Steel Pipe Ltd. (Baoma Tube)	China	Karamay	Manufacture of sales of steel pipes	75	-	Acquired through establishment or investment
Poly Pipe (Thailand) Co., Ltd. (Poly Pipe)	Thailand	Thailand	Steel pipe processing	-	51	Acquired through establishment or investment
BGM Co., Ltd. (BGM) (Note 1)	Korea	Gyeonggi-do	Manufacture of sales of steel products	-	50	Acquired through establishment or investment
Shanghai Baosteel Asset Management Co., Ltd. (Baosteel Assets)	China	Shanghai	Asset management	100	-	Acquired through establishment or investment
Wuhan Iron And Steel Co., Ltd. (Wuhan Iron and Steel Limited)	China	Wuhan	Manufacture of sales of steel pipes	100	-	Business combinations involving enterprises under common control

# Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

## (VII) EQUITY IN OTHER ENTITIES – continued

**Note 1:** As at balance sheet date, the Group held 50% of shares in BGM, however, the Group has over 50% voting rights in the board of directors, so BGM is included in the consolidation scope of the Group.

**Note 2:** Yantai Baosteel was absorbed and combined by Lubao Baosteel on 1 October 2017 and was cancelled on 22 November 2017.

**Note 3:** Following the increase in capital and shareholdings of the outside investors by Ouyee Cloud Commerce this year, Baosteel's direct and indirect shareholdings fell from 51% to 36.72%, which was accounted for using the equity method in long-term equity investments.

### (2) Significant non-wholly owned subsidiaries

Investees holding long-term equity investment balances amounting over RMB 5 billion at year-end and financial company as the financial segment of the Group shall be disclosed as significant non-wholly owned subsidiaries.

Unit: RMB'000

Name of subsidiary	Equity interest held by minority interests	Profit or loss attributable to minority interests during the year	Dividend declared to minority interests during the year	Minority interests at 31 December 31 2017
Meishan Steel	22.96%	532,299	7,493	2,769,525
Zhanjiang Steel	10.00%	236,528	-	2,112,031
Finance Co.,	37.90%	77,990	26,504	790,561

### (3) Major financial information of significant non-wholly owned subsidiaries

Unit: RMB'000

Name of subsidiary	Closing balance						Opening balance					
	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
Meishan Steel	6,320,862	22,005,123	28,325,985	16,037,207	226,385	16,263,592	7,573,253	23,190,142	30,763,395	20,745,140	230,793	20,975,933
Zhanjiang Steel	11,254,000	49,054,564	60,308,564	37,787,922	2,325,968	40,113,890	11,179,393	51,866,501	63,045,894	42,370,966	2,796,659	45,167,625
Finance Co.,	11,216,969	8,995,359	20,212,328	18,123,772	2,642	18,126,414	5,408,477	9,683,412	15,091,889	13,119,437	4,692	13,124,129

Unit: RMB'000

Name of subsidiary	Amount for the current year				Amount for the prior year			
	Operating income	Net profits	Total comprehensive income	Net cash flow from (used in) operating activities	Operating income	Net profits	Total comprehensive income	Net cash flow from (used in) operating activities
Meishan Steel	28,468,200	2,315,312	2,315,312	(3,628,985)	19,284,706	363,150	363,150	1,295,802
Zhanjiang Steel	33,782,003	2,311,846	2,311,846	6,329,698	6,764,161	(696,108)	(696,108)	(26,408)
Finance Co.,	578,948	205,779	188,084	3,886,069	404,117	127,572	127,306	(802,347)

There is no significant restrictions for above subsidiaries in utilizing the Group's assets and settling the Group's debt.



## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

### (VII) EQUITY IN OTHER ENTITIES - continued

#### 2. Interests in JCEs and associates

##### (I) Significant JCEs and associates

The investees holding long-term equity investment over RMB 0.6 billion as at 31 December 2017 are disclosed as significant JCEs, and those over RMB 0.6 billion as at 31 December 2017 are disclosed as significant associates.

Name of JCEs and associates	Place of operation	Place of incorporation	Nature of operation	Equity interest held (%)		Equity interest held (%)
				Directly	Indirectly	
I. JCEs						
Baosteel-NSC/Arcelor Automotive Steel Sheets Co., Ltd. (BNA)	China	Shanghai	Manufacturing	50	-	Equity method
Baojin Enterprise Co., Ltd. ("Baojin Enterprise")	China	HK SAR	Ship chartering	50	-	Equity method
Guangzhou JFE Steel Sheet Co.,Ltd. (Guangzhou JFE)	China	Guangzhou city	Steel manufacturing	-	50	Equity method
Wuhan Pingmei Wugang Joint Coking Co.,Ltd. (" Pingmei Coking")	Wuhan	Wuhan	Production and sales of coke and other products	-	50	Equity method
II. Associates						
Henan Pingbao Coal Industry Co., Ltd. (Henan Pingbao)	China	Xuchang	Extractive Industries	-	40	Equity method
Wuhan Iron & Steel Group Finance Corporation Limited ("Wuhan Iron & Steel Finance")	Wuhan	Wuhan	Finance	-	28.65	Equity method
China Pingmei Shenma Energy And Chemical Group Co.,Ltd. ("Pingmei Shenma")	Pingdingshan	Pingdingshan	Coal mining and selling	-	11.62	Equity method
TWB Company("TWB")	United States	United States	Auto parts and accessories manufacturing	-	45	Equity method
Ouyeel Cloud Commerce Corporation Limited ("Ouyeel Cloud Commerce")	China	Shanghai	E-commerce	6.24	30.48	Equity method
Shanghai Rural Commercial Bank Co.,Ltd. ("Rural Commercial Bank")	China	Shanghai	Finance	10	-	Equity method

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

## (VII) EQUITY IN OTHER ENTITIES – continued

## (2) Major financial information of significant JCEs

Unit: RMB'000

	Closing balance / Amount for current year			
	BNA	Baojin Enterprise	Guangzhou JFE	Pingmei Coking
Current assets	3,329,460	513,562	2,082,326	847,722
Including: Cash and cash equivalents	1,072,886	454,120	634,661	12,598
Non-current assets	1,757,929	1,232,402	3,486,488	4,393,526
Total assets	5,087,389	1,745,964	5,568,814	5,241,248
Current liabilities	1,149,526	235,512	2,164,405	3,504,458
Non-current liabilities	20,250	318,268	261,919	7,310
Total liabilities	1,169,776	553,780	2,426,324	3,511,768
Minority interests	-	-	-	2,556
Shareholders' equity attributable to shareholders of the Company	3,917,613	1,192,184	3,142,490	1,726,924
Share of net assets according to portion of shareholding	1,958,806	596,092	1,571,245	863,462
Reconciliations				
— Others	-	-	222,231	(108,210)
Carrying amount of equity investment in JCEs	1,958,806	596,092	1,793,476	755,252
Operating income	14,920,441	524,481	7,476,622	12,812,908
Financial expenses	(31,983)	(6,933)	67,556	(239)
Income tax expenses	137,288	(673)	137,736	-
Net profits	414,760	26,934	413,208	17,058
Other comprehensive income	-	-	-	-
Total comprehensive income	414,760	26,934	413,208	17,058
Dividends received from JCEs in the current period	-	-	-	-

Unit: RMB'000

	Opening balance / Amount for prior year			
	BNA	Baojin Enterprise	Guangzhou JFE	Pingmei Coking
Current assets	2,968,592	302,419	1,576,931	1,965,597
Including: Cash and cash equivalents	973,855	216,157	527,265	11,116
Non-current assets	2,061,187	1,279,578	3,795,306	4,609,799
Total assets	5,029,779	1,581,997	5,372,237	6,575,396
Current liabilities	1,500,261	251,265	2,276,977	4,833,148
Non-current liabilities	23,250	93,650	375,097	8,739
Total liabilities	1,523,511	344,915	2,652,074	4,841,887
Minority interests	-	-	-	2,532
Shareholders' equity attributable to shareholders of the Company	3,506,268	1,237,082	2,720,163	1,730,977
Share of net assets according to portion of shareholding	1,753,134	618,541	1,360,081	865,489
Reconciliations				
— Others	-	-	246,493	(131,184)
Carrying amount of equity investment in JCEs	1,753,134	618,541	1,606,574	734,305
Operating income	11,879,270	462,074	4,586,288	8,239,558
Financial expenses	(21,258)	3,510	179,772	34,053
Income tax expenses	85,911	617	-	-
Net profits	256,244	15,248	282,641	(540,303)
Other comprehensive income	-	-	-	-
Total comprehensive income	256,244	15,248	282,641	(540,303)
Dividends received from JCEs in the current period	84,701	-	-	-

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

## (VII) EQUITY IN OTHER ENTITIES - continued

## (3) Major financial information of significant associates

Unit: RMB'000

	Closing balance / Amount for current year						Opening balance / Amount for prior year			
	Henan Pingbao	Ouyeel Cloud Commerce	Wuhan Iron & Steel Group Finance Corporation Limited	Pingmei Shenma	Rural Commercial Bank	TWB	Henan Pingbao	Wuhan Iron & Steel Group Finance Corporation Limited	Pingmei Shenma	TWB
Current assets	124,314	14,054,625	31,551,989	78,833,225	743,227,793	752,064	101,024	29,454,072	55,193,660	779,346
Non-current assets	1,919,486	557,864	9,279,409	77,336,890	33,029,776	520,528	1,937,533	13,203,206	84,554,745	560,766
Total assets	2,043,800	14,612,489	40,831,398	156,170,115	776,257,569	1,272,592	2,038,557	42,657,278	139,748,405	1,340,112
Current liabilities	386,781	11,600,455	35,438,745	87,422,147	713,298,571	483,030	871,634	37,246,191	69,946,443	580,302
Non-current liabilities	-	25,755	-	41,116,609	11,871,204	(89,966)	-	-	44,696,389	(113,009)
Total liabilities	386,781	11,626,210	35,438,745	128,538,756	725,169,775	393,064	871,634	37,246,191	114,642,832	467,293
Minority interests	-	1,176,440	-	15,030,380	-	-	-	-	12,236,710	-
Shareholders' equity attributable to shareholders of the Company	1,657,019	1,809,839	5,392,653	12,600,979	51,087,794	879,528	1,166,923	5,411,087	12,868,863	872,819
Share of net assets according to portion of shareholding	662,807	664,573	1,544,995	1,464,234	5,108,779	395,788	466,769	1,550,276	1,495,362	392,769
Reconciliations										
— Others	-	675,810	6,288	96,713	(617,279)	313,315	-	(3,688)	225,391	333,061
Carrying amount of equity investment in JCEs	662,807	1,340,383	1,551,283	1,560,947	4,491,500	709,103	466,769	1,546,588	1,720,753	725,830
Operating income	1,450,571	2,268,833	600,540	108,372,118	16,489,307	3,034,834	854,855	727,862	53,543,291	2,714,281
Net profits	392,186	(212,365)	256,383	744,893	6,569,100	160,288	134,311	208,170	(1,838,414)	116,454
Other comprehensive income	-	-	(34,817)	-	-	-	-	45,054	-	-
Total comprehensive income	392,186	(212,365)	221,566	744,893	6,569,100	160,288	134,311	253,224	(1,838,414)	116,454
Dividends received from JCEs in the current year	1,600	-	68,760	-	-	47,143	-	148,980	-	56,217

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

### (VII) EQUITY IN OTHER ENTITIES – continued

#### (4) Summarized financial information of insignificant JCEs and associates

Unit: RMB'000

	Closing balance / Amount for current year	Opening balance / Amount for prior year (Restated)
JCEs:		
Total carrying amount of investments	498,390	397,379
The following items are calculated according to portion of shareholding		
--Net profits	29,463	23,709
--Other comprehensive income	-	-
-- Total comprehensive income	29,463	23,709
Associates:		
Total carrying amount of investments	1,360,473	906,485
The following items are calculated according to portion of shareholding		
--Net profits	115,043	39,566
--Other comprehensive income	(332)	4,189
-- Total comprehensive income	114,711	43,755

The accounting policies for JCEs and associates of the Group have no significant differences with those for the Group on the basis of equity method, and there is no significant restriction on investment realization and investment income remittance.

