

Corporation code: 600019

Corporation abbreviation: Baosteel

Baoshan Iron & Steel Co., Ltd.

2018 Semi-annual Report

Important Notice

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

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

Post of the Director absent	Name of the Director absent	Reason for absence	Name of the person commissioned
Independent Director	Lu Xiongwen	Work-related Reason	Xie Rong

III. This semi-annual report is unaudited.

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

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

None

VI. Risk Disclosure on Proactive Statements

Applicable Not applicable

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

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

None

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

None

IX. Notice on Major Risks

In the next half year, the Company is affected by domestic infrastructure investment remained under pressure, new steel capacity release, international trade protectionism on the rise and other factors, and still has operational risks such as downstream demands failed to meet expectations, fluctuation in price of upstream raw materials and intensified high-end product homogeneity competition.

X. Others

Applicable Not applicable

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Section I Definitions

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

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

Section II Company Profile and Key Financial Indicators

I. Company profile

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

II. Contact Information

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

III. Basic Information Change

Registered Address	Baosteel Administration Center, 885 Fujin Rd. Baoshan District, Shanghai
Zip Code of Registered Address	201999
Office Address	Baosteel Administration Center, 885 Fujin Rd. Baoshan District, Shanghai
Zip Code of Office Address	201999
Internet website	http://www.baosteel.com
E-mail	ir@baosteel.com
Query index of changes during the reporting period	

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

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

V. Profiles of Stocks of the Company

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

VI. Other Relevant Information

Applicable Not applicable

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

Unit: Million Yuan Currency: RMB

Major accounting data	This reporting period (January- June)	Same period last year	Year-on-year change (%)
Business income	148,534	145,373	2.17
Net profit attributable to shareholders of listed company	10,009	6,170	62.23
Net profit attributable to shareholders of the listed Company less non-recurring gains and losses	9,444	6,201	52.30
Net cash flows from operating activities	19,469	6,541	197.63
	At the end of this reporting period	At the end of last reporting period	Year-on-year change (%)
Net assets attributable to shareholders of listed company	164,842	164,433	0.25
Total assets	351,802	350,235	0.45

(II) Major Financial Data

Major Financial Indicators	This reporting period (January- June)	Same period last year	Year-on-year change (%)
Basic earnings per share (Yuan/share)	0.45	0.28	60.71
Diluted earnings per share (Yuan/share)	0.45	0.28	60.71
Basic earnings per share net of non-recurring gains and losses (Yuan/share)	0.42	0.28	50.00
Weighted average return on equity (%)	5.97	4.06	Up by 1.91 ppts
Weighted average return on equity net of non-recurring gains and losses (%)	5.63	4.08	Up by 1.55 ppts

VIII. Accounting Data Difference between Accounting Standards Inside and Outside China

Applicable Not applicable

IX. Non-recurring Gains and Losses Items and Amount√ Applicable Not applicable

Unit: Million Yuan Currency: RMB

Non-recurring Gains and Losses Items	Amount	Notes (if applicable)
Gains and losses from disposal of non-current assets	-164	
Government subsidy calculated in current gains and losses, but related to normal operating activities, except consecutive fixed government subsidy in lines with policies, rules and certain standards	168	
Gains and losses from change of fair value for holding held-for-trading financial assets and liabilities, investment income at the disposal of held-for-trading financial assets and liabilities, and available-for-sale financial assets, except effective hedging operations	728	
Other non-operating income and expenditure except above mentioned items	35	
Affected amount belonging to minority shareholders	-13	
Affected amount of income tax	-189	
Total	565	

Section III Corporate Business Summary

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

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

As world's leading super-large steel business group, the Company is the core enterprise of China Baowu Steel Group Corporation Limited (hereinafter referred to as "Baowu Group"), a Fortune 500. Dedicated to its mission of creation beyond vision, the Company is devoted to the steel industry and engaged in the processing, distribution and other businesses related to iron & steel industry, providing high-quality products and service for customers and creating best value for shareholders and the society for the joint development with stakeholders. The Company owns major production bases including Shanghai Baoshan, Wuhan Qingshan, Zhanjiang Dongshan, Nanjing Meishan etc. and owns world-renowned brands, world-class technology and service capabilities, becoming one of the world's iron and steel enterprises with the most complete carbon steel varieties.

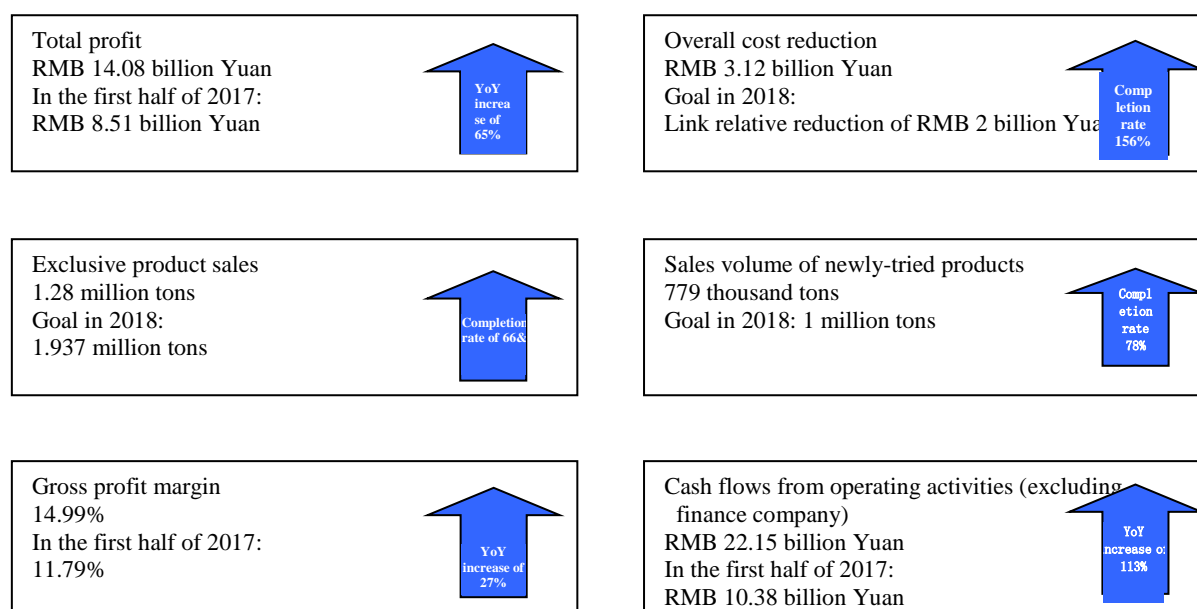
The Company always adheres to take the road of development of "innovation, coordination, green, opening, sharing". The Company's steel industry sector produces high-tech and high value-added carbon steel sheet, heavy plate, steel pipe and other competitive steel products. The main products have been widely used in industries including automobile, home appliances, petrochemicals, machinery manufacturing, energy transportation etc. Focusing on the core strategy product group, based on the dimensions of manufacturing, development, marketing and service, the Company forms six strategic product areas including automotive steel, electrical steel, energy and pipeline steel, high-grade sheet, tin plate and high-grade heavy plate.

The Company has continuously implemented its competitive product development strategy characterized by being technology-leading, paid close attention to the high-speed growth of Chinese high-end manufacturing industries such as the military industry, the nuclear power industry, the high-speed railway industry, the maritime work equipment industry and the new energy automobile industry, developed the high-end products including super-strength steel and oriented silicon steel, researched, developed and reserved high-end new material technologies, concentrated on the process "from steel to materials" and continuously enjoyed the economic benefits from its high-end product structure. The overall technical equipment of the Company is established on the basis of advanced technologies such as the contemporary iron and steel smelting, the cold and hot processing, the hydraulic sensors, the electronic control, the computer and information communication, characterized by being large-scale, continuous and automatic and taken the leading position in the world iron and steel industry. The Company has actively strived to act as the explorer and practitioner of "future iron and steel" and strengthened the construction of its six capabilities (namely "cost reform, technology-leading, services going first, wisdom-based manufacture, urban steel mills and multi-base management"). The Company has also paid attention to the cultivation of innovation capabilities, actively developed and applied the advanced manufacturing, energy-saving and environmental protection technologies and established a marketing and processing service network nationwide and even all over the world. In addition, the high-end products such as a new generation of automobile super-strength steel, the electrical steel, the high-grade household appliance steel, the oil and gas pipes, the bridge steel, the hot rolled heavy rails under independent research and development of the Company have been at the internationally advanced level.