### (VIII) Financial instruments and risk management

The Group's major financial instruments include cash and bank balances, financial assets at fair value through profit or loss, notes receivable, accounts receivable, interest receivable, dividend receivable, other receivables, financial assets purchased under resell agreements, non-current assets due within one year; wealth management products of other current assets, loans and advances to customers, available-for-sale financial assets, long-term receivables, other non-current assets, short-term borrowings, loans from the central bank, customer deposits and deposits from banks and other financial institutions, taking from banks and other financial institutions, financial liabilities at fair value through profit or loss, notes payable, accounts payable, financial assets sold under repurchase agreements, interest payable, dividend payable, other payables, non-current liabilities due within one year; other current liabilities, long-term borrowings, and bonds payables etc. Details of these financial instruments are disclosed in Note (V). The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure the risks are monitored at a certain level.

The Group conducted sensitivity analysis to analyze the impact of reasonable and possible changes of risk variables on profit or loss and equity of the current period. Any risk variables may not change in isolation, so there might be certain relativity between the variables that will have significant effect on the amount influenced by one variable. Thus, the statements below are based on the assumption that every variable changes in isolation.

#### 1. Risk management objectives and policies

The Group's risk management objectives are to achieve proper balance between risks and yield, minimize the adverse impacts of risks on the Group's operation performance, and maximize the benefits of the shareholders and other equity investors. Based on these risk management objectives, the Group's basic risk management strategy is to identify and analyze the industry's exposure to various risks, establish appropriate bottom line for risk tolerance, implement risk management, and monitor these exposures to ensure that appropriate measures are implemented on a timely and effective manner.

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

### (VIII) Financial instruments and risk management - continued

#### 1.1 Market risk

Market risk is the fluctuation of fair value of financial instruments. It is sensitive to market price fluctuation due to the change of foreign currency exchange rates (exchange rate risk), market price (price risk), market interest rates (interest rate risk), and etc.. All fluctuation is caused by the specific impact as a single financial instrument or the issuers or the entire market transactions of all financial instruments.

##### 1.1.1. Currency risk

Currency risk is the risk that losses will occur because of changes in foreign exchange rates. The exchange rate risk which the Group faced is mainly dealt with in the operating activities (when settled by foreign currencies).

The iron ore imports of the Group are mainly settled in US dollars, which lead to unfavorable balance of US dollars. The Group prioritizes and selects financing activities in USD and financing activities in RMB according to the comprehensive financing cost ratio with the most preferential financing cost ratio in RMB currently available as the benchmark. At the same time, the Group traces the exchange trend of RMB against USD and evaluates the exchange rate risk related to liabilities in US dollars. In view of the practical situation of more bilateral fluctuations in the exchange rate of RMB against USD, the Group conducts financing activities in USD matched with forward exchange contracts or change financing currencies to mitigate the exchange rate risk.

The risk management measure is to ensure that the risk of exchange rate fluctuation is set within an acceptable level at the beginning. The above mentioned synthetic fund cost is the netting of the loan interest paid and gain/loss upon the settlement of the forward contracts. During the period of US dollar borrowing, the foreign exchange rate will not have substantial effect upon the Group's operations but will probably have effect during different reporting period due to the revaluation of foreign exchange rate.

##### 1.1.2. Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flow fluctuates due to changes in interest rate. The risk of the interest rate that the Group faces mainly related to the debt whose interest is on a floating basis. The Group's policy is that the fixed-rate debt and the floating-rate debt are combined as a portfolio to facilitate the interest cost management.

The Group's risks in the fair value fluctuation of financial instruments which caused by changes in interest rate are mainly related with available-for-sale bond investment, loans issued and long-term receivables.

Interest rate risks of the financial instruments of the Group as presented in terms of dates to maturity and actual interest rates:

	31 December 2017	31 December 2016
	Available-for-sale financial assets	Available-for-sale financial assets
More than 1 year	2,168,550,310.20	2,279,900,591.70
Effective interest rate (per annum)	2.50% - 6.00%	2.50% - 4.61%

	31 December 2017			31 December 2016 (Restated)		
	Financial assets purchased under resale agreements	Loans granted	Long-term receivables (within 1 year)	Financial assets purchased under resale agreements	Loans granted	Long-term receivables (within 1 year)
Within 1 year	3,583,919,000.00	3,949,126,085.28	-	-	3,383,079,937.05	4,500,000,000.00
More than 1 year	-	-	323,443,628.36	-	-	264,498,082.98
Total	3,583,919,000.00	3,949,126,085.28	323,443,628.36	-	3,383,079,937.05	4,764,498,082.98
Effective interest rate (per annum)	3.49%-15%	3.915%-7.6%	1.625%	-	3.22%-7.3950%	1.625%-4.815%

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

## (VIII) Financial instruments and risk management – continued

RMB

	31 December 2017						
	Short term financing bonds	loan	Taking from banks and other financial institutions	Customer deposits	Bonds payable	Financial assets sold under repurchase agreements	Long-term payables (within 1 year)
Within 1 year	-	60,511,582,754.65	400,000,000.00	8,471,020,955.41	16,151,545,772.29	130,556,138.69	4,026,599,010.15
More than 1 year	-	413,368,004.28	-	-	8,553,245,927.39	-	712,416,884.50
Total	-	60,924,950,758.93	400,000,000.00	8,471,020,955.41	24,704,791,699.68	130,556,138.69	4,739,015,894.65
Effective interest rate (per annum)	-	1.55% - 5.39%	3.6% - 5.9%	1.69% - 3.4%	0.3% - 4.38%	3.25% - 3.5%	0 - 3.89%

RMB

	31 December 2016 (Restated)						
	Short term financing bonds	loan	Taking from banks and other financial institutions	Customer deposits	Bonds payable	Financial assets sold under repurchase agreements	Long-term payables (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
More than 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
Effective interest rate (per annum)	2.62% - 2.75%	0.25% - 6.00%	-	0.3500% - 4.2500%	1.625% - 3.75%	2.2544% - 2.2690%	0 - 3.89%

## 1.1.3. Other price risk

The Group's available-for-sale financial assets and held-for-trading financial assets are measured at fair value at each balance sheet date. Therefore, the Group is exposed to the risks of changes in the security prices. The Group minimises the equity security price risks by holding a portfolio of equity securities with different risks.

## EQUITY PRICE RISK

Equity price risk refers to potential loss in fair value of equity security resulting from adverse changes in a particular stock or stock index. As at 31 December 2017, the Group was exposed to equity price risks from individual equity investment, which belongs to held-for-trading equity investment (Note (V). 2) and available-for sale equity investment (Note (V). 14). The exchange traded investment of the Group is at Shanghai Stock Exchange and Shenzhen Stock Exchange, and is measured on basis of market quota at the balance sheet date. The stock index on the day nearest to the balance sheet date at the following stock exchange and the highest and lowest closing prices in the year are shown as follows:

	2017	Highest / Lowest	2016	Highest / Lowest
	31. December	2017	31. December	2016
Shanghai—A share indexes of Shanghai Stock Exchange	3,293	3448 / 3053	3,104	3,362 / 2656
Shenzhen—A share indexes of Shenzhen Stock Exchange	10,971	11,695 / 9713	10,177	11,725 / 9083
Hong Kong - A share indexes of Hong Kong Stock Exchange	29,919	30,003 / 22,134	22,503	22,606 / 21,883

The following table represents the sensitivity of the pre-tax profit and equity against every 5% change in fair value of equity instruments (on basis of the book value as at the balance sheet date), while all other variables remain constant and before any impact of taxation is considered. From the perspective of sensitivity analysis, the impact upon available-for-sale equity instrument investment can be regarded as one upon the change in fair value of the investment, without taking into consideration of possible deduction in income statements.

## Notes To The Financial Statements – continued

### FOR THE YEAR ENDED 31 DECEMBER 2017

#### (VIII) Financial instruments and risk management - continued

Unit: RMB'000

2017	Book value of equity investment	Increase / decrease of pre-tax profit	Increase / decrease of other comprehensive income
Investments at following stock exchanges:			
Shanghai—Available-for-sale investment	292,804	-	14,640
Shenzhen—Available-for-sale investment	432,555	-	21,628
Hong Kong—Available-for-sale investment	128,444	-	6,422

Unit: RMB'000

2016	Book value of equity investment	Increase / decrease of pre-tax profit	Increase / decrease of other comprehensive income
Investments at following stock exchanges:			
Shanghai—Available-for-sale investment	251,332	-	12,567
Shenzhen—Available-for-sale investment	373,998	-	18,700

#### 1.2. Credit risk

Credit risk refers to the risk that one party of financial instruments is not able to perform obligations, which causes the financial loss of the other party. For fixed-income investment, credit risk is the risk of financial losses caused by the debtors who could not pay the principal or interest on time. For equity investment, it is the risk of losses incurred by the failure of the business operation of the invested companies.

Credit risks of the Group mainly result from all types of receivable and loans and advances to customers. In order to control the credit risks, the Group conducts transactions with authorized well-known third parties. In accordance with the Group's policy, all customers who need credit transactions are required to be assessed under credit review. In addition, the Group performs ongoing monitoring on accounts receivable balance to ensure that the Group will not face significant risks of bad debts. In the relevant sales settlement, the Group mainly requests full advances or deposit with delivery on cash. For only a few strategic clients, the Group applies lines of credit and deadlines of payment after credit assessments and transactions are settled via bank acceptance notes when possible. In the relevant purchase settlement, the Group mainly applies cash on demand and payment with credit to settle. Only for building contractors of construction object, part of demand of long-cycle constructions and resources in short supply, the Group provides a certain advance to suppliers subject to lines of credit and deadlines after they pass the credit assessments.

The disbursement of loans and advances of the Group is due to principal operations of Finance Co. and debtors are only limited to members of Baowu Group with a good credit assessment. The credit risk is controlled within an appropriate level.

The Group's credit risk of other financial assets and liabilities result from the default of the counterparties. When there is no collateral or other credit enhancement, the maximum credit exposure of the Group is the carrying amount of these financial instruments. The Group has not provided any form of guarantee which may put itself in a situation of risks. As at 31 December 2017, 14% of the receivables were due from the top five debtors, the Group is not found to be exposed to significantly intensive credit risks.

#### 1.3. Liquidity risk

Liquidity risk is the risk that the Group may encounter deficiency of funds in meeting obligations associated with financial liabilities. The Group exercises trade financing, convertible loan notes, medium-term notes, long-term and short-term loans, other interest-bearing loans and other means to strike a balance between continuity and flexibility of financing. The Group also acquires sufficient credit from major financial institutions to satisfy short-term and long-term demands for funds. The Group monitors the short-term and long-term demands for funds on a real time basis to ensure the abundance of cash reserves and security for cash outflows at any time. Bonds issuance, medium-term notes and bank borrowings are the Group's main sources of fund. The Group's current liabilities exceed current assets at RMB 29.914 billion. As at 31 December 2017, the Group has obtained unutilized bank loan facilities of approximately RMB 123.089 billion. Consequently, the management of the Company believes that no significant liquidity risk was noted for the Group.

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

### (IX) FAIR VALUE DISCLOSURE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. Fair value for measurement and disclosure purposes in the financial statements is determined on such a basis.

Fair values of the financial assets and financial liabilities are determined as follows: The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active markets are determined with reference to quoted market bid prices and ask prices respectively; The fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions; The fair value of derivative instruments are determined with reference to quoted market prices. Where such quoted prices are not available, the fair value of a non-option-based derivative is estimated using discounted cash flow analysis and the applicable yield curve. For an option-based derivative, the fair value is estimated using option pricing model (for example, the binomial model).

Fair value measurements are categorized into 3 levels based on the degree to which the inputs to the fair value measurements are observable and the significances of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 - those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities, including equity instruments (stocks, funds), listed securities, etc.;

Level 2 - those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3 - those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

#### 1. Closing balances of fair values of the financial assets and financial liabilities measured at fair value

RMB

Item	Closing Balance			Total
	Level 1	Level 2	Level 3	
I. Fair value measurement on recurring basis				
1. Financial assets measured in fair value through profit or loss	1,541,175,006.40	184,991,617.23	-	1,726,166,623.63
Debt instrument investment	1,430,136,340.00	-	-	1,430,136,340.00
Equity instrument investment	111,038,666.40	-	-	111,038,666.40
(3) Derivative financial assets	-	184,991,617.23	-	184,991,617.23
2. Available-for-sale financial assets	3,378,303,829.24	-	-	3,378,303,829.24
Equity instrument investment	1,259,993,530.74	-	-	1,259,993,530.74
Debt instrument investment	2,118,310,298.50	-	-	2,118,310,298.50
Total assets measured at fair value on recurring basis	4,919,478,835.64	184,991,617.23	-	5,104,470,452.87
Total liabilities measured at fair value on recurring basis	-	371,853,492.51	-	371,853,492.51
- Derivative financial liabilities	-	371,853,492.51	-	371,853,492.51

There is no transfer between Level 1 and Level 2 for current year and prior year.



## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

### (X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

#### 1. Parent of the Company

RMB

Name of Company	Place of incorporation	Legal representative	Nature of	Registered capital RMB	Proportion of the Company's ownership interest held by the parent (%)	Proportion of the Company's voting power held by the parent (%)
China Baowu Steel Group Corporation Limited (Note)	Shanghai	Ma Guoqiang	Iron and steel manufacturing & processing	52,791,100,998.89	65.14	65.14

**Note:** The formal parent company of the Company was Baosteel Group Co., Ltd. As at 22 September 2016, Baosteel Group and Wuhan Iron and Steel Group were jointly reorganized as approved by State-owned Assets Supervision and Administration Commission of the State Council in Notice on Reorganization of Baosteel Group and Wuhan Iron and Steel Group, and renamed as "China Baowu Steel Group Corporation Limited." after reorganization. Wuhan Iron and Steel Group was merged into Baowu Group as its wholly owned subsidiary without any consideration. The ultimate holding party of the Company is the State-owned Assets Supervision and Administration Commission of the State Council. The registered capital and share capital of the Company is RMB 22,268,111,875 and includes 22,089,726,225 RMB ordinary shares without sales restrictions in which Baowu Group holds 11,523,385,833 shares, Wuhan Iron & Steel Group holds 2,982,172,472 shares and Baowu Group holds 14,505,558,305 shares directly and indirectly, with an equity interest of 65.14%

#### 2. Subsidiaries of the Group

Please refer to Note (VII) for details of subsidiaries of the Group.

#### 3. Associates and joint ventures of the Group

The significant associates and joint ventures of the Group are set out in Note (VII). Following presents the associates and joint ventures who had related party transactions with the Group and formed balances in current or prior period.

Name of associates and joint ventures	Relation with the Company
Wuxi Baojing Steel Processing and Delivery Co., Ltd. ("Wuxi Baojing")	Associate
Tianjin Baosteel Chuling Materials Delivery Co., Ltd. ("Tianjin BCM")	Associate
Firsttech Inc.	Associate
Beijing QKCT Information Technology Co., Ltd. ("Beijing Qingke")	Associate
Hangzhou Baowei Auto Parts Co., Ltd. ("Hangzhou Baowei")	Joint venture
Shandong Baohua Abrasion Resistant Steel Co., Ltd. ("Shandong Baohua")	Associate
Wuhan Baozhang Auto Steel Part Co., Ltd. ("Wuhan Baozhang")	Joint venture
Wuxi Baojing Steel Processing and Delivery Co., Ltd. ("Wuxi Baojing")	Associate
Shanghai Baosteel & Arcelor Tailor Weld Co., Ltd. ("Weld Company")	Associate
Guangzhou Automobile Baoshang Steel Processing Co., Ltd. ("Guangzhou Automobile Baoshang")	Associate
Changshu Baosheng Jingchong Material Co., Ltd. ("Changshu Baosheng")	Joint venture
Wuhan Wugang Dansk Technology Magnetic Material Co., Ltd. ("Dansk Magnetic Material")	Associate
Wuhan Wugang Jinzi Steel Processing Co., Ltd. ("Jinzi Steel Processing")	Associate
MIBao Metal Processing Zhengzhou CO., LTD. ("Zhengzhou MIBao")	Associate
Wuhan Baohan Welding Equipment Co., Ltd. ("Wuhan Baohan")	Associate
Wuhan Iron and Steel Zhejiang Gold Trading Co., Ltd. ("Zhejiang Trading")	Joint venture

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

## (X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

## 4. Other related parties of the Group

Name of other related party	Relationship between other related parties and the Company
Baosteel Resources (International) Limited (Baosteel Resources (International))	Fellow subsidiary
Baosteel Metals Co., Ltd. and its subsidiaries( "Baosteel Metals and its subsidiaries" )	Fellow subsidiary
Baosteel Engineering Technology Group Co., Ltd. and its subsidiaries( "Engineering Technology Co., and its subsidiaries" )	Fellow subsidiary
Hwabao Trust Co., Ltd. (Hwabao Trust)	Fellow subsidiary
Hwabao Investment Co., Ltd. (Hwabao Investment)	Fellow subsidiary
Baosteel Development Co., Ltd. and its subsidiaries (Baosteel Development and its subsidiaries)	Fellow subsidiary
Baowu Group Environmental Resources Technology Co., Ltd. (" Baowu Environmental Technology and its subsidiaries")	Fellow subsidiary
Baosteel Group Shanghai Meishan Co., Ltd. and its subsidiaries (Meishan Steel and its subsidiaries)	Fellow subsidiary
Baosteel Group Shanghai Pudong Iron & Steel Co., Ltd. and its subsidiaries (Pudong Steel and its subsidiaries)	Fellow subsidiary
Baosteel Group Shanghai No.5 Iron & Steel Co., Ltd. and its subsidiaries (No. 5 Steel and its subsidiaries)	Fellow subsidiary
Baosteel Group Xinjiang Bayi Iron & Steel Co., Ltd. and its subsidiaries (Xinjiang Bayi and its subsidiaries)	Fellow subsidiary
Baosteel Resource Co., Ltd. and its subsidiaries (Baosteel Resource and its subsidiaries)	Fellow subsidiary
Baosteel Group Guangdong Shaoguan Iron & Steel Group Co., Ltd. and its subsidiaries (Shaoguan Steel and its subsidiaries)	Fellow subsidiary
Shanghai Baosteel Stainless Steel Co., Ltd. (Shanghai Stainless)	Fellow subsidiary
Baosteel Stainless Steel Co., Ltd. (Baosteel Stainless)	Fellow subsidiary
Baosteel Special Material Co., Ltd. and its subsidiaries (Baosteel Special Steel and its subsidiaries)	Fellow subsidiary
Baosteel Desheng Stainless Steel Co., Ltd. (Baosteel Desheng)	Fellow subsidiary
Shanghai Baohua International Tendering Co., Ltd. (Baohua Tendering)	Fellow subsidiary
Beijing Huili Property Development Co., Ltd. (Beijing Huili)	Fellow subsidiary
Ningbo Baoxin Stainless Steel Co., Ltd. and its subsidiaries (Ningbo Baoxin and its subsidiaries)	Fellow subsidiary
Shanghai Baodi Real Estate Co., Ltd. (Baodi Real Estate)	Fellow subsidiary
Wuhan Iron & Steel (Group) Company and its subsidiaries (Wuhan Iron & Steel Group and its subsidiaries) (Note)	Fellow subsidiary

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

### (X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

#### 5. Related party transactions

Sales and purchases of goods, provision of services and receiving services

#### (1) Sales of goods, provision and receipt of services

Unit: RMB'000

Related party	Transaction type	Amount for current year	Amount for prior year (Restated)
		Amount	Amount
BNA	Steel and iron products, raw material and energy	12,437,224	9,961,171
Ouyeel Cloud Commerce and its subsidiaries	Steel and iron products	7,537,051	-
Wuhan Iron & Steel Group and its subsidiaries	Steel and iron products	5,364,399	4,986,789
Baosteel Metals and its subsidiaries	Steel and iron products	2,439,221	1,598,069
Baosteel Special Steel and its subsidiaries	Steel and iron products, energyspare parts	1,689,164	2,022,351
Baosteel Resources (International)	Raw materials	1,314,277	3,915,533
Guangzhou JFE	Steel and iron products, equipment	1,227,686	337,706
Pingmei Coking	Raw materials	1,192,886	8,275,887
Meishan Steel and its subsidiaries	Steel and iron products, energy, spare parts,equipment	775,263	2,123,639
Baosteel Stainless	Steel and iron products, raw materials, spare parts, energy,	748,866	809,631
Baowu Environmental Technology	Steel by-products, energy, spare parts	592,832	-
Baosteel Resource and its subsidiaries	Raw materials	572,834	1,565,368
Baosteel Development and its subsidiaries	Steel and iron products, energy, spare parts	453,970	735,517
Shaoguan Steel and its subsidiaries	Raw materials	433,717	152,567
Weld Company	Steel and iron products, raw materials	378,131	263,720
Engineering & Technology Co. and its subsidiaries	Steel and iron products, energy, raw materials	260,157	402,532
Ningbo Baoxin and its subsidiaries	Steel and iron products, raw materials	252,705	639,772
Wuxi Baomit	Steel and iron products	90,684	75,585
Wuxi Baomeifeng	Steel and iron products	79,576	26,111
Xinjiang Bayi and its subsidiaries	Steel and iron products, equipment	17,287	-
Baowu Group	Spare parts and energy	13,575	13,580
Hwabao Investment	Equipment	10,652	11,083
Shanghai Stainless	Raw materials	3,590	1,213
Hwabao Trust	Equipment	380	1,375
Shandong Baohua	Steel and iron products	-	21,030
Baosteel Desheng	Energy and Spare parts	-	592
Others	Energy, raw material and Spare parts	7,165	471
<b>Total</b>		<b>37,893,292</b>	<b>37,941,292</b>

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

## (X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

## (2) Purchase of goods

Unit: RMB'000

Related party	Transaction type	Amount for current year	Amount for prior year (Restated)
		Amount	Amount
BNA	Steel and iron products, energy and raw material	13,012,962	10,520,932
Pingmei Coking	Raw materials	12,017,482	7,385,636
Baosteel Resource and its subsidiaries	Raw materials	6,550,658	5,284,174
Wuhan Iron & Steel Group and its subsidiaries	Raw materials, spare parts	6,537,375	8,592,337
Baosteel Special Steel and its subsidiaries	Steel and iron products and energy	5,952,000	4,743,473
Baosteel Stainless	Steel and iron products	5,951,820	6,569,934
Ningbo Baoxin and its subsidiaries	Steel and iron products, energy	5,582,253	4,828,694
Engineering & Technology Co. and its subsidiaries	Raw materials, equipment	1,474,521	1,982,426
Guangzhou JFE	Steel and iron products	1,411,348	570,312
Shaoguan Steel and its subsidiaries	Steel and iron products	1,243,691	1,997,845
Baosteel Development and its subsidiaries	Steel and iron products, spare parts, energy	1,039,453	987,543
Baosteel Desheng	Steel and iron products	886,612	610,253
Ouyeel Cloud Commerce and its subsidiaries	Spare parts, energy	862,029	-
Meishan Steel and its subsidiaries	Raw materials, spare parts	692,726	698,808
Baosteel Resource International	Raw materials	520,483	416,265
Xinjiang Bayi and its subsidiaries	Steel and iron products	462,936	449,942
Baosteel Metal and its subsidiaries	Spare parts	68,218	392,289
Baowu Environmental Technology and its subsidiaries	Spare parts, energy	34,999	-
Baowu Group	Fuels	613	4,056
Weld Company	Steel and iron products	198	12,945
Others	Spare parts, energy	1,089	1,489
Total		64,303,466	56,049,353

# Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

## (X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

### (3) Provision of labor services

Unit: RMB'000

Related party	Transaction type	Amount for current year	Amount for prior year (Restated)
		Amount	Amount
BNA	Transportation services and technical supports	190,117	145,908
Baosteel Special Material and its subsidiaries	Process, technical and transportation services	97,645	58,981
Meishan Steel and its subsidiaries	Transportation services and technical supports	88,551	218,161
Baosteel Resource and its subsidiaries	Transportation services and technical supports	79,393	76,134
Engineering & Technology Co. and its subsidiaries	Technical supports	60,547	112,034
Baosteel Resources (International)	Transportation services	59,494	22,746
Shaoguan Steel and its subsidiaries	Technical supports	51,326	32,187
Xinjiang Bayi and its subsidiaries	Technical supports	50,817	28,717
Ouyeel Cloud Commerce and its subsidiaries	Transportation services and technical supports	49,448	-
Baowu Group	Technical supports	48,068	56,920
Hwabao Investment	Technical supports and examination and maintenance services	42,714	43,218
Baosteel Stainless	Technical supports	37,984	38,758
Baodi Real Estate	Technical supports	22,552	29,623
Guangzhou JFE	Technical supports	18,566	21,913
Baosteel Metals and its subsidiaries	Transportation services and technical supports	17,422	19,827
Hwabao Trust	Technical supports	16,734	16,901
Baowu Environmental Technology and its subsidiaries	Transportation services and technical supports	14,238	-
Baosteel Desheng	Technical supports	13,509	12,641
Ningbo Baoxin and its subsidiaries	Technical supports	13,382	26,103
Baosteel Development and its subsidiaries	Transportation services and technical supports	7,248	26,457
Wuhan Iron & Steel Group and its subsidiaries	Transportation services	5,423	1,254
Baohua Tendering	Technical supports	3,424	3,536
Weld Company	Technical supports	1,226	1,693
Beijing Huili	Technical supports	933	7,137
Pudong Steel and its subsidiaries	Technical supports	588	378
No. 5 Steel and its subsidiaries	Technical supports	224	403
Others	Transportation services and technical supports	526	1,077
<b>Total</b>		<b>992,099</b>	<b>1,002,707</b>