The Company has continuously carried the integration of Baoshan Iron & Steel Group with Wuhan Iron & Steel Group forward, neatened the integration task in an all-round way, strengthened the effective implementation of project measures and exerted the performance-guiding effect to maximize the synergistic benefits. It has deeply carried the reform work forward in three aspects (organizational structure, running mechanism and human resources) and proceeded to carry the work forward such as the reduction in the number of legal persons, the reduction in the number of joint stock companies, the optimization of organizational structure and the improvement of labor efficiency. By sparing no effort to create four manufacturing bases (Shanghai Baoshan, Wuhan Qingshan,

Zhanjiang Dongshan and Nanjing Meishan), actively pushed on and implemented the uniform management of marketing and purchase as well as research & development and thus created the multiple manufacturing base management mode which integrates consistent management and possesses the characteristics of Baosteel.

2. Key Data



3. Highlights of the Company

- It had greatly increased its business performance. In the first half year, it had achieved the total profits of RMB 14.08 billion Yuan at a year-on-year increase rate of 65% and created the best year-on-year performance since it was listed. Wherein, the profits in the second quarter had been RMB 7.16 billion Yuan and kept Top 3 among historical single-quarter profits. In the first half year, it had achieved the operating cash flow of RMB 22.15 billion Yuan (excluding its finance company) at a year-on-year increase rate of 113% compared with last year.
- It had achieved obvious effect of cutting down its costs. Compared with 2017, in the first half year, the Company has cut down its costs by RMB 3.12 billion Yuan and outperformed and accelerated the realization of its annual objectives.
- It had stably improved its manufacturing capability. In the first half year, it had fulfilled its annual objectives of selling its superior products and unique products by 55.1% and 66.0% respectively. Wherein, the cold-rolled super-strength steel yield of Baoshan Base had achieved a historically optimal value and Dongshan Base had possessed the volume productivity of 780DP.
- It had effectively strengthened its technological superiority. It had launched its 3 products such as B18P080 thin oriented silicon steel for the first time, achieved R&D breakthrough in respect of 8 symbolic technologies. In particular, its project named “Research, Development and Application of High-efficiency, Energy-saving and Environment-friendly Sintering Technologies and Equipment” had won the second prize for national scientific and technological progress.
- It had achieved multi-point wisdom-based manufacture. It had started 32 wisdom-based equipment upgrading projects; it had switched the equipment management system and the PSCS system and then taken them as representatives, and also carried out the Baowu information-based integration work as per its node plan; it had started, edited and revised a new round of wisdom-based manufacture specialized planning.

- It had continuously optimized its capital structure. At the end of June, its asset-liability ratio was 49.9% and was 0.3% lower than that at the beginning of this year; the net liability with interest decreased by RMB 9.44 billion Yuan at a decrease rate of 15.8%, compared with that at the beginning of this year.

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

√ Applicable □ Not applicable

1. Changes in Equity Assets

- 1) Upon the examination and approval of China Securities Regulatory Commission (CSRC), Shanghai Baosight Software Co., Ltd. (hereinafter referred to as "Baosight Software"), a holding subsidiary of the Company, issued 16 million public convertible bonds on November 17, 2017 wherein the face value of each bond was RMB 100 Yuan, the total amount of issuance was RMB 1.6 billion Yuan and the Company subscribed RMB 888 million Yuan as per its shareholding ratio. The above convertible bonds started converting into shares on May 23, 2018 and the bond holders had converted 74,290,508 bonds into shares up to the end of June 2018 wherein the Company had converted 10,995,052 bonds. Upon the approval of the State-owned Assets Supervision and Administration Commission of the State Council, Baosight Software added 7,770,000 A-shares to its incentive objects on December 29, 2017. With the above changes in stock right ownership, up to the end of June 2018, the Company had held 445,725,932 shares of Baosight Software with the shareholding ratio of 51.51%.
- 2) In the first half of 2018, the Company had further strengthened the disposal of ineffective assets, emphasized the neatening of joint stock companies and further optimized the stock right ownership. It had made liquidation for its 4 joint stock companies (Tianjin Baosteel Chuling Material Distribution Co., Ltd., Qiwu Trading Co., Ltd., WISCO Zhejin Trade Co., Ltd. and WISCO Hwabao Co., Ltd.) and then cancelled their registration, recouping its investment of RMB 140 million Yuan..

2. Changes in Fixed Assets and Construction in Progress

Fixed assets decreased by RMB 1.14 billion Yuan compared with the beginning of the year, of which RMB 7.98 billion Yuan was transferred from construction in progress and RMB 8.90 billion Yuan from depreciation.

The construction in progress decreased by RMB 2.06 billion Yuan compared with the beginning of the year, of which RMB 6.11 billion Yuan was for new investment and RMB 7.98 billion Yuan was transferred in fixed assets.

3. Situation of Foreign Assets

At the end of June 2018, the assets of overseas subsidiaries at all levels amounted to 380.4 (Unit: 100 million Yuan Currency: RMB), accounting for 10.8% of the total assets.

(1) Development of Foreign State-owned Assets

In 2005, the Company acquired, through additional issuance, the equity held by Baowu Group in overseas marketing companies including Baosteel Europe, Baosteel America etc., and shipping companies including Bao-Trans and Bao-Island, and the preferred equity of BaoVale Mine Company, with consideration of 1.11 billion Yuan. Since 2011, the Company, in order to expand the capacity of overseas manufacturing and processing services, has successively set up seven wholly-owned companies or joint ventures including Boly Pipe, Baosteel India in foreign countries. On February 27th, 2017, the Company absorbed and merged Wuhan Iron & Steel Co., Ltd. in a stock-for-stock deal and its overseas subsidiaries were merged into the Company. As of the end of June 2018, the Company has 27 overseas subsidiaries at all levels and 7 overseas joint-stock companies set up in such countries and regions as the United States, Japan, Germany, Singapore, Thailand, Hong Kong, etc.

(2) Operation Status of Foreign State-owned Assets

Foreign trade subsidiaries mainly include: Howa, Baosteel Europe, Baosteel America, Baosteel Singapore, Wugang Trading, WISCO Australia and subsidiaries thereof (WISCO India, WISCO Europe and WISCO America have completed business integration and are in the logout process); overseas shipping service subsidiaries include: Bao-Trans and WISCO (Hong Kong) Shipping Company Limited; overseas iron & steel manufacturing and processing service subsidiaries mainly include: Boly Pipe, BGM, Indian Shearing Center, Indonesian Steel Processing Center and WISCO International Tailored Blanks GMBH and subsidiaries thereof.

(3) Overall Situation of Foreign State-owned Assets

As of the end of June 2018, the assets of the Company's overseas subsidiaries totaled RMB 38.04 billion Yuan, operating income totaled RMB 37.34 billion Yuan and owner's interests totaled RMB 8.64 billion Yuan. In the first half of 2018, overseas subsidiaries have achieved a total profit of RMB 340 million Yuan with a net profit of RMB 310 million Yuan and a rate of return on common stockholders' equity of 3.6%.

III. Analysis of Core Competitiveness During the Reporting Period

Applicable Not applicable

Bearing in mind the vision of "becoming the most competitive steel company in the world and the most valuable listed company" and the mission of "Creation beyond Vision", on the basis of its five key capabilities of "cost reform, leading technology, service first, intelligent manufacture and urban steel mill", the Company makes an effort to improve the efficiency of human resources and create multiple manufacturing base management modes.

1. Cost Reform

During the reporting period, the Company had put forward the new three-year cost reduction objective: the cost reduction of RMB 10 billion Yuan from 2018 to 2020. In the first half of Year 2018, the Company had cut down its costs with an amount of RMB 3.12 billion Yuan by centering on the five cost reform aspects (namely the reform-driven, reduction in administrative costs, reduction in cooperation costs, reduction in technical costs and economic operation).

In accordance with the new three-year cost reform, the Company had pushed on its requirement that "The informatization construction will become an important innovation point of the new three-year cost reduction", selectively optimized and covered the cost informatization support platform, revealed the actual cost reduction performance in an effective, correct, dynamic and transparent manner and helped its multiple manufacturing bases push on the cost reduction throughout the process and the whole value chain.

2. Technology-leading

Its project named "Research, Development and Application of High-efficiency, Energy-saving and Environment-friendly Sintering Technologies and Equipment" had won the second prize for national scientific and technological progress; the project named "Integration of Deep-drawing, Environment-friendly, Fingerprint-resistant Electro-galvanized Sheet Manufacturing Technologies", the project named "Surface Quality Control Technologies and Industrial Application for High-quality Plate and Strip Hot-rolling Processes" and the project named "Development and Application of Key Technologies of Using Low-quality Coking Coal for High-proportion Production of High-quality Coke" had won the second prizes for scientific and technological progress of Hubei Province; the project named "Coagulation-based Synergistic Lateral-Movement Plate-type Five-area Electrical De-dusting Technology" had won the second prize for scientific and technological progress of Shanxi Province; the project named "Comprehensive Maintenance Technology for Blast-furnace Hearth Longevity and Its Applications" and the project named "Research, Development and Application of Digital Accurate Detection and Calibration Technologies for Power Generation Control Equipment" had won the third prizes for scientific and technological progress of Shanghai.

3. Services Going-first

In the field of automobile: It had won the title "Excellent Supplier" of Year 2017 issued by the automobile

companies such as Changan Mazda, Zhengzhou Nissan, GMMC, CAMC, Chery Automobile, South-East Motor, FJ MOTOR New Longma Auto, Jiangxi Isuzu, SAIC GM Wuling, Dongfeng Honda and General Motors, the “Prize for Outstanding Cooperation Performance” of Year 2017 issued by SAIC Volkswagen, the “Prize for Best Quality” of Year 2017 issued by Indian Fiat, the “Prize for Excellent Supplier-Best Assurance” issued by Shanxi Heavy Duty Automobile, the “Prize for Sincere Partner” which is the highest prize of the Annual Supplier Meeting held by Great Wall Motor, the “Prize for Excellent Supplier” issued by Geely Automobile, the “Prize for Excellent Quality” issued by GAC TOYOTA, the “Prize for Best Supplier” of Year 2017 issued by Jing-Jin Electric Technologies (Beijing) Co., Ltd. and the “Prize for Best Supplier” of Year 2017 issued by Lingyun Industrial Corporation Limited.

In the field of electrical equipment: It had won the “Prize for Best Cooperative Partner” issued by Haier Gas Water Heater, the “Prize for China Cooperative Partner” issued by Daikin Air Conditioner and become the domestically exclusive iron and steel material supplier recognized by Daikin.

In the field of engineering application: Its high-steel-grade high-strength pipeline steel “customized” for the domestically largest pipe-diameter passing-through documentary project. It had become the domestically first steel enterprise which masters the technology of manufacturing the pipeline steel with the biggest diameter and the thickest tube wall and the highest steel grade in the world, and realized bulk supply and actual engineering application. Its BMS1400 corrosion-resistant steel hot-rolled plates had been used for the supporting dredging pipeline of “Day Kun” Cutter-suction Dredger largest in Asia. In addition, it had researched and developed the LPG (VLGC) low-temperature steel plates independently and become the domestically first steel enterprise realizing bulk supply of low-temperature steel plates used for ultra-large liquefied gas carriers (VLGC). As a result, it had broken through the foreign monopoly and realized the substitution of domestic low-temperature steel plates for imported ones.

4. Wisdom-based Manufacture

The globally first blast-furnace automatic operating control system of Baoshan Base of the Company had come into service and realized the centralized operating control and production management of 4 blast-furnaces as well as given remote technical support to other blast-furnaces; it had built the domestically largest steel warehouse with the highest degree of intelligence and put it into service and thus realized smart steel warehouse management; the domestically first smart hot-molten metal crane of Meishan Base had been put into operation at the steel mill and realized automatic cruise and realized one-key automatic operation in place as per the commands from the manufacturing management system; the Conticaster No. 3 of Baoshan Base had become the globally first conticaster using 4 robots for cooperative automatic operations. In addition, the project named “Robot Automatic Operating System for Steelmaking Processes” had obtained the special funds with the amount of RMB 13,400,000 Yuan from the Project “Intelligent Robots” under the national 13th Five-Year Key R&D Plan.

5. Urban Steel Mills

The Company had passed the third round of clean production audit acceptance done by the Environmental Protection Agency of Shanghai. It had won the “Prize for Green Enterprise Management of Year 2017” at the “The High-level Forum 2017 on China’s Green Development & the Annual Meeting 2017 of China Green Development Alliance” held by China Environment News.

Qingshan Base: It had torn down some buildings to make green. The newly increased green area had been nearly 100,000 square meters and the factory district green area had accounted for 22.35% of the factory area. It had pushed on the construction of “wisdom-based environmental protection” by setting up 65 online monitoring systems throughout the factory, networking with the environmental protection departments for real-time online monitoring. It had invested RMB 10 million Yuan in establishing the environmental protection information management system. In addition, it had increased 15 online monitoring devices, 22 environmental protection video monitoring systems and 5 air quality monitoring stations.

Meishan Base: It had actively implemented the goal “Solid waste remains in the factory” by exploring and carrying

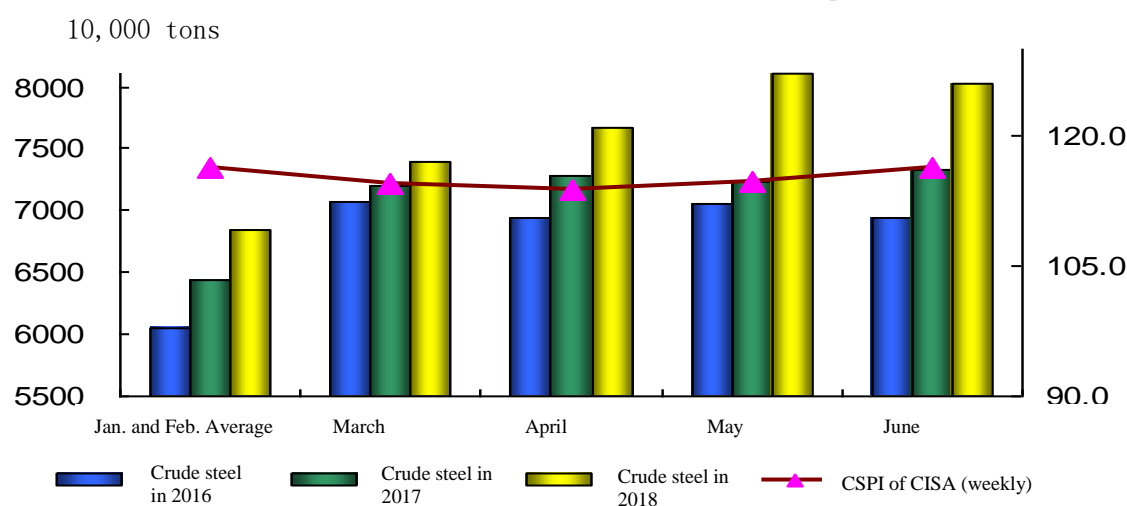
out the work on returning dangerous waste such as waste oil drums and waste paint buckets to production for comprehensive utilization.

Section IV Discussion and Analysis about Operation

I. Discussion and Analysis about Operation

In the first half year, the overall national economy of China had been stable and tended to a good prospect, the economic structure had continuously optimized and upgraded and the demands of main downstream industries for steel had been relatively stable. The nationwide output of crude steel had been 450 million tons at a year-on-year increase rate of 6.0%; the comprehensive steel price index of CISA (China Iron and Steel Industry Association) had been 114.75 at a year-on-year rate of 15% compared with last year; the daily average value of Iron Ore Platts Index 62% had daily been USD 69.9 at a year-on-year decrease rate of 6% compared with last year, wherein the purchase and marketing price differentials of steel products had enlarged. Seen from the angle of quarterly comparison, the domestic steel market in the first half year had taken on the tendency of being first weak and then strong and large fluctuation. Since the second quarter, with the combined action of factors such as the relation between supply and demand, the policies on environmental protection and the inventory reduction, the domestic market prices had gradually tended to stably pick up and the overall fluctuation range had narrowed.