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

## (X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

## (4) Receipt of services

Unit: RMB'000

Related party	Transaction type	Amount for current year	Amount for prior year (Restated)
		Amount	Amount
Engineering & Technology Co. and its subsidiaries	Project, examination, and maintenance fees	2,033,725	1,987,367
Baosteel Development and its subsidiaries	Logistics, project, transportation, examination, and maintenance fees	1,179,222	1,334,647
Meishan Steel and its subsidiaries	Logistics, project, transportation, examination, and maintenance fees	1,112,000	1,032,758
Wuhan Iron & Steel Group and its subsidiaries	Logistics, project, transportation, examination, and maintenance fees	1,003,047	1,206,196
Baosteel Resource and its subsidiaries	Transportation fees	595,029	614,698
Baowu Environmental Technology and its subsidiaries	Logistics and transportation fees	243,038	-
Bao-Island Enterprise	Transportation fees	136,391	177,040
Ouyeel Cloud Commerce and its subsidiaries	Transportation and technical service fees	130,337	-
BNA	Logistics, project, transportation, examination, and maintenance fees	127,752	121,056
Baosteel Resources (International)	Transportation fees	86,107	8,199
Renwei Software	Technical service fees	62,106	47,745
Baowu Group	Education and training fees	33,959	33,903
Baosteel Stainless	Processing fees	23,243	22,686
Baosteel Special Material and its subsidiaries	Processing fees	7,659	2,525
Guangqi Baoshang	Processing fees	7,240	-
Baosteel Metals and its subsidiaries	Examination and maintenance fees	5,782	3,562
Weld Company	Processing fees	3,889	4,711
Baohua Tendering	Tender service fees	2,598	2,548
Hwabao Trust	Administration fees	1,548	1,625
Ningbo Baoxin and its subsidiaries	Other services fees	1,393	1,148
Others	Logistics and transportation service fees	3,869	4,725
<b>Total</b>		<b>6,799,934</b>	<b>6,607,139</b>

## Notes To The Financial Statements – continued

### FOR THE YEAR ENDED 31 DECEMBER 2017

#### (X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

##### (5) Other related party transactions

Unit: RMB'000

Items	Note	Amount for current year	Amount for prior year (Restated)
Rental expenses of land, property and automobile	1	346,111	425,913
Rental income of property land and equipment	1	52,307	77,130
Financial service and interest income	2	43,451	137,994
Financial service and interest expenses	3	147,574	182,659

**Note 1:** When the Company was established, the Company signed a twenty-year agreement with Baowu Group for the lease of the plant site land use right. In September 2001, the Company entered into a further twenty-year lease agreement with Baowu Group for the use of the land for the plant site for assets acquired for Phase 3. In November 2002, the Company signed a new twenty-year lease agreement with Baowu Group for the land use of the plant site for assets in custody due to acquisitions. In November 2010, the Company signed a supplementary agreement with Baowu Group for the increase of land use expenses due to increment of land use tax. In year 2017, land use right lease expense of the Company amounted to RMB234,186,471 (2016: RMB234,186,471).

The Group leased properties from such related parties as Baowu Group, BNA, Baosteel Metal, leased vehicles from Baosteel Development and its subsidiaries and Baosteel Metal and its subsidiaries; in the meantime, the Group leased properties to BNA and Baosteel Resources and its subsidiaries, leased land use right to BNA. These leases are priced at negotiated price.

**Note 2:** The Group provided, via Finance Co., one of its subsidiaries, with loans, discounting and entrusted financing services to Baowu Group and its subsidiaries, and hereby obtained interest income, discounting income and fees from entrusted financing. Wuhan Iron & Steel Limited has deposits at Wuhan Iron & Steel Group Finance and earns interest on deposits.

**Note 3:** The Group collected deposits from Baowu Group and its subsidiaries, and paid interest expenses at the RMB interest rate on saving as stipulated by the People's Bank of China. Wuhan Iron & Steel Limited has deposits at Wuhan Iron & Steel Group Finance and earns interest on deposits.

##### (6) Related entrust

Detailed related entrust of the Group:

Unit: RMB'000

Entrustor	Entrustee	Type of entrusted asset	Closing balance	Accumulated amount during current period	Income during current period
Baoshan Iron & Steel Co.	Hwabao Trust	Funds and trust financial products	2,280,000	6,688,716	201,070
Baoshan Iron & Steel Co.	Hwabao Investment	Funds and trust financial products	312,000	300,000	1,313

Detailed related entrust of the Group:

Unit: RMB'000

Entrustor	Entrustee	Type of entrusted asset	Inception date of the trust	Expiration date of the trust	Basis of pricing of trust expenses	Income during current period
Baosteel Special Material, Sgis Songshan Co., Ltd. ("Sgis Songshan")	Baoshan Iron & Steel Co.	Overall equity of Baosteel Special Material Long Products Co., Ltd. ("Baosteel Special Long Products") and Baosteel Special Material Shaoguan Co., Ltd. ("Baosteel Special Shaoguan")	July 2017	31 December 2019	Collect entrusted management fee in certain proportion to the annual net profit and EVA added value attributable to Baot Long Products as audited	-

##### (7) Guarantees with related parties

The Company as a guaranteed party:

Guarantor	Guaranteed amount	Inception date of guarantee	Expiration date of guarantee	Whether execution of guarantee has been completed
Wuhan Iron & Steel Group	323,269	2004/11/10	2024/11/10	No
Wuhan Iron & Steel Group	7,000,000	2015/7/1	2018/7/1	No

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

## (X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

## 6. Amounts due from / to related parties

## (I) Notes receivable

Unit: RMB'000

Item	Related party	Closing balance		Opening balance (Restated)	
		Carrying balance	Provision	Carrying balance	Provision
Note receivable	Wuhan Iron & Steel Group and its subsidiaries	477,560	-	1,319,925	-
Note receivable	BNA	433,180	-	-	-
Note receivable	Baosteel Special Material and its subsidiaries	326,698	-	268,417	-
Note receivable	Baosteel Metals and its subsidiaries	168,941	-	404,031	-
Note receivable	Baowu Environmental Technology and its subsidiaries	165,280	-	-	-
Note receivable	Meishan Steel and its subsidiaries	65,098	-	26,686	-
Note receivable	Shaoguan Steel and its subsidiaries	41,250	-	21,980	-
Note receivable	Xinjiang Bayi and its subsidiaries	30,220	-	2,962	-
Note receivable	Changshu Baosheng	19,976	-	-	-
Note receivable	Ouyeel Cloud Commerce and its subsidiaries	15,904	-	-	-
Note receivable	Engineering & Technology Co. and its subsidiaries	15,229	-	23,980	-
Note receivable	Shandong Baohua	4,000	-	2,526	-
Note receivable	Ningbo Baoxin and its subsidiaries	3,501	-	-	-
Note receivable	Guangzhou JFE	1,155	-	4,920	-
Note receivable	Henan Pingbao	829	-	-	-
Note receivable	Baosteel Development and its subsidiaries	-	-	87,537	-
Note receivable	Baosteel Resource and its subsidiaries	-	-	3,957	-
Note receivable	Others	1,558	-	99	-
	Total	1,770,379	-	2,167,020	-



# Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

## (X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

### (2) Accounts receivable

Unit: RMB'000

Item	Related party	Closing balance		Opening balance (Restated)	
		Carrying balance	Provision	Carrying balance	Provision
Account receivable	Wuhan Iron & Steel Group and its subsidiaries	990,527	-	991,815	-
Account receivable	Baosteel Special Material and its subsidiaries	539,868	-	529,057	-
Account receivable	TWB	518,663	-	538,034	-
Account receivable	Pingmei Coking	413,074	-	1,990,721	-
Account receivable	Ouyeel Cloud Commerce and its subsidiaries	393,409	-	-	-
Account receivable	Meishan Steel and its subsidiaries	347,970	-	911,439	-
Account receivable	Baosteel Stainless	183,445	-	103,954	-
Account receivable	Baosteel Resource and its subsidiaries	147,106	-	37,599	-
Account receivable	BNA	138,624	-	212,387	-
Account receivable	Engineering & Technology Co. and its subsidiaries	102,601	-	144,838	-
Account receivable	Baosteel Resources (International)	95,468	-	10,371	-
Account receivable	Xinjiang Bayi and its subsidiaries	84,844	-	85,436	-
Account receivable	Baowu Environmental Technology and its subsidiaries	74,213	-	-	-
Account receivable	Dansk Magnetic Material	19,895	-	-	-
Account receivable	Baosteel Development and its subsidiaries	18,181	-	87,989	-
Account receivable	Shaoguan Steel and its subsidiaries	13,613	-	33,480	-
Account receivable	Jinzi Steel Processing	13,256	-	-	-
Account receivable	Baosteel Metals and its subsidiaries	12,454	-	17,260	-
Account receivable	Guangzhou JFE	11,928	-	14,138	-
Account receivable	Wuhan Baohan	11,295	-	-	-
Account receivable	Ningbo Baoxin and its subsidiaries	10,998	-	21,615	-
Account receivable	Beijing Qingke	6,606	-	1,530	-
Account receivable	Baosteel Desheng	6,597	-	11,192	-
Account receivable	Hwabao Investment	5,462	-	3,984	-
Account receivable	Baowu Group	5,008	-	2,479	-
Account receivable	Baodi Real Estate	3,250	-	3,245	-
Account receivable	Weld Company	1,285	-	356	-
Account receivable	Hwabao Trust	655	-	1,010	-
Account receivable	Others	5,548	-	8,611	-
	Total	4,175,843	-	5,762,540	-

# Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

## (X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

### (3) Prepayments

Unit: RMB'000

Item	Related party	Closing balance	Opening balance (Restated)
Prepayments	Pingmei Coking	2,532,387	486,556
Prepayments	Ouyeel Cloud Commerce and its subsidiaries	384,855	-
Prepayments	BNA	272,314	554,139
Prepayments	Wuhan Iron & Steel Group and its subsidiaries	243,982	913,416
Prepayments	Engineering & Technology Co. and its subsidiaries	166,503	48,004
Prepayments	Baosteel Resource and its subsidiaries	138,614	166,615
Prepayments	Xinjiang Bayi and its subsidiaries	120,603	236,486
Prepayments	Baosteel Special Material and its subsidiaries	46,306	19,559
Prepayments	Guangzhou JFE	43,095	37,779
Prepayments	TWB	37,710	40,622
Prepayments	Shaoguan Steel and its subsidiaries	23,616	477,122
Prepayments	Baosteel Stainless	21,049	25,199
Prepayments	Hangzhou Baowei	8,131	-
Prepayments	Renwei Software	1,980	-
Prepayments	Wuhan Baohan	1,773	-
Prepayments	Ningbo Baoxin and its subsidiaries	1,501	-
Prepayments	Meishan Steel and its subsidiaries	1,194	14,725
Prepayments	Baosteel Desheng	548	1,216
Prepayments	Baosteel Metals and its subsidiaries	43	45,717
Prepayments	Baosteel Development and its subsidiaries	1	23,856
Prepayments	Wuhan Baozhang	-	21,740
Prepayments	Others	2,020	2,202
	Total	4,048,225	3,114,953

### (4) Interest receivable

Unit: RMB'000

Item	Related party	Closing balance	Opening balance
Interest receivable	Engineering & Technology Co. and its subsidiaries	266	-
Interest receivable	Ouyeel Cloud Commerce and its subsidiaries	256	-
Interest receivable	Baosteel Stainless (Note)	-	76,203
Interest receivable	Baosteel Special Material (Note)	-	55,687
Interest receivable	Others	60	231
	Total	582	132,121

Note: Interest receivable from Baosteel Stainless and Baosteel Special Material refer to Note (V). 6(1).

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

### (X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

#### (5) Other receivables

Unit: RMB'000

Item	Related party	Closing balance	Opening balance (Restated)
Other receivables	Wuhan Iron & Steel Group and its subsidiaries	978,750	137,795
Other receivables	Baowu Group	120,187	3,826
Other receivables	Meishan Steel and its subsidiaries	12,833	6,208
Other receivables	Baosteel Development and its subsidiaries	9,389	10,654
Other receivables	Hwabao Trust	3,021	2,997
Other receivables	Beijing Huili	2,628	-
Other receivables	Baohua Tendering	2,257	1,692
Other receivables	Xinjiang Bayi and its subsidiaries	2,176	2,042
Other receivables	Shaoguan Steel and its subsidiaries	1,425	1,166
Other receivables	BNA	1,169	-
Other receivables	Weld Company	1,028	1,109
Other receivables	Ningbo Baoxin and its subsidiaries	126	135
Other receivables	Engineering & Technology Co. and its subsidiaries	87	342
Other receivables	Baosteel Special Material and its subsidiaries	49	9
Other receivables	Hwabao Investment	7	20,500
Other receivables	Baosteel Stainless	2	2
Other receivables	Others	1,662	2,992
Total		1,136,796	191,469

#### (6) Non-current assets due within one year

Unit: RMB'000

Item	Related party	Closing balance	Opening balance
Non-current assets due within one year	Baosteel Stainless (Note)	-	2,600,000
Non-current assets due within one year	Baosteel Special Material (Note)	-	1,900,000
Total		-	4,500,000

Note: Details of non-current assets due within one year receivable from Baosteel Stainless and Baosteel Special Steel refer to Note (V). 11(1).

#### (7) Loans and advances to customers

Unit: RMB'000

Item	Related party	Closing balance	Opening balance
Loans and discounts to customers	Baosteel Resource and its subsidiaries	290,503	296,503
Loans and discounts to customers	Engineering & Technology Co. and its subsidiaries	199,582	139,257
Loans and discounts to customers	Ouyeel Cloud Commerce	158,957	-
Loans and discounts to customers	Baosteel Metals and its subsidiaries	11,087	32,000
Loans and discounts to customers	Weld Company	-	50,000
Total		660,129	517,760

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

### (X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

#### (8) Customer deposits and deposits from banks and other financial institutions

Unit: RMB'000

Item	Related party	Closing balance	Opening balance
Customer deposits and deposits from banks and other financial institutions	Baowu Group	5,690,540	8,250,821
Customer deposits and deposits from banks and other financial institutions	Ouyeel Cloud Commerce and its subsidiaries	672,326	-
Customer deposits and deposits from banks and other financial institutions	Hwabao Trust	531,185	358,706
Customer deposits and deposits from banks and other financial institutions	Xinjiang Bayi and its subsidiaries	324,674	-
Customer deposits and deposits from banks and other financial institutions	Shaoguan Steel and its subsidiaries	256,539	100,430
Customer deposits and deposits from banks and other financial institutions	Baosteel Desheng	142,369	-
Customer deposits and deposits from banks and other financial institutions	Baosteel Development and its subsidiaries	122,547	20,104
Customer deposits and deposits from banks and other financial institutions	Baosteel Resource and its subsidiaries	82,217	39,742
Customer deposits and deposits from banks and other financial institutions	Engineering & Technology Co. and its subsidiaries	16,556	4,265
Customer deposits and deposits from banks and other financial institutions	Hwabao Investment	176	292
Customer deposits and deposits from banks and other financial institutions	BNA	-	374,231
Customer deposits and deposits from banks and other financial institutions	Institute of Steel and Iron	-	53,099
Customer deposits and deposits from banks and other financial institutions	Others	7,703	21,166
	Total	7,846,832	9,222,856

#### (9) Notes payable

Unit: RMB'000

Item	Related party	Closing balance	Opening balance (Restated)
Notes payable	Wuhan Iron & Steel Group and its subsidiaries	1,964,101	3,369,226
Notes payable	BNA	1,287,777	644,485
Notes payable	Baosteel Resource and its subsidiaries	885,225	1,282,680
Notes payable	Ningbo Baoxin and its subsidiaries	103,849	146,692
Notes payable	Engineering & Technology Co. and its subsidiaries	92,443	150,169
Notes payable	Baosteel Development and its subsidiaries	90,768	126,536
Notes payable	Baosteel Stainless	38,904	73,599
Notes payable	Baosteel Special Material and its subsidiaries	24,530	21,648
Notes payable	Meishan Steel and its subsidiaries	12,915	-
Notes payable	Ouyeel Cloud Commerce and its subsidiaries	1,419	-
Notes payable	Pingmei Coking	-	1,610,000
	Total	4,501,931	7,425,035

# Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

## (X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

### (10) Accounts payable

Unit: RMB'000

Account payable	Account payable	Account payable	Account payable (Restated)
Account payable	Wuhan Iron & Steel Group and its subsidiaries	1,358,132	931,218
Account payable	Engineering & Technology Co. and its subsidiaries	980,143	1,024,011
Account payable	Meishan Steel and its subsidiaries	718,649	618,233
Account payable	Baosteel Resource and its subsidiaries	645,640	571,988
Account payable	TWVB	427,911	538,879
Account payable	Baosteel Development and its subsidiaries	395,846	351,414
Account payable	Baosteel Special Material and its subsidiaries	348,469	329,652
Account payable	Baosteel Stainless	214,185	414,094
Account payable	BNA	197,904	70,777
Account payable	Ouyeel Cloud Commerce and its subsidiaries	164,390	-
Account payable	Ningbo Baoxin and its subsidiaries	152,190	187,365
Account payable	Pingmei Coking	129,774	-
Account payable	Guangzhou JFE	67,517	-
Account payable	Baowu Environmental Technology and its subsidiaries	67,137	-
Account payable	Baowu Group	33,705	250,563
Account payable	Shaoguan Steel and its subsidiaries	22,660	76,635
Account payable	Xinjiang Bayi and its subsidiaries	15,280	9,490
Account payable	Baosteel Metals and its subsidiaries	14,382	22,013
Account payable	Baosteel Resources (International) and its subsidiaries	13,595	-
Account payable	Wuhan Baohan	6,676	-
Account payable	Weld Company	2,025	2,757
Account payable	Renwei Software	1,525	-
Account payable	Baosteel Desheng	1,408	-
Account payable	Changshu Baosheng	1,343	-
Account payable	Others	5,011	2,037
	Total	5,985,497	5,401,126

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

## (X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

## (11) Receipts in advance

Unit: RMB'000

Account payable	Account payable	Account payable	Account payable (Restated)
Receipts in advance	Baosteel Metals and its subsidiaries	369,146	342,208
Receipts in advance	Ouyeel Cloud Commerce and its subsidiaries	235,104	-
Receipts in advance	Pingmei Coking	200,000	-
Receipts in advance	Wuhan Iron & Steel Group and its subsidiaries	141,936	67,735
Receipts in advance	Baowu Environmental Technology and its subsidiaries	113,317	-
Receipts in advance	Engineering & Technology Co. and its subsidiaries	97,117	24,210
Receipts in advance	Guangzhou JFE	76,007	67,042
Receipts in advance	Zhengzhou MIBao	46,223	-
Receipts in advance	Wuxi Baomit	26,769	11,019
Receipts in advance	Meishan Steel and its subsidiaries	23,697	13,989
Receipts in advance	Hangzhou Baowei	22,158	-
Receipts in advance	Baosteel Development and its subsidiaries	15,814	36,866
Receipts in advance	Baosteel Desheng	14,784	1,105
Receipts in advance	Weld Company	14,342	16,290
Receipts in advance	Shandong Baohua	12,530	-
Receipts in advance	BNA	9,102	-
Receipts in advance	Baosteel Resource and its subsidiaries	8,321	771
Receipts in advance	Baosteel Special Material and its subsidiaries	7,281	6,623
Receipts in advance	Xinjiang Bayi and its subsidiaries	6,867	22,377
Receipts in advance	Baosteel Stainless	5,480	1,878
Receipts in advance	Baowu Group	4,500	-
Receipts in advance	Ningbo Baoxin and its subsidiaries	4,194	4,194
Receipts in advance	No. 2 Steel and its subsidiaries	200	200
Receipts in advance	Pudong Steel and its subsidiaries	153	153
Receipts in advance	Shaoguan Steel and its subsidiaries	-	14,324
Receipts in advance	Tianjin BCM	-	14
Receipts in advance	Others	10,896	47,346
	Total	1,465,938	678,344

# Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

## (X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

### (12) Interest payable

Unit: RMB'000

Account payable	Account payable	Account payable	Account payable
Interest payable	Baowu Group	7,464	92,441
Interest payable	Hwabao Trust	601	2,438
Interest payable	Ouyeel Cloud Commerce and its subsidiaries	212	-
Interest payable	Baosteel Resource and its subsidiaries	148	-
Interest payable	Institute of Steel and Iron	-	444
Interest payable	Others	169	142
	Total	8,594	95,465

### (13) Other payables

Unit: RMB'000

Account payable	Account payable	Account payable	Account payable (Restated)
Other payables	Wuhan Iron & Steel Group and its subsidiaries	37,394	507
Other payables	TWB	31,822	19,927
Other payables	Zhejiang Trading	30,000	-
Other payables	Ouyeel Cloud Commerce and its subsidiaries	16,370	-
Other payables	Baosteel Resource and its subsidiaries	3,303	2,104
Other payables	Baowu Group	1,941	5,911
Other payables	Meishan Steel and its subsidiaries	1,929	8,826
Other payables	Engineering & Technology Co. and its subsidiaries	1,919	2,314
Other payables	Hwabao Trust	1,003	-
Other payables	Xinjiang Bayi and its subsidiaries	804	2,526
Other payables	Baosteel Metals and its subsidiaries	605	680
Other payables	Baosteel Development and its subsidiaries	162	2,255
Other payables	Baowu Environmental Technology and its subsidiaries	122	-
Other payables	Baosteel Special Material and its subsidiaries	-	200
Other payables	No. 5 Steel and its subsidiaries	-	88,318
Other payables	Others	52	-
	Total	127,426	133,568

## Notes To The Financial Statements – continued

### FOR THE YEAR ENDED 31 DECEMBER 2017

#### (XI) SHARE-BASED PAYMENTS

##### 1. Summary of share-based payments

###### THE FIRST PHASE OF THE A SHARES OF RESTRICTED STOCK PLAN

The first interim shareholder meeting of the Company in 2014 approved Restricted A Share Scheme, First Phase Granting Proposal of Restricted A Share Scheme and a series of proposals (hereinafter referred to as "Restricted Share Scheme") on 20 May 2014, and in succession, the Company approved The Proposal for Determining Participants and Grant Quantity of Restricted Share Scheme and First Phase Granting Proposal of Restricted Share Scheme in the 5th session of 15th board meeting on 22 May 2014. According to the approved incentive participants list and granting quantity, the Company granted the repurchased A share from Shanghai Stock Exchange as the restricted shares to incentive participants via open bidding. In compliance with Restricted Share Scheme, the restricted shares are forbidden to sell nor transfer in the following 2 years upon granting date, and get unlocked in the following 3 years from the next day of the maturity of forbidden period. The incentive participants can apply for unlocking and transferring the restricted shares on uniform unlocking proportion (1/3 for each year) in any of the three years given unlocking conditions are satisfied. If unlocking conditions fail to be satisfied in any one of the three years, the Company shall repurchase such unlocked restricted shares at grant price.

As of 11 June 2014, the Company repurchased 47,446,100 shares for share incentive scheme at cost of RMB187,734,750.08. The repurchased shares are designated into treasury stocks.

According to first phase granting proposal, there are 136 incentive participants, with granting price of RMB1.91/share and quantity of 47,446,100 shares. The incentive participants totally paid RMB 90,622,051.00 for acquisition of restricted shares. The Company recognized repurchase obligation for restricted share in liability and treated as acquisition of treasury stocks. As of 24 June 2014, the 47,446,100 non-restricted circulating stocks granted in the first phase had fully changed into restricted circulating stocks, and all the corresponding transfers of ownership had completed.