During the reporting period, the Company had output the iron of 22,767,000 tons and the steel of 23,956,000 tons, sold the billet steel of 23,261,000 tons and achieved the total consolidated profits of RMB 14.08 billion Yuan.



Looking forward to the second half year, the tendency that China's economy is stable and tends to a good prospect will not change. There are some reasons. To be specific, the demands of downstream manufacturing industry are released stably; the overcapacity cutting of the iron and steel industry and the supervision, examination and renovation of environmental protection are strengthened; the overall supply-demand environment of the iron and steel industry are relatively stable. However, the iron and steel industry will still suffer certain operational risk due to the influence of factors such as the continuous pressure-bearing of infrastructural investments, the launch of newly increased capacity and the rising of international trade protectionism.

In the second half year, the production and marketing scale of the Company will remain stable. However, facing the changes in objective conditions such as the increase in environmental protection investments, the concentration of periodical and annual repairs, the changes in exchange rates and the rise in material purchasing prices, the Company will face multiple challenges and pressure in respect of remaining stable and smooth manufacture and sustainable cost reduction. With the help of the improvement in multiple manufacturing base management ability and the synergistic effect mining, the Company will accelerate the implementation of reform measures, consolidate the work achievements made from cost reduction, market development and efficiency improvement, effectively

hedge the changes in internal and external business environment, strive to keep stable performance and ensure the realization of annual operation objectives.

(I) Analysis of Principal Business

1. Analysis of Changes to Financial Statements

Unit: Million Yuan Currency: RMB

Item	Current Period	Same Period Last Year	Change (%)
Operating revenue	148,534	145,373	2.17
Operating cost	126,275	128,230	-1.52
Sales expenses	1,636	1,591	2.86
Administrative expenses	5,699	4,556	25.09
Financial expenses	2,166	1,990	8.87
Net cash flow from operating activities	19,469	6,541	197.63
Net cash flow from investment activities	-2,349	-3,528	-33.43
Net cash flow from financing activities	-12,807	1,626	-887.80

Reason for changes in operating revenue: small changes, slightly higher than the same period last year.

Reason for changes in operating cost: small changes, slightly higher than the same period last year.

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

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

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

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

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

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

2. Others

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

Applicable Not applicable

In the first half of 2018, the Company had achieved the total consolidated profits of RMB 14.08 billion Yuan with a year-on-year increase of RMB 5.57 billion Yuan compared with last year, mainly benefiting from some reasons. To be specific, China's economy had been stable and tended to a good prospect; the demands of main downstream industries for steel had been relatively stable, the year-on-year rise in steel prices had been higher than the year-on-year rise in material prices, the year-on-year purchase and marketing price differentials of iron and steel products had been enlarged; the Company had actively carried out the supply-side reform, strengthened various work on the internal management and the improvement in quality and efficiency, consolidated the cost reform measures, continuously improved the labor efficiency and thus continuously improved the cost competitiveness and the operational efficiency of assets.

(2) Others

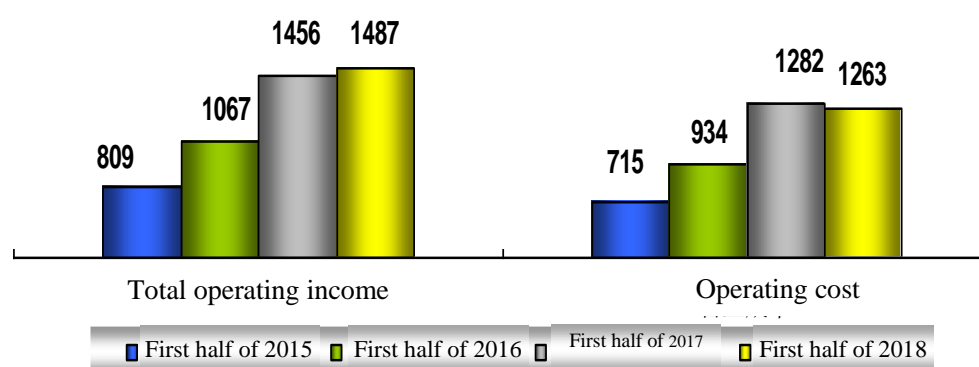
Applicable Not applicable

Completion of Budgets and Plans

The total operation revenue budget for 2018 is RMB 278.58 billion Yuan and the actual revenue in the first half of

2018 had been RMB 148.72 billion Yuan, accounting for 53.4% of the annual budget. The operating cost budget for 2018 is RMB 241.95 billion Yuan and the actual operating costs in the first half of 2018 had been RMB 126.28 billion Yuan, accounting for 52.2% of the annual budget. In the second half of 2018, the Company will further accelerate the variety expansion and cost reduction of Zhanjiang Steel, strengthen the coordination with Baowu and strive to keep the operating performance taking the leading position in the domestic iron and steel industry and continuously improve its comprehensive competitiveness through the work such as consolidating the cost reduction throughout the system, improving the comprehensive labor efficiency and pushing on the multiple manufacturing base management mode.

Unit: 100 million Yuan



3. Cash Flows Analysis

In the first half of 2018, net increase of cash and cash equivalents amounted to 4.29 billion Yuan, in which net cash flow from operating activities was 19.47 billion Yuan, net cash flow from investment activities was -2.35 billion Yuan, net cash flow from financing activities was -12.81 billion Yuan, and net cash flow influenced by fluctuations in exchange was -20 million Yuan. Without considering the impact of the Finance Co., net increase of cash and cash equivalents was 5.99 billion Yuan, in which net cash flow from operating activities was 22.15 billion Yuan, net cash flow from investment activities was -3.48 billion Yuan, net cash flow from financing activities was -12.66 billion Yuan, and net cash flow influenced by fluctuations in exchange was -20 million Yuan.

Unit: Million Yuan Currency: RMB

Item	First half of 2018		First half of 2017		Year-on-year Change	
	Including Finance Co.	Excluding Finance Co.	Including Finance Co.	Excluding Finance Co.	Including Finance Co.	Excluding Finance Co.
Net cash flow from operating activities	19,469	22,149	6,541	10,383	12,928	11,766
Net cash flow from investment activities	-2,349	-3,475	-3,528	-4,820	1,179	1,345
Net cash flow from financing activities	-12,807	-12,659	1,626	2,052	-14,433	-14,711
Effect of fluctuations in exchange on cash	-22	-25	55	58	-77	-82
Net increase in cash and cash equivalents	4,292	5,990	4,694	7,672	-402	-1,682

(1) Cash flow from operating activities:

Without considering the impact of the Finance Co., the Company's net cash flow from operating activities in the first half of 2018 was 22.15 billion Yuan, representing an increase of 11.77 billion Yuan when compared with 10.38 billion Yuan in the same period last year. Main reasons are as follows:

- 1) Net profit was 10.77 billion Yuan, representing an increase of 4.21 billion Yuan when compared with 6.56 billion Yuan in the same period last year;
- 2) Depreciation and amortization was 9.23 billion Yuan, representing an increase of 60 million Yuan when compared with 9.18 billion Yuan in the same period last year;
- 3) Assets impairment reserve was 10 million Yuan, representing a decrease of 730 million Yuan when compared with 740 million Yuan in the same period last year;
- 4) Financial expense was 2.16 billion Yuan, representing an increase of 190 million Yuan when compared with 1.97 billion Yuan in the same period last year;
- 5) Investment income was 1.65 billion Yuan, representing a decrease of 310 million Yuan when compared with 1.34 billion Yuan in the same period last year;
- 6) Cash flow from such items as loss from disposal of assets, loss from fair value change, investment loss, deferred income tax assets and liabilities decreased by 190 million Yuan, representing a decrease of 510 million Yuan compared with the same period last year during which the cash flow increased by 330 million Yuan.
- 7) The increase of inventories decreased the cash flow by 440 million Yuan, representing a decrease of 3.33 billion Yuan compared with the same period last year during which the decrease of inventories increased the cash flow by 2.89 billion Yuan.
- 8) The increase of operational receivables decreased the cash flow by 1.73 billion Yuan, representing an increase of 3.10 billion Yuan compared with the same period last year during which the increase of operational receivables decreased the cash flow by 4.83 billion Yuan.
- 9) The increase of operational payables increased the cash flow by 3.81 billion Yuan, representing an increase of 8.92 billion Yuan compared with the same period last year during which the decrease of operational payables decreased the cash flow by 5.11 billion Yuan.

(2) Net cash flow from investment activities

Without considering the impact of the Finance Co., the Company's net cash flow from investment activities was -3.48 billion Yuan, representing a decrease of 1.34 billion Yuan when compared with -4.82 billion Yuan in the same period last year. Main reasons are as follows:

- 1) Net investment expenditure was -980 million Yuan, an increase of 5.71 billion Yuan from the 4.73 billion Yuan in the same period last year, which mainly because there was less idle money in the first half of 2018 and the capital operation was decreased by 800 million Yuan compared with the same period last year during which the capital operation was increased by 4.71 billion Yuan.
- 2) Cash paid for the purchase or construction of fixed assets, intangible assets and other long-term assets was 5.58 billion Yuan, decreasing cash outflow by 400 million Yuan from the 5.98 billion Yuan in the same period last year.
- 3) Income from investment increased cash flow by 1.40 billion Yuan, an increase of 320 million Yuan from the 1.08 billion Yuan in the same period last year.
- 4) Cash retrieved from the disposal of fixed assets, intangible assets, other long-term assets and subsidiaries increased the cash flow by 40 million Yuan, a decrease of 120 million Yuan from the 150 million Yuan in the same period last year.
- 5) The decrease of other cash income and expenditure related to investment activities by 310 million Yuan, a

decrease of 5.01 billion Yuan compared with the same period last year during which the cash flow was increased by 4.71 billion Yuan, mainly because the principal and interest of Wusong block transfer amount in the same period last year was 4.68 billion Yuan in total.

Item (Excluding Finance Co.)	Unit: million Yuan		Currency: RMB
	First half of 2018	First half of 2017	Change
Cash inflow from investment activities	43,400	36,179	7,222
Cash outflow from investment activities	46,876	40,999	5,877
Net cash flow from investment activities	-3,475	-4,820	1,345

(3) Net cash flow from financing activities

Without considering the impact of the Finance Co., the Company's net cash flow from financing activities amounted to -12.66 billion Yuan, a decrease of 14.71 billion Yuan from the 2.05 billion Yuan in the same period last year. Main reasons are as follows:

1) The debt financing scale had gone down with a flow decrease of RMB 1.88 billion Yuan, and the year-on-year debt financing scale of last year had gone up with a flow increase of RMB 8.58 billion Yuan. Therefore, the year-on-year debt financing flow had decreased by RMB 10.46 billion Yuan.

2) The cash used for dividend distribution and interest payment had been RMB 10.79 billion Yuan and such cash of last year had been RMB 6.73 billion Yuan. Therefore, the year-on-year cash flow had decreased by RMB 4.07 billion Yuan.

Item (Excluding Finance Co.)	Unit: Million Yuan		Currency: RMB
	First half of 2018	First half of 2017	Change
Influence of changes in financing scale on cash flow	-1,877	8,582	-10,459
Cash paid for dividend distribution, profits or interests	-10,793	-6,728	-4,065
Cash received from investment absorption	0	198	-198
Other cash received related to financing activities	11	0	11
Net cash flow from financing activities	-12,659	2,052	-14,711

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

1. Principal Business by Industry and Product

Income of transaction between segments	Operating revenue	Operating cost	Gross margin (%)	YoY change in revenue (%)	Unit: Million Yuan		YoY Change in gross margin (%)
					YoY change in cost (%)	Currency: RMB	
Iron & steel manufacturing	113,986	95,722	16.0	6.9	3.5		Up by 2.8 ppts
Processing & distribution	149,107	145,862	2.2	3.3	2.9		Up by 0.4 ppts
Other segment	6,101	4,788	21.5	-31.6	-35.9		Up by 5.4 ppts
Offset between segments	-120,422	-120,020					
Total	148,771	126,351	15.1	2.1	-1.5		Up by 3.2 ppts

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

The Company is divided into three management segments - steel manufacturing, processing and distribution, other segments in accordance with the internal organization structure. The Steel Manufacturing Division covers steel manufacturing units, Processing and Distribution Division covers Baosteel International, overseas companies and other trading units, and Other Segment covers the business of Baosight software, Chemical Co. and Finance Co.

Unit: Million Yuan Currency: RMB

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	47,842	40,530	15.3	9.1	11.5	Down by 1.8 ppts
Hot-rolled carbon steel sheets and coils	38,867	30,864	20.6	4.4	-1.5	Up by 4.7 ppts
Steel tubes and pipes	6,818	5,972	12.4	40.0	26.0	Up by 9.7 ppts
Long products	4,239	3,543	16.4	21.4	19.4	Up by 1.4 ppts
Other steel products	7,893	6,378	19.2	35.7	10.7	Up by 18.2 ppts
Total	105,658	87,287	17.4	10.9	7.6	Up by 2.6 ppts

(III) Description of Significant Changes of Profit Due to Non-core Businesses

□ Applicable √ Not applicable

(IV) Analysis of Assets and Liabilities

√ Applicable □ Not applicable

1. Assets and Liabilities

Unit: Million Yuan Currency: RMB

Items	Amount at the end of the reporting period	Ratio against total assets (%)	Amount at the end of last reporting period	Ratio against total assets (%)	YoY ratio change (%)	Notes
Current assets	136,723	38.9	133,293	38.1	2.6	
Including: monetary capital	25,502	7.2	17,857	5.1	42.8	The payment collection is intensive at the end of June, and the company increases the fixed-term deposit
Inventory	39,887	11.3	39,488	11.3	1.0	
Notes payables	33,122	9.4	31,857	9.1	4.0	
Receivables	13,255	3.8	12,079	3.5	9.7	
Prepayments	8,554	2.4	8,018	2.3	6.7	
Non-current assets	215,079	61.1	216,942	61.9	-0.9	
Including: Fixed assets	153,077	43.5	154,222	44.0	-0.7	
Construction-in-progress	7,915	2.2	9,975	2.9	-20.6	

Long-term equity investment	17,962	5.1	17,286	4.9	3.9	
Total assets	351,802	100.0	350,235	100.0	0.4	
Current liabilities	164,784	46.8	163,207	46.6	1.0	
Including:						
Short-term borrowings	62,796	17.8	60,282	17.2	4.2	
Notes payables	13,251	3.8	10,517	3.0	26.0	
Payables	31,496	9.0	29,156	8.3	8.0	
Deposit received	22,496	6.4	23,745	6.8	-5.3	
Non-current liabilities due within one year	14,196	4.0	20,407	5.8	-30.4	WISCO liabilities of 7 billion Yuan and Euro liabilities of 500 million Yuan become due and are cashed, and the medium term note due within one year of 5 billion Yuan is transferred in
Other current liabilities	4,078	1.2	53	0.02	7,605.8	Ultra-short term financing of 4 billion Yuan is increased
Non-current liabilities	10,727	3.0	12,556	3.6	-14.6	
Including:						
Long-term borrowings	2,868	0.8	413	0.1	593.9	The company adjusts the financing structure according to the whole arrangement
Bond payables	3,204	0.9	8,553	2.4	-62.5	The medium term note due within one year of 5 billion Yuan is transferred out
Total liabilities	175,510	49.9	175,762	50.2	-0.1	
Shareholders' equity	176,292	50.1	174,472	49.8	1.0	
Total Liabilities and shareholders' equity	351,802	100.0	350,235	100.0	0.45	

2. Limited cause 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	1,298	Central bank legal reserve deposited by finance company
Notes receivables	5	Group's accounts receivable of 5 million Yuan as pledge through factoring business to obtain the short-term borrowing
Fixed assets	3,971	fixed assets by finance leased, and mortgage loan
Intangible	91	Mortgage loan

assets		
Total	5,365	

(V) Investment Analysis**1. Overall Analysis of Outward Equity Investment**√ Applicable Not applicable

In the first half of 2018, the Company has completed equity investment projects of 410 million Yuan, an increase of 18%, i.e. 60 million Yuan, compared with the same period last year.