The Company repurchased and cancelled restricted shares which unqualified to be unlocked at cost of RMB 1,334,899.00 from Mr. Zhang Yong and Ms. Zhang Xiaobo, 434,400 shares and 264,500 shares respectively. The ownership of above mentioned 698,900 shares has been fully transferred to the special repurchase account of the Company and been cancelled on 16 December 2014. Meanwhile, the Company decreased share capital and capital reserve of RMB698,900 and RMB635,999 respectively, and the registered capital after decrease was RMB 1,334,899.

In 2015, the Company repurchased and cancelled restricted shares which unqualified to be unlocked, namely 488,700 shares from Mr. Li Shiping, 434,400 shares from Mr. Fu Jianguo, 434,400 shares from Hu Yuliang, 380,100 shares from Jia Yiyun and other 3 persons, 264,500 shares from Pei Shibing, Sun Dale and Lu Junyong, as well as other 2 persons, 488,700 shares from Guo Bin and Hou Angui. The ownership of above mentioned 3,508,500 shares has been fully transferred to the special repurchase account of the Company and been cancelled in 2015. Meanwhile, the Company decrease RMB 3,508,500 of share capital and the registered capital reduced to RMB 16,467,517,524.

In 2016, the Company repurchased and cancelled restricted shares which unqualified to be unlocked, namely 325,800 shares from Mr. Jiang Laizhu, 264,500 shares from Mr. Huang Aijun, 1,592,800 shares from Zhao Zhouli and other 4 persons, 724,000 shares from Wei Chengwen, Zhu Jianchun and Wang Huaqiang. In addition, the Company cancelled 14,216,800 shares unqualified to be unlocked according to the Proposal for Repurchase of First Restricted Share Scheme Unqualified to be Unlocked approved in the 7th session of 6th board meeting on 28 April 2016. The ownership of above mentioned 17,123,900 shares has been fully transferred to the special repurchase account of the Company and been cancelled in 2016. Meanwhile, the Company decrease RMB 17,123,900.00 of share capital and the registered capital reduced to RMB 16,450,393,624.

The Company held the 14th meeting of the 6th Board of Directors in 2016 and approved the Proposal on Adjusting the Incentive Targets of the Restricted Stock Plan. The Company repurchased and cancelled the 253,400 restricted shares held by Zhu Hanming that have not reached the unlocking conditions at the issue price. The above-mentioned 253,400 restricted shares have all been transferred to the Company's repurchase-only securities account and were cancelled on 7 February 2017. The Company held the 20th meeting of the 6th Board of Directors and approved the Proposal on Adjusting the Incentive Targets of the Restricted Stock Plan. The Company repurchased and cancelled the 1,373,250 restricted shares held by the incentive targets, such as Ye Meng etc. that have not reached the unlocking conditions at the granting price. The above-mentioned 1,373,250 restricted shares have all been transferred to the Company's repurchase-only securities account and were cancelled on 12 December 2017.

Baosteel held the 18th meeting of the 6th Board of Directors on 23 May 2017 and approved the Proposal on Unlocking in the 2nd Unlocking Phase of Baosteel's Restricted Stock Plan so as to approve the unlocking. Baosteel was agreed to transact relevant unlocking matters on 12,293,700 restricted stocks which can be unlocked for 114 incentive participants in the 2nd unlocking phase.



## Notes To The Financial Statements – continued

### FOR THE YEAR ENDED 31 DECEMBER 2017

#### (XI) SHARE-BASED PAYMENTS - continued

##### THE 2ND PHASE OF THE A-SHARES RESTRICTED STOCK PLAN

The Company held the 25th meeting of the 6th Board of Directors on 22 December 2017, and approved the Proposal on the Implementation of the Second Phase of A-share Restricted Stock Plan to determine that the restricted stocks would be granted on 22 December 2017 this time. The independent directors of the Company issued an independent favourable opinion on the proposal and the board of supervisors issued verification and favourable opinion on granting restricted stocks this time. Shanghai Fangda Law Firm issued the Legal Opinions on the Relevant Matters Relevant to the Second A Share Restricted Stock Plan of Baoshan Iron & Steel Co., Ltd. Deloitte Touche Tohmatsu Certified Public Accountants LLP (special general partnership) issued the Capital Verification Report of Baoshan Iron & Steel Co., Ltd. on 25 December 2017 (De Shi Bao (Yan) (17) No. 00590) and as verified until 22 December 2017, the Company's designated account has received 1,067 equity incentive participants to subscribe 166,828,200 shares, amounting to RMB 665,644,518, in which RMB 166,828,200 was charged in share capital and RMB 498,816,318 in capital reserve (share capital premium). The Company was granted 166,828,200 restricted shares, which have been registered at China Securities Depository and Clearing Corporation Limited Shanghai Branch on 16 January 2018.

	The first phase	The second phase
Total number of the Company's equity instruments granted during the period	-	166,828,200 shares
Total number of the Company's equity instruments vested during the period	12,930,700 shares	-
Total number of the Company's equity instruments lapsed during the period	1,626,650 shares	-

#### 2. Equity-settled share-based payments

RMB

	The first phase	The second phase
The method of determining the best estimate of the number of equity instruments expected to be vested	Determining by performance evaluation of each unlocking period for restricted share scheme	
Vest conditions	Determining by unlocking conditions of each unlocking period for restricted share scheme	
Accumulated equity-settled share-based payment recognized in capital reserve	35,461,496.63	-
Total equity-settled share-based payment	5,522,885.27	-

#### 3. The method of determining the fair value of equity instruments at the grant date

On the basis of Black-Scholes Option Pricing Model, the fair value of the Company's equity instrument is assessed in respect of market price of stock on granting date and terms and conditions of option granting. Following presents input variables for the model.

RMB

	The first phase	The second phase
Estimate volatility (%)	18.3-22.9	33.48-44.35
Risk-free interest rate (%)	2.7-2.9	3.79-3.81
Estimated lock period( year)	2-5	2-4
Stock price at granting date(RMB/share)	3.86	8.43

Volatility refers to the historic stock price volatility; estimated lock period is assessed on the basis of annual share transfer ratio of incentive participants, however, it is not always the actual result.

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

The fair value of restricted share on granting date is set out as below:

	The first phase	The second phase
Lockable restricted shares in the first year upon maturity of forbidden period	RMB3.59/share	RMB6.17/share
Lockable restricted shares in the second year upon maturity of forbidden period	RMB3.51/share	RMB6.49/share
Lockable restricted shares in the third year upon maturity of forbidden period	RMB3.36/share	RMB6.49/share

## (XII) COMMITMENTS

### 1. Significant commitments

#### (1) Capital commitments

Unit: RMB'000

	Closing balance	Opening balance
Capital commitments that have been entered into but have not been recognized in the financial statements:		
Contracted but not provided	10,723,938	18,966,074
Approved by the Board but not contracted	2,041,935	4,741,263
<b>Total</b>	<b>12,765,873</b>	<b>23,707,337</b>

#### (2) Operating lease commitments

At the balance sheet date, the Group had the following commitments in respect of non-cancellable operating leases:

Unit: RMB'000

	Closing balance	Opening balance
Minimum lease payments under non-cancellable operating leases:		
1st year subsequent to the balance sheet date	313,736	331,375
2nd year subsequent to the balance sheet date	309,705	298,727
3rd year subsequent to the balance sheet date	172,546	287,927
Subsequent periods over 3 years	351,552	555,423
<b>Total</b>	<b>1,147,539</b>	<b>1,473,452</b>

### 2. Contingencies

At the balance sheet date, the Group had no contingencies that need to be disclosed.

## Notes To The Financial Statements – continued

### FOR THE YEAR ENDED 31 DECEMBER 2017

#### (XIII) EVENTS AFTER THE BALANCE SHEET DATE

##### 1. Dividend distribution

According to the resolution in the 27th Board Meeting of the 6th session of board of directors on 9 April 2018, the Company announced cash dividend to all registered shareholders as of the announcement date with amount of RMB 0.45/share (before tax) based on the total issued shares of 22,102,656,925. The total amount of dividend distribution accounting for 52.27% of total company shareholders' net profit in 2017 consolidated statement. The above dividend distribution planning will be subjected to the general shareholders' meeting to get approved.

##### 2. Repurchase of restricted shares

According to the Proposal for Adjustment of Incentive Participants of Restricted Share Scheme as approved in the 24th session of 6th board meeting of the Company, the Company repurchased from the incentive participant Huang Jianguo at the cost of granting price 88,150 shares of restricted shares and the incentive participant Chen Xiaodan at the cost of granting price 108,600 shares of restricted shares which were unqualified to be unlocked in the First Phase Granting Proposal of Restricted A Share Scheme, and cancelled all of such shares. At present, the 196,750 shares of restricted shares has been fully transferred to the account of the Company and been cancelled on 12 March 2018.

#### (XIV) OTHER SIGNIFICANT EVENTS

##### 1. Key terms of annuity plan and major changes therein

In accordance with the Reply to Baosteel Group's Application for Trial Enterprise Annuity Plan (Guo Zi Fen Pei [2008] No. 1268), by the State-owned Asset Supervision and Administration Commission of the State Council (SASAC), and the Announcement of Proportion in Enterprise Annuity Plan by the Human Resource Department of Baosteel Group, the annuity plan has been practiced in the Company since 1 January 2008. The portion assumed by the Company is 4% of the base amount of the individual salary, while the portion by the individual is 1%-7% of the base amount (1% of primary portion and no more than 6% of additional portion). The above annuity has been managed by Baosteel Group's subsidiary, Huabao Trust Co., Ltd. since 2009.

##### 2. Segment reporting

According to the Group's internal organization structure, management requirement and internal report system, the business segment is divided into 6 operating segments based on their operating activities. Six reporting segments are determined based on these operating segments. The group divided its reporting segments into steel and iron, processing and distribution, information technology, E-commerce, chemical and finance. As day-to-day activities of the Finance Co. are financial in nature, the investment income of Finance Co. has been included in the segment business income. The main products and services that each report segment provides are as follows:

Subsidiaries of each segment:

- (1) Iron & steel manufacturing: the Company, Meishan Steel, Lubao Tube, Huangshi Coating & Galvanizing, Baoma Tube, Poly Pipe, Zhanjiang Iron & Steel, Wuhan Iron and Steel Limited and other steel and iron producing units;
- (2) Processing and distribution: Baosteel International, Baosteel America, Baosteel Europe, Baosteel Singapore, Baohe, Bao-trans, BGM, Wuhan Iron and Steel Limited and other trading subsidiaries;
- (3) Other: Baosight Software, Ouyeel Cloud Commerce, Baosteel Chemical and Finance Co.,

For disclosure of the Group's operating data, the revenues are classified and disclosed in the region where the customers are situated, and the assets are classified and disclosed in the region where the assets are situated.

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

### (XIV) OTHER SIGNIFICANT EVENTS - continued

Financial expenses, impairment losses of assets, gains or losses from changes in fair value and investment income (excluding Finance Co.) have been excluded from the segment business profit. The deferred tax assets are not included in the segment assets, while short-term borrowings, non-current liabilities due within one year, long-term borrowings, long-term payables, bonds payable, and deferred tax liabilities have not been included in the segment liabilities.

Segment reports are disclosed according to internal accounting policies and measuring standards, which are consistent with the policies and standards used in preparing financial statements.

The sales to individual customer of the Group has not accounted for more than 10% of the total revenue.