(1) Significant equity investment√ Applicable Not applicable

Unit: Million Yuan Currency: RMB

Name of Invested Company	Major Business	Proportion of Baosteel equity in the investee	Capital Actually Contributed by Baosteel
Shanghai Baosight Software Co., Ltd.	Software	51.51%	228.5
Baosteel India Company Private Ltd.	Steel processing	100%	94.6
Total			323.1

Note: The Company converts the partial convertible bond of Baosight Software, with 10.995 million shares converted, and investment amount of 228 million Yuan.

2. Main non-equity investment√ Applicable Not applicable

In the first half of 2018, the Company has completed the fixed-asset investment of 5.09 billion Yuan.

(1) Raised fund project situation

None.

(2) Non-raised fund project

The transformation of No.1 and No.2 sintering machine: To improve energy conservation and environment protection of sintering circuit, further increase the proportion of sinter ore into furnace and reduce production costs, it was decided to dismantle the existing No.1 and No.2 sintering machine and build a new one. Currently the project is at the main equipment installation stage.

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

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

2018. Currently the project is at the equipment installation and debugging stage.

3. Financial Asset Measured at Fair Value

Applicable Not applicable

Unit: Million Yuan Currency: RMB

Item	At the end of 2017	At the end of June, 2018	Purchases in the reporting period	Sales in the reporting period	Change in fair value
Financial assets measured at fair value and its change recorded in the gains/losses in the reporting period	1,726	604	10,216	11,364	26
Available-for-sale financial assets	3,378	3,254	50	20	-181
Total	5,104	3,858	10,266	11,384	-154

(VI) Major Assets and Right Offering

Applicable Not applicable

(VII) Analysis of Major Holding and Joint-stock Companies

Applicable Not applicable

1. Wuhan Iron & Steel Co., Ltd.

By the end of June, 2018, the Company had a full shareholding of Wuhan Iron & Steel Co., Ltd. With a registered capital of RMB 500 million, WISCO, Ltd. specializes in the manufacturing of metallurgical products and by-products, steel augmented products. By the end of June, 2018, it had a total asset of RMB 75.68 billion and a net asset of RMB 30.21 billion, and achieved a net profit of RMB 860 million in the first half of 2018.

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

By the end of June, 2018, the Company had 90% shareholding of Baosteel Zhanjiang Iron & Steel Co., Ltd. With a registered capital of RMB 20 billion, Zhanjiang Steel specializes in black metal metallurgy, rolling, processing and sales. By the end of June, 2018, it had a total asset of RMB 60.54 billion and a net asset of RMB 22.42 billion, and reported a net profit of RMB 2.23 billion for the first half of 2018.

3. Shanghai Meishan Iron & Steel Co., Ltd.

By the end of June, 2018, the Company had 77.0% shareholding of Shanghai Meishan Iron & Steel Co., Ltd. With a registered capital of RMB 7.08 billion, Meishan Steel specializes in black metal metallurgy, rolling, processing and sales. By the end of June, 2018, it had a total asset of RMB 27.70 billion and a net asset of RMB 13.42 billion, and achieved a net profit of RMB 1.56 billion for the first half of 2018.

4. Baosteel-NSC/Arcelor Automotive Steel Sheets Co., Ltd.

By the end of June, 2018, the Company owned 50% of Baosteel-NSC/Arcelor Automotive Steel Sheets Co., Ltd. (BNA). With a registered capital of RMB 3 billion, BNA is mainly engaged in the manufacturing and sales of cold-rolled steel sheets and hot-dip and electrolytic galvanized steel sheets for automobile and automotive parts and other services related to such businesses. By the end of June, 2018, BNA had a total asset of RMB 5.37 billion and a net asset of RMB 4.12 billion, and achieved a net profit of RMB 200 million for the first half of 2018.

5. Yantai Lubao Steel Pipe Co., Ltd.

By the end of June, 2018, the Company owned 100% of Yantai Lubao Steel Pipe Co., Ltd. With a registered capital of RMB 2.5 billion, Lubao Steel Pipe is mainly engaged in the processing and sales of seamless steel pipe. Its major products include structural seamless steel pipe, low/medium pressure boiler seamless pipe, seamless

pipelines for transportation of fluids, hydraulic seamless pipe, high pressure boiler seamless pipe, seamless pipe for oil pipelines, geological drillings, oil pipelines, oxygen canisters, and so on. By the end of June, 2018, the company had a total asset of RMB 4.49 billion and a net asset of RMB 2.6 billion, and reported a net profit of RMB 240 million for the first half of 2018.

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

By the end of June, 2018, the Company owned 50.63% of Baosteel Huangshi Coated and Galvanized Sheet Co., Ltd. (Huangshi). With a registered capital of RMB 167 million, Huangshi specializes in the production and sales of cold-rolled sheets, aluminum coated steel sheets, color-coated steel sheets and related coated steel products. By the end of June, 2018, Huangshi had a total asset of RMB 1.19 billion and a net asset of RMB 520 million, and achieved a net profit of RMB 5.568 million for the first half of 2018.

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

By the end of June, 2018, the Company had a full shareholding of Shanghai Baosteel International Economic & Trading Co., Ltd. (Baosteel International). With a registered capital of RMB 2.25 billion, Baosteel International is mainly engaged in independent and agency imports and exports of goods and technology approved by the government, the imports of steel and scrap processing with imported materials and the "three-plus-one" trading-mix. By the end of June, 2018, Baosteel International had a total asset of RMB 56.7 billion and a net asset of RMB 17.05 billion, and achieved a net profit of RMB 820 million for the first half of 2018.

8. Shanghai Baosight Software Co., Ltd.

By the end of June, 2018, the Company owned 51.51% of Shanghai Baosight Software Co., Ltd. (Baosight). With a registered capital of RMB 865 million, Baosight is mainly engaged in the research, design, development, manufacturing and integration of computer, automation, network communication systems and software & hardware products. By the end of June, 2018, Baosight had a total asset of RMB 9.21 billion and a net asset of RMB 6.19 billion, and achieved a net profit of RMB 320 million for the first half of 2018.

9. Shanghai Baosteel Chemical Co., Ltd.

By the end of June, 2018, the Company had a full shareholding of Shanghai Baosteel Chemical Co., Ltd. (Baosteel Chemical). With a registered capital of RMB 2.11 billion, Baosteel Chemical is mainly engaged in the production and sales of raw chemical materials and products, "four techniques" services in chemical industry, and import and export activities of self-manufactured products. By the end of June, 2018, Baosteel Chemical had a total asset of RMB 5.34 billion and a net asset of RMB 3.93 billion, and achieved a net profit of RMB 190 million for the first half of 2018.

10. Shanghai Baosteel Assets Management Co., Ltd

By the end of June, 2018, the Company owned 100% of its equity. The company, with the registered capital of 1 billion Yuan, focuses its business on assets management, engineering machinery and metallurgical equipment maintenance, design, production, installation and maintenance of metallurgical equipment(excluding special equipment),import and export of commodities and services as well as technology development, technology transfer, technology consulting, technology service etc. in the field of metallurgical technology. By the end of June, 2018, the company owned a total assets of 1.05 billion Yuan and net assets of 1 billion Yuan, and has achieved a net profit of 856 thousand Yuan in the first half of 2018.

11. Baosteel Group Finance Co., Ltd.

By the end of June, 2018, the Company had 62.1% of Baosteel Group Finance Co., Ltd. (Finance Co.). With a registered capital of RMB 1.4 billion, Finance Co. is mainly engaged in absorbing deposits from member entities, providing loans to them, conducting internal financial transfers and relevant settlements between them, helping them in entrusted loan and investment, and engaged in deposits from or to other financial institutions. By the end of June, 2018, Finance Co. had a total asset of RMB 17.26 billion and a net asset of RMB 2.21 billion, and achieved a net profit of RMB 130 million for the first half of 2018.

12. Overseas Companies

By the end of June, 2018, the Company had overseas subsidiaries in the U.S.A., Japan, Germany, Singapore, and Hong Kong China. These overseas subsidiaries extended the Company's sales and purchase networks, and played a critical role in enhancing the Company's international competitiveness. The overseas company achieved a total profit of RMB 340 million and a net profit of RMB 310 million in the first half of 2018.