#### (1) Segment information

Unit: RMB'000

	Iron & steel manufacturing		Processing and distribution		Other		Inter-segment eliminations		Total	
	Current year	Prior year	Current year	Prior year	Current year	Prior year	Current year	Prior year	Current year	Prior year
Operating income										
External revenue	44,353,946	30,702,321	235,625,720	176,233,401	9,675,232	39,611,610	-	-	289,654,898	246,547,332
Inter-segment revenue	172,976,924	118,045,507	35,684,971	36,613,825	8,295,956	11,286,806	(216,957,851)	(165,946,138)	-	-
Total segment operating income	217,330,870	148,747,828	271,310,691	212,847,226	17,971,188	50,898,416	(216,957,851)	(165,946,138)	289,654,898	246,547,332
Operating expenses	196,603,382	136,912,577	267,557,207	209,726,861	16,527,403	50,478,955	(217,205,754)	(165,971,713)	263,482,238	231,146,680
Operating profit	20,727,488	11,835,251	3,753,484	3,120,365	1,443,785	419,461	247,903	25,575	26,172,660	15,400,652

Unit: RMB'000

	Iron & steel manufacturing		Processing and distribution		Other		Inter-segment eliminations		Total	
	Current year	Prior year	Current year	Prior year	Current year	Prior year	Current year	Prior year	Current year	Prior year
Total segment assets	354,960,363	330,288,659	98,231,503	90,054,467	34,239,574	41,414,690	(139,610,791)	(104,971,803)	347,820,649	356,786,013
Total segment liabilities	141,121,030	136,114,098	51,231,451	47,365,132	22,067,449	25,668,430	(129,794,155)	(109,258,734)	84,625,775	99,888,926
Supplementary information:										
Depreciation and amortization	16,882,435	15,764,037	10,635,575	1,080,452	662,680	602,121	-	-	28,180,690	17,446,610
Impairment loss recognized in the Current year	304,799	2,988,453	54,162	(238,588)	336,586	192,153	429,744	(2,385,179)	1,125,291	556,839
Capital expenditures	10,161,287	17,525,304	974,935	1,029,691	639,551	1,028,793	-	-	11,775,773	19,583,788

#### (2) External revenue by geographical area of source and non-current assets by geographical location

Unit: RMB'000

Item	Amount for current year	Amount for prior year
External revenue from domestic customers	260,444,518	216,140,522
External revenue from foreign customers	29,210,380	30,406,810
Sub-total	289,654,898	246,547,332

# Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

## (XIV) OTHER SIGNIFICANT EVENTS - continued

Unit: RMB'000

Item	Closing balance	Opening balance
Non-current assets located in domestic country	213,288,023	218,618,284
Non-current assets located in foreign countries	3,653,999	3,686,343
Sub-total	216,942,022	222,304,627

External revenue includes:

Unit: RMB'000

Item	Amount for current year	Amount for prior year
Investment income of Finance Co.	157,106	126,241

The items excluding segment profit, segment assets and segment liabilities are set out as follows:

The segment profit does not include:

Unit: RMB'000

Item	Amount for current year	Amount for prior year
Financial expenses	3,370,419	3,976,616
Impairment losses of assets	1,125,291	556,839
Losses from changes in fair values	184,145	(102,812)
Investment income (excluding Finance Co.)	(2,885,165)	(949,006)
Other income	(546,200)	-
Total	1,248,490	3,481,637

Segment assets do not include:

Unit: RMB'000

Item	Closing balance	Opening balance
Deferred tax assets	2,413,983	2,281,734

Segment liabilities do not include:

Unit: RMB'000

Item	Closing balance	Opening balance
Short-term borrowings	60,282,447	52,080,729
Non-current liabilities due within one year	20,407,281	1,986,830
Other current liabilities	52,915	18,136,461
Long-term borrowings	413,368	958,693
Long-term payables	712,417	4,017,988
Bonds payable	8,553,246	21,052,403
Deferred tax liabilities	714,779	693,446
Total	91,136,453	98,926,550

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

### (XV) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

#### 1. Accounts receivable

(I) Disclosure of accounts receivable by categories:

RMB

Category	Closing balance					Opening Balance (Restated)				
	Carrying amount		Bad debt provision		Carrying amount	Carrying amount		Bad debt provision		Carrying amount
	Amount	Proportion (%)	Bad debt provision	Proportion (%)		Amount	Proportion (%)	Bad debt provision	Proportion (%)	
Accounts receivable that are individually significant and for which bad debt provision has been assessed individually	6,742,179,270.76	62	-	-	6,742,179,270.76	17,645,736,286.64	85	-	-	17,645,736,286.64
Accounts receivables with provision accrued according to credit risk characteristic portfolios	4,105,559,028.49	38	12,206,541.19	-	4,093,352,487.30	2,986,212,051.70	15	14,778,541.10	-	2,971,433,510.60
Accounts receivable that are not individually significant but for which bad debt provision has been assessed individually	22,621,133.24	-	22,621,133.24	100	-	22,361,492.44	-	22,361,492.44	100	-
Total	10,870,359,432.49	100	34,827,674.43	-	10,835,531,758.06	20,654,309,830.78	100	37,140,033.54	-	20,617,169,797.24

Accounts receivable that are individually significant or not individually significant but for which bad debts has been assessed individually as at 31 December 2017:

RMB

Accounts receivable (by unit)	Closing balance			
	Accounts receivable	Bad debt provision	Proportion of provision (%)	Reasons for provision
Receivables with significant balances	6,742,179,270.76	-	-	Note 1
Receivables with long aging	22,621,133.24	22,621,133.24	100	Note 2
Total	6,764,800,404.00	22,621,133.24		

Accounts receivable that are individually significant or not individually significant but for which bad debts has been assessed individually as at 31 December 2016:

RMB

Accounts receivable (by unit)	Opening balance			
	Accounts receivable	Bad debt provision	Proportion of provision (%)	Reasons for provision
Receivables with significant balances	17,645,736,286.64	-	-	Note 1
Receivables with long aging	22,361,492.44	22,361,492.44	100	Note 2
Total	17,668,097,779.08	22,361,492.44		

**Note 1:** Accounts receivables within one year have no significant obstacle to recollect and those with significant balance are all due from related parties. Hence no provision is recognized pursuant to the Company bad debt provision policies.

**Note 2:** Bad debt provision is fully made for accounts receivable not from related parties due to long aging and a slim chance of recollection.

# Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

## (XV) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS - continued

Aging analysis of account receivable:

Aging	Closing balance				Opening balance (Restated)			
	Amount	Proportion (%)	Bad debt provision	Carrying amount	Amount	Proportion (%)	Bad debt provision	Carrying amount
Within 1 year	10,773,012,600.85	99	12,175,296.68	10,760,837,304.17	17,952,186,378.45	87	14,596,566.88	17,937,589,811.57
More than 1 year but not exceeding 2 years	60,607,132.42	1	13,387.09	60,593,745.33	2,512,365,308.16	12	8,928.71	2,512,356,379.45
More than 2 years but not exceeding 3 years	2,270,885.48	-	17,857.42	2,253,028.06	29,387,232.48	-	173,045.51	29,214,186.97
More than 3 years	34,468,813.74	-	22,621,133.24	11,847,680.50	160,370,911.69	1	22,361,492.44	138,009,419.25
Total	10,870,359,432.49	100	34,827,674.43	10,835,531,758.06	20,654,309,830.78	100	37,140,033.54	20,617,169,797.24

The aging analysis of bad debt provision in portfolio basis:

Aging	Closing balance		
	Account receivable	Bad debt provision	Proportion (%)
Within 1 year	4,036,771,528.21	12,175,296.68	-
More than 1 year but not exceeding 2 years	59,731,304.35	13,387.09	-
More than 2 years but not exceeding 3 years	1,572,420.59	17,857.42	1
More than 3 years	7,483,775.34	-	-
Total	4,105,559,028.49	12,206,541.19	-

Aging	Opening balance		
	Account receivable	Bad debt provision	Proportion (%)
Within 1 year	2,949,656,460.69	14,596,566.88	-
More than 1 year but not exceeding 2 years	22,889,374.10	8,928.71	-
More than 2 years but not exceeding 3 years	11,835,875.20	173,045.51	1
More than 3 years	1,830,341.71	-	-
Total	2,986,212,051.70	14,778,541.10	-

### (2) Bad debt allowance accrual and reversal

For the year, the Company recorded a bad debt allowance of RMB 2,730,909.70 reversed bad debt allowance of RMB 5,043,268.81.

### (3) Accounts receivable written off

Accounts receivable written off in the reporting period is nil.

### (4) Accounts receivable due to shareholders holding at least 5% (5% inclusive) of the Company's shares with voting power in the reporting period are set out below:

Name of entity	Closing balance		Opening balance	
	Carrying amount	Bad debt provision	Carrying amount	Bad debt provision
Baowu Group	338,337.79	-	1,904,345.05	-

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

### (XV) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS - continued

(5) Top five customers with the largest balances are set out below:

As of 31 December 2017, top five balances of account receivables amounted to RMB 6,742,179,270.76, accounting for 62% of total account receivables.

(6) At the end of the reporting period, no other receivables should be derecognized due to transfer of financial assets.

(7) At the end of the reporting period, no assets or liabilities have been formed due to transferring of other receivable and the related continuous involvement.

## 2. Other receivables

(1) Disclosure of other receivables by categories:

RMB

Category	Closing balance					Opening Balance (Restated)				
	Carrying amount		Bad debt provision		Book value	Carrying amount		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables that are individually significant and for which bad debt provision has been assessed individually	315,492,374.83	84	-	-	315,492,374.83	285,730,445.71	82	1,676,150.00	1	284,054,295.71
Accounts receivables with provision accrued according to credit risk characteristic portfolios	56,434,206.88	15	2,148,484.80	4	54,285,722.08	58,711,838.44	17	2,008,373.10	3	56,703,465.34
Other receivables that are not individually significant but for which bad debt provision has been assessed individually	5,491,191.82	1	5,491,191.82	100	-	4,947,795.33	1	4,947,795.33	100	-
<b>Total</b>	<b>377,417,773.53</b>	<b>100</b>	<b>7,639,676.62</b>	<b>2</b>	<b>369,778,096.91</b>	<b>349,390,079.48</b>	<b>100</b>	<b>8,632,318.43</b>	<b>2</b>	<b>340,757,761.05</b>

Other receivables that are individually significant or not individually significant but for which bad debt provision has been assessed individually as at 31 December 2017:

RMB

Other receivables (by unit)	Closing balance			
	Other receivables	Bad debt provision	Proportion of provision (%)	Reasons for provision
Other receivables with significant balances	315,492,374.83	-	-	Note 1
Other receivables with long aging	5,491,191.82	5,491,191.82	100	
<b>Total</b>	<b>320,983,566.65</b>	<b>5,491,191.82</b>		

Accounts receivable that are individually significant or not individually significant but for which bad debts has been assessed individually as at 31 December 2016:

RMB

Other receivables (by unit)	Opening balance			
	Other receivables	Bad debt provision	Proportion of provision (%)	Reasons for provision
Receivables with significant balances	285,730,445.71	1,676,150.00	1	Note 1
Receivables with long aging	4,947,795.33	4,947,795.33	100	Note 2
<b>Total</b>	<b>290,678,241.04</b>	<b>6,623,945.33</b>	<b>2</b>	

**Note 1:** Other receivables with significant balances are mainly advances to projects, deposits, export tax refund and temporarily estimated input tax from the purchase to subsidiaries. Hence, the recoverable risk is low.

**Note 2:** Bad debt provision is fully made for other receivables not from related parties due to long aging and a slim chance of recollection.



# Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

## (XV) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS - continued

Aging analysis of other receivable:

RMB

Aging	Closing balance				Opening balance			
	Amount	Proportion (%)	Bad debt provision	Carrying amount	Amount	Proportion (%)	Bad debt provision	Carrying amount
Within 1 year	210,020,005.75	56	1,399,145.60	208,620,860.15	208,076,742.23	60	2,688,183.46	205,388,558.77
More than 1 year but not exceeding 2 years	42,713,740.58	11	732,496.92	41,981,243.66	3,130,358.80	1	667,126.95	2,463,231.85
More than 2 years but not exceeding 3 years	189,383.27	-	16,842.28	172,540.99	1,001,731.01	-	329,212.69	672,518.32
More than 3 years	124,494,643.93	33	5,491,191.82	119,003,452.11	137,181,247.44	39	4,947,795.33	132,233,452.11
Total	377,417,773.53	100	7,639,676.62	369,778,096.91	349,390,079.48	100	8,632,318.43	340,757,761.05

The aging analysis of bad debt provision in portfolio basis:

RMB

Aging	Closing balance		
	Other accounts receivable	Bad debt provision	Proportion (%)
Within 1 year	46,335,299.23	1,399,145.60	3
More than 1 year but not exceeding 2 years	2,956,712.37	732,496.92	25
More than 2 years but not exceeding 3 years	189,383.27	16,842.28	9
More than 3 years	6,952,812.01	-	-
Total	56,434,206.88	2,148,484.80	4

RMB

Aging	Opening balance		
	Other accounts receivable	Bad debt provision	Proportion (%)
Within 1 year	34,396,936.62	1,012,033.46	3
More than 1 year but not exceeding 2 years	3,130,358.80	667,126.95	21
More than 2 years but not exceeding 3 years	1,001,731.01	329,212.69	33
More than 3 years	20,182,812.01	-	-
Total	58,711,838.44	2,008,373.10	3

(2) Bad debt allowance accrual and reversal

For the year, the Company did not record a bad debt allowance, reversed bad debt allowance of RMB 992,641.81.