(VIII) Structured Entities under the Company's Control

Applicable Not applicable

II. Other Disclosure Matters

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

Applicable Not applicable

(II) Potential Risks

Applicable Not applicable

In the second half of 2018, the foundation for global economic recovery will be still unstable, the international trade protectionism will rise, both of which will bring about uncertainties to the export of China's iron and steel products. Meanwhile, the factors such as the continuous pressure-bearing of domestic infrastructural investments and the launch of newly increased iron and steel capacity will bring about certain influence to the supply-demand situation of domestic iron and steel products, the tendency of steel prices and the costs of materials. In addition, the domestic private enterprises will gradually enter the high-end market. Therefore, the Company will face some risks such as the increasingly outstanding product homogeneous competition and the transformation of sales models and the substitution of new materials.

(III) Other Disclosure Events

Applicable Not applicable

Section V Significant Events

I. Introduction of Shareholders' General Meeting

Session	Date of convening	Query index of designated website published by resolution	Disclosure date published by resolution
1st Extraordinary Shareholders' Meeting of 2018	February 9, 2018	http://www.sse.com.cn	February 10, 2018
Annual Shareholders' General Meeting of 2017	May 25, 2018	http://www.sse.com.cn	May 26, 2018

Situation explanation of Shareholders' General Meeting

Applicable Not applicable

II. Profit Distribution Plan or Capital Reserve Capitalization Plan

(I) Proposed Profit Distribution Plan and Capital Reserves Capitalization Plan in the First Half of 2018

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

III. Commitments and Performance

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

√ Applicable □ Not applicable

Background	Type	Party	Commitment content	Date	If any duration	If strictly perform in time	Specific reasons for nonperformance in time	Notes for next plan if nonperformance in time
Commitments related with the initial public offering (IPO)	Solve horizontal Competition	Baosteel Group	Baosteel Group undertook the following two commitments as of the establishment of the Company: (1) All related transactions with the Company will be carried out in compliance with relevant laws, regulations and rules set by the authorities and will not damage the legitimate interest of the Company and its minority shareholders. (2) Baosteel Group promises it will not directly participate in any business activity or directly own interests in any business activity or entity that might pose competition to the Company's current operating business. However, Baosteel Group can maintain its existing shares in the Company, as well as manage and develop existing business which is or may be in competition with the Company. If Baosteel Group and its subsidiaries are about to engage in any new business, investment or research that might be in competition with the products or services of the Company in the future, the Company has the priority to develop and acquire business said above. Commitments above will stay in force under	February 3, 2000	No	Yes		

			<p>two conditions: A. the Company is listed in Hong Kong Exchanges and Clearing Limited and domestic stock exchange of China and, B. Baosteel Group owns no less than 30% of the Company's issued shares. In addition, on June 13, 2001, and September 6, 2002, Baosteel Group further pledged to uphold these two commitments after the Company's acquisition of the assets related to construction of its phase three project and all remaining assets thereof. These commitments were published on <i>China Securities News, Shanghai Securities News</i> and <i>Securities Times</i> dated 21st June 2001 and 12th September 2002 and the official website of Shanghai Stock Exchange (http://www.sse.com.cn) as well.</p>					
Commitments related with re-financing	Solve horizontal competition	Baosteel Group	<p>Commitments made in the Prospectus of additional public offering by Baosteel Group:</p> <p>(1) The Company has the right to acquire, at any time it thinks appropriate, Baosteel Group's assets and businesses which may be in competition with the Company.</p> <p>(2) The Company shall enjoy the priority of similar business opportunities acquired by Baosteel Group, who will not invest until the Company gives up the commercial opportunities.</p> <p>These commitments were publicly posted on official website of the Shanghai Stock Exchange (http://www.sse.com.cn) on April</p>	August 10, 2004	No	Yes		

			15, 2005.					
Other commitments made by the company's small and medium shareholders	Others	Baosteel Group	<p>Commitments Baosteel Group undertook about Luojing Land: Baosteel Group Shanghai Pudong Iron and Steel Co., Ltd. (hereafter, Pudong Steel), a wholly owned subsidiary of Baosteel Group, was offering its construction-in-progress and related fixed assets in Luojing (hereafter, Luojing Related Assets), which the Company intended to purchase. Luojing Related Assets covered an area of 3.228 million m², for which Pudong Steel has paid some initial expenses, but not the land transfer expense. When the assets are to be purchased, RMB 2.8 billion of the unpaid land transfer expense and the Pudong Steel's initial expenses as on the asset-assessing day (30 September 2007), as preliminarily estimated, shall be paid by the Company.</p> <p>Baosteel Group promised: (1) If the Company intends to purchase the Luojing Related Assets, Baosteel Group and/or Pudong Steel would help the Company to go through the transfer procedures and other matters as required by the Company. (2) In the event of the total actual expense exceeding RMB 2.8 billion for the procedures, Baosteel Group and/or Pudong Steel shall fully cover the exceeding amount in time, by means of paying the Company and/or the government (as it is required).</p> <p>The aforementioned commitments were published on China Securities News,</p>	December 11, 2007	No	Yes		

			<p>Shanghai Securities News and Securities Times and the official website of Shanghai Stock Exchange (http://www.sse.com.cn) of 12 December 2007.</p> <p>Land in commitments aforementioned involved with West Luojing, East Luojing and North Energy Gallery. By the end of this report, the Company has paid about RMB 2.34 billion for west land in Luojing Project with land warrants, about RMB 20 million for north energy gallery land with land warrants. Relevant warrants for east land are in the process. And its land-transferring fees have not been paid yet.</p>					
	Others	Baosteel Group	<p>Baosteel Group advised if the Company would like to invest in the Desheng Nickel Project on December 16, 2010 in written form of <i>Solicit Letter about Investment on Desheng Nickel Project, Commitments about Desheng Nickel Project</i>. The Company agreed that Baosteel Group could invest in the project, but retained the right to purchase the equity of the project. Baosteel Group promised: When the Company wants to acquire the equity of the project, it would transfer its share of equity of the project at a fair price in line with relative laws, regulations, and other documents to the Company and on basis of asset evaluation results as conducted by an individual assets evaluation agency.</p> <p>These commitments stay in force under two conditions: (a) the company is listed at a</p>	December 16, 2010	No	Yes		

			<p>stock exchange and (b) Baosteel Group owns no less than 30% of the Company's issued shares.</p> <p>The aforementioned commitments were published on <i>China Securities News</i>, <i>Shanghai Securities News</i> and <i>Securities Times</i> and the official website of Shanghai Stock Exchange (http://www.sse.com.cn) of December 23, 2010.</p>					
Other commitments								
Baosteel exchanges stocks with Wuhan Iron&Steel and Related-party Transaction Report	Others	All directors, senior executives of Baosteel	<p>1. I undertake not to send benefits to other units or individuals without gratuitous or unfair conditions, nor in any other way to damage the interests of the company; 2. I promise to restrict the consumer behavior; 3. I undertake not to use the company's assets to engage in investment or consumer activities unrelated to the performance of their duties; 4. I undertake that the remuneration system established by the board of directors or the remuneration and appraisal committee is in line with the company's implementation of the return measures; 5. I undertake that if the company subsequently launches the equity incentive plan, I will support the exercise of the company's equity incentive to be announced, and it will be linked to the implementation of the company's return measures; 6. I undertake to fulfill this</p>	September 22, 2016	No	Yes		

			commitment in good faith and be willing to take legal responsibility for breach of the above commitments. These commitments were published on <i>China Securities News</i> , <i>Shanghai Securities News</i> and <i>Securities Times</i> dated September 23, 2016 and the official website of Shanghai Stock Exchange (http://www.sse.com.cn) as well.					
	Others	Baosteel Group, Wuhan Iron and Steel Group	I. To maintain the independence of Baosteel, the Company undertakes to be independent of Baosteel after the completion of this transaction. The senior managers of Baosteel such as general manager, vice-general manager, chief financial officer and secretary of the board of directors shall not hold positions in the Company or other enterprises controlled by the Company other than directors and supervisors, and will not be paid by the Company and other subordinate enterprises of the Company. Baosteel's financial officers will not take part in the part-time job in the Company and other enterprises controlled by the Company. II. Guarantee the independent and complete property of Baosteel 1. To ensure that Baosteel has independent and complete assets. 2. To ensure that no funds or assets of Baosteel occupied by the Company or other enterprises controlled by the Company. 3.	September 22, 2016	No	Yes		