(3) Other accounts receivable written off

Other accounts receivable written off in the reporting period is nil.

(4) Other receivables due to shareholders holding at least 5% (5% inclusive) of the Company's shares with voting power in the reporting period are set out below:

RMB

Name of Entity	Closing balance		Opening balance	
	Carrying amount	Bad debt provision	Carrying amount	Bad debt provision
Baowu Group	-	-	3,826,272.62	-

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

## (XV) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS - continued

## (5) Top five entities with the largest balances of other receivables

As of December 31, 2017, top five balances of other receivables amounted to RMB 315,492,374.83, accounting for 84% of total other receivables.

## 3. Long-term equity investment

RMB

Item	Closing balance			Opening balance		
	Carrying amount	Impairment provision	Carrying amount	Carrying amount	Impairment provision	Carrying amount
Investment in subsidiaries	71,251,192,327.05	-	71,251,192,327.05	44,317,971,120.33	-	44,317,971,120.33
Investment in joint ventures	2,554,898,588.66	-	2,554,898,588.66	2,371,674,691.54	-	2,371,674,691.54
Investment in associates	4,902,479,335.45	-	4,902,479,335.45	-	-	-
Total	78,708,570,251.16	-	78,708,570,251.16	46,689,645,811.87	-	46,689,645,811.87

## (1) Details of long-term equity investments are as follows:

RMB

Name of investees	Opening balance	Increase	Decrease	Closing balance	Proportion of equity interest held by the Company (%)	Proportion of voting power in the investee held by the Company (%)	Explanation of the inconsistency between the proportion of equity interest and the proportion of voting power	Provision for impairment losses	Provision for impairment losses for the period	Cash dividends for the period
Yantai Baosteel	872,484,905.16	2,000,000,000.00	-	2,872,484,905.16	100	100	-	-	-	-
Huangshi Coating & Galvanizing	175,658,477.39	-	-	175,658,477.39	50.63	50.63	-	-	-	-
Baosteel International	6,013,886,552.67	-	-	6,013,886,552.67	100	100	-	-	-	447,730,000.00
Meishan Steel	8,938,982,988.14	-	-	8,938,982,988.14	77.04	77.04	-	-	-	25,144,324.19
Baosight Software	1,291,314,360.40	-	-	1,291,314,360.40	55.5	55.5	-	-	-	56,515,014.40
Baosteel America	187,562,180.98	-	-	187,562,180.98	100	100	-	-	-	-
Howa Trading	221,975,780.12	-	-	221,975,780.12	100	100	-	-	-	99,100,500.00
Baosteel Europe	328,631,981.58	-	-	328,631,981.58	100	100	-	-	-	-
Baosteel Singapore	154,883,364.09	-	-	154,883,364.09	100	100	-	-	-	-
Bao-Trans Enterprises	370,550,495.27	-	-	370,550,495.27	100	100	-	-	-	-
Baosteel Chemical	3,006,227,819.74	-	-	3,006,227,819.74	100	100	-	-	-	91,186,379.86
Finance Co.	754,570,003.65	-	-	754,570,003.65	62.1	62.1	-	-	-	43,427,445.98
Zhanjiang Steel	17,262,206,889.41	-	-	17,262,206,889.41	90	90	-	-	-	-
Yantai Tubes	3,200,000,000.00	-	(3,200,000,000)	-	-	-	-	-	-	-
Baoma Tube	36,673,650.00	-	-	36,673,650.00	75	75	-	-	-	-
Baosteel Brazil Trading (Note 1)	728,647.73	-	-	728,647.73	100	100	-	-	-	-
Baosteel Asset	1,000,000,000.00	-	-	1,000,000,000.00	100	100	-	-	-	-
Ouyee Cloud Commerce (Note 2)	208,080,000.00	-	(208,080,000.00)	-	-	-	-	-	-	-
Ouyee Finance (Note2)	293,553,024.00	-	(293,553,024.00)	-	-	-	-	-	-	-
Wuhan Iron and Steel Limited	-	28,634,854,230.72	-	28,634,854,230.72	100	100	-	-	-	-
Total	44,317,971,120.33	30,634,854,230.72	(3,701,633,024.00)	71,251,192,327.05	-	-	-	-	-	763,103,664.43

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

## (XV) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS - continued

**Note 1:** The Company indirectly holds 75% equity in Baosteel Brazil Trading, so Baosteel Brazil Trading is taken as subsidiary of the Company, the corresponding long-term equity investment is calculated by using cost method.

**Note 2:** After Ouyeel Cloud Commerce accepted external investors' capital increase and shares in this year, Baoshan Iron & Steel Co.'s direct and indirect shares fell from 51% to 36.72% totally, and were charged in long-term equity investment by equity method; its subsidiary Ouyeel Finance originally accounted for using the equity method is accounted for using the equity method.

## (2) Investment in joint venture:

RMB

Name of investees	Opening balance	Changes for Current year								Closing balance	Closing impairment provision
		Increase	Decrease	Investment profit or loss under equity method	Adjustment of other comprehensive income	Other equity movement	Declared cash dividends or profits	Accrued impairment losses	Others		
BNA	1,753,133,618.04	-	-	207,379,944.31	-	(1,707,169.99)	-	-	-	1,958,806,392.36	-
Bao-Island Enterprise	618,541,073.50	-	-	13,466,986.20	(35,915,863.40)	-	-	-	-	596,092,196.30	-
<b>Total</b>	<b>2,371,674,691.54</b>	<b>-</b>	<b>-</b>	<b>220,846,930.51</b>	<b>(35,915,863.40)</b>	<b>(1,707,169.99)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,554,898,588.66</b>	<b>-</b>

## (3) Investment in associates:

RMB

Name of investees	Opening balance	Changes for Current year								Closing balance	Closing impairment provision
		Increase	Decrease	Investment profit or loss under equity method	Adjustment of other comprehensive income	Other equity movement	Declared cash dividends or profits	Accrued impairment losses	Others		
Shanghai Rural Commercial Bank Co., Ltd.	-	4,491,500,000.00	-	-	-	-	-	-	-	4,491,500,000.00	-
Ouyeel Cloud Commerce	-	169,799,447.12	-	(6,572,858.61)	146,658.94	(50,264,426.75)	-	-	-	113,108,820.70	-
Ouyeel Finance	-	297,202,184.16	-	1,303,590.58	947,223.00	(1,582,482.99)	-	-	-	297,870,514.75	-
<b>Total</b>	<b>-</b>	<b>4,958,501,631.28</b>	<b>-</b>	<b>(5,269,268.03)</b>	<b>1,093,881.94</b>	<b>(51,846,909.74)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,902,479,335.45</b>	<b>-</b>

## 4. Operating income and operating costs

RMB

Item	Amount for the current year		Amount for prior year	
	Revenue	Cost	Revenue	
Principal operating income	124,854,056,284.13	107,240,173,326.02	90,687,991,837.23	75,135,827,371.72
Other operating income	733,388,669.34	758,562,179.60	325,305,761.99	275,693,449.31
<b>Total</b>	<b>125,587,444,953.47</b>	<b>107,998,735,505.62</b>	<b>91,013,297,599.22</b>	<b>75,411,520,821.03</b>

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

## (XV) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS - continued

## 5. Investment income

RMB

Item	Amount recognized in the current year	Amount recognized in the prior year
Income from long-term equity investments under cost method	763,103,664.43	1,148,466,902.70
Investment income of available-for-sale financial asset during holding	471,633,612.43	19,024,768.00
Investment income from other wealth management products	661,223,378.18	622,853,960.98
Income from long-term equity investments under equity method	215,577,662.48	135,745,516.93
Loss on disposal of derivative financial instruments and others (Note 1)	(34,306,344.40)	(32,224,526.00)
Investment income on disposal of long-term equity investments	(2,785,812,639.31)	-
Adjustments made using the equity method of accounting for the remaining equity as if it was obtained after loss of control over the investee	(34,631,392.72)	-
Total	(743,212,058.91)	1,893,866,622.61

Note 1: This item mainly consists of investment losses from forward exchange transaction.

## 6. Bank facilities

As at 31 December 2017, the unutilized bank facilities of the Company reached RMB 58.213 billion. The management of the Company believes that the above mentioned facilities and the net cash flow from operating activities would be sufficient within one year to repay the current liabilities due in the coming period.

## 7. Supplementary information to the cash flow statement

RMB

Supplementary information	Current amount	Prior amount
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	9,401,183,384.64	6,889,147,293.69
Add: Provision for impairment losses of assets	(205,005,524.69)	2,766,717,219.90
Depreciation of fixed assets and investment properties	6,179,405,024.97	6,536,052,886.79
Amortization of intangible assets	82,167,983.64	82,168,174.82
Amortization of long-term prepaid expenses	15,986,094.60	25,957,080.44
Losses (Gains) on disposal of fixed assets, intangible assets and other long-term assets	635,251,596.20	319,040,702.25
Losses (gains) on changes in fair values	397,314,522.65	(111,528,367.77)
Financial expenses	(410,039,699.26)	1,047,034,117.23
Gains arising from investments	743,212,058.91	(1,893,866,622.61)
Increase (decrease) in deferred tax assets	(515,509,565.41)	361,763,839.74
Decrease in deferred tax liabilities	(12,354,259.32)	124,400,090.34
Decrease in inventories	3,250,075,267.88	(4,210,790,090.54)
Decrease (Increase) in receivables from operating activities	289,090,077.02	(7,928,571,188.94)
Increase (Decrease) in payables from operating activities	8,533,900,749.80	6,298,560,522.88
Net cash flow from operating activities	28,384,677,711.63	10,306,085,658.22
2. Net changes in cash and cash equivalents:		
Closing balance of cash and cash equivalents	11,927,358,284.13	3,761,841,278.83
Less: Opening balance of cash and cash equivalents	3,761,841,278.83	2,609,809,152.05
Net increase in cash and cash equivalents	8,165,517,005.30	1,152,032,126.78

## Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2017

### SUPPLEMENTARY INFORMATION

#### 1. Breakdown of non-recurring profit or loss

		RMB
Items		Amount
Profit or (loss) on disposal of non-current assets		(846,010,445.87)
Government grants recognized in profit or loss (other than grants which are closely related to the Company's business and are either in fixed amounts or determined under quantitative methods in accordance with the national standard)		546,199,583.81
Net profit or loss of subsidiaries from the beginning of the period up to the business combination date recognized as a result of business combination of enterprises under common control		60,384,848.04
The excess of attributable fair value of identifiable net assets over the consideration paid for the acquisition of subsidiaries, associates and joint venture, except effective hedging, held-for-trade financial assets, tradable financial liabilities (Note)		1,560,263,239.40
Other items qualifying non-recurring profit or loss (Impairment loss on other non-current assets)		(9,210,177.38)
Other non-operating income or expenses other than the above		(43,029,845.17)
Tax effects		(82,085,844.83)
Effects attributable to minority interests (after tax)		(2,521,193.71)
Total		1,183,990,164.29

**Note:** As financial instrument investment is included in the main business scope of Finance Co. and Ouyee, so the investment income of relevant wealth management products is exclusive from non-recurring profit or (loss).

#### 2. Return on net assets and earnings per share ("EPS")

The return on net assets and EPS have been prepared by Baoshan Iron & Steel Co., Ltd. in accordance with Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No. 9 - Calculation and Disclosure of Return on Net Assets and Earnings Per Share (Revised in 2010) issued by China Securities Regulatory Commission.

Profit for the reporting period	Weighted average yield rate on net assets (%)	Earnings per share ("EPS")	
		Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders of the Company	12.24	0.86	0.86
Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	12.00	0.81	0.81

## Section XII Catalog of Documents Available for Inspection

Catalog of documents available for inspection	Accounting statement with signature and seal of legal representative, principal of competent accounting work and accounting institution principal.
Catalog of documents available for inspection	Original of audit report with signature and seal of the accounting firm and certified public accountant.
Catalog of documents available for inspection	Originals of all documents and announcements of the Company publicly disclosed on the newspapers designated by CSRC within the report period.

Chairman: Dai Zhihao

Approval and submission date of the Board of Directors: Apr. 9, 2018

### Revision information

☐ Applicable ☒ Not applicable