			<p>To ensure that the residence of Baosteel is independent of the shareholders'. III. Guarantee the financial independence of Baosteel 1. To ensure that Baosteel will establish an independent financial department and an independent financial accounting system. 2. To ensure that Baosteel has a standard and independent financial accounting system. 3. To ensure that Baosteel independently opens an account in a bank and does not share a bank account with its shareholders. 4. To ensure that the financial staff of Baosteel will not take part in the part-time job in the Company or other enterprises under the control of the Company. 5. To ensure that Baosteel can independently make financial decisions and the Company and other enterprises under the control of the company do not interfere with the use of funds in Baosteel. IV. To ensure the independence of Baosteel and to ensure that Baosteel has an independent and complete organizational structure and is completely separate from the shareholders, especially those of the Company and other enterprises under the control of the Company. V. To ensure the independence of Baosteel. The Company undertakes to maintain its business with Baosteel after the completion of the transaction, and does not exist and</p>					
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			does not have substantial horizontal competition or unfair transactions. Baosteel has guaranteed the assets, personnel, qualification and ability of independent business activities, and has the ability to operate independently oriented for the market. VI. The Company undertakes not to interfere in the operation and management of Baosteel and shall not encroach on the interests of the company. These commitments were published on <i>China Securities News</i> , <i>Shanghai Securities News</i> and <i>Securities Times</i> dated September 23, 2016 and the official website of Shanghai Stock Exchange (http://www.sse.com.cn) as well.					
Solve horizontal competition	Baosteel Group	1. After the completion of this transaction, the Company will not directly or indirectly (including but not limited to the sole proprietorship and holding etc.) participate in or carry out business activities which have substantial competition or may have substantial competition with the main business undertaken by Baosteel. 2. If the company or its subsidiaries wish to undertake new operations, investments and research activities that may compete with Baosteel, Baosteel will have the priority to development and the priority to purchase the project, and the company will do its	September 22, 2016	No	Yes			

			<p>utmost to make the relevant transaction price determined on a fair and reasonable basis and through the normal commercial transactions with the independent third party. 3. Upon completion of this transaction, the company will exercise its legitimate rights to promote the performance of the relevant commitments issued by the parties in this transaction regarding competition within the industry. 4. The above commitments are valid during the period as the controlling shareholder of Baosteel. In case of violation of the above commitments, the rights and interests of the Baosteel are damaged, and the company is willing to undertake the corresponding liability for damages. These commitments were published on <i>China Securities News</i>, <i>Shanghai Securities News</i> and <i>Securities Times</i> dated September 23, 2016 and the official website of Shanghai Stock Exchange (http://www.sse.com.cn) as well.</p>					
	Solve horizontal competition	Wuhan Iron and Steel Group	<p>1. The company promised, after 3 years after the Fangchenggang steel project fully putting in the operation since the date of completion of the transaction (the earlier date), no control of Guangxi Iron and Steel Group Co. Ltd. or leading the company's operations. 2. After the completion of this transaction, the Company will not directly</p>	September 22, 2016	No	Yes		

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

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

			<p>shareholders of Baosteel. 2. The company and other enterprises under the control of the company will avoid unnecessary transactions with Baosteel and its affiliated enterprises. In the event of a necessary and unavoidable transaction, the company and other enterprises under the control of the company will sign the agreement with Baosteel and its affiliated enterprises in accordance with the principles of fairness, justness, equivalence and compensation. The legal procedures shall be fulfilled, and the provisions of the relevant laws, regulations and normative documents and the provisions of the <i>Constitution of Baoshan Iron&Steel Company</i> shall be followed. To fulfill the obligations of information disclosure in accordance with the law, and perform relevant internal decision-making and approval procedures, and undertake not to make transactions with Baosteel and its subordinate enterprises without unfair conditions in comparison with market prices, and do not use such transactions to do any harm to the lawful rights and interests of Baoshan Iron and steel company and other shareholders. 3. In case of violation of the above commitments, the rights and interests of the Baoshan Iron and steel company are damaged, and the company is willing to undertake the</p>					
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			corresponding liability for damages. These commitments were published on <i>China Securities News</i> , <i>Shanghai Securities News</i> and <i>Securities Times</i> dated September 23, 2016 and the official website of Shanghai Stock Exchange (http://www.sse.com.cn) as well.					
	Others	Wuhan Iron and Steel Group	I. Description and commitment on land leasing matters 1. For 39 authorized operating places that have obtained the Authorization for the Management of State-owned Land Use Rights, the Company undertakes to complete the state-owned land in the land administration department within 3 years from the date of completion of this merger and acquisition, and the land rent the configuration for Wuhan Iron & Steel Co., Ltd. and its subsidiaries use matters for the relevant registration procedures for the registration, there is no substantial obstacles. 2. For two authorized operating leases that have not yet obtained the Power of Attestation of State-owned Land Use Rights, the company will obtain the "State-owned Land Use" of the two authorized operating places within 3 years from the date of completion of this merger and acquisition. And in accordance with the provisions of the land authorities in the completion of state-owned land use rights	September 22, 2016	Yes	Yes		

		<p>registration procedures, and the land to lease the way to the Wuhan Iron and Steel Co., Ltd. and its subsidiaries to handle the relevant registration procedures for the registration, there is no substantial obstacle to the procedure. 3. For the use of land in the second phase of the new shares of WuXin, the Company undertook to obtain the land use right within 3 years from the date of completion of the merger and acquisition in the event that the land acquisition department of the relevant land was open to the auction, to obtain the land use certificate or ensure that the land use certificate is acquired by the new shares. Handling and obtaining the aforesaid land use right certificate does not have any material obstacles. If the land use right certificate is obtained from the new shares at that time, the company will terminate the "land lease agreement" with respect to the land. If the company does not acquire the land use right certificate or the new shares of WuXin, the company may not continue to use the land, and will take all reasonable and practicable measures to remove the relevant obstruction or influence and bear the relevant losses suffered by WuXin shares. 4. The company will ensure that Wuhan Iron & Steel Co., Ltd. (or Wuhan Iron & Steel Company asset receiver</p>					
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			<p>according to the merger plan) and its subsidiaries sustainable and stable to continue to use the land, including the leasing of land; If due to the fact that the land leasing involves not authorized for the use right of state-owned land registration or leasing no registration in Wuhan Iron & Steel Co., Ltd. (or Wuhan Iron & Steel Company asset receiver according to the merger plan) and its subsidiaries cannot continue to use the land, the company will take all reasonable measures without prejudice or affect, and bear the related losses of Wuhan Iron and Steel Co., Ltd. (or Wuhan Iron & Steel Company asset receiver according to the merger plan) or its subsidiaries. These commitments were published on <i>China Securities News</i>, <i>Shanghai Securities News</i> and <i>Securities Times</i> dated September 23, 2016 and the official website of Shanghai Stock Exchange (http://www.sse.com.cn) as well.</p>					
	Others	Wuhan Iron and Steel Group	<p>II. Notes and commitments regarding property matters 1. For the property registered under Wuhan Iron & Steel Co., Ltd. and its subsidiary companies, but the right to use the land is the property of the company, the company confirms that the actual ownership of such property is Wuhan Iron & Steel Co., Ltd. or its subsidiaries, and</p>	September 22, 2016	Yes	Yes		

		<p>Wuhan Iron & Steel Co., Ltd. (or Wuhan Iron & Steel Company asset receiver according to the merger plan) and its subsidiaries will continue to occupy and use the house according to the present situation, and there is no property disputes, disputes or potential disputes about the house. For the real estate, the company promises to be in accordance with the merger plan in this merger before the completion of the transfer to the merger plan according to Wuhan Iron and steel assets transfer procedures for the recipient name, and there are no substantial obstacles. 2. For the property owned by Wuhan Iron and Steel Co., Ltd. and its subsidiaries of Wuhan Iron and Steel Co., Ltd. but still registered in the name of the Company, the Company confirms that Wuhan Iron and Steel Company and its related subsidiaries have paid the relevant consideration to the Company in full or by its own funded construction and the actual owner of the above-mentioned property shall be Wuhan Iron and Steel and the relevant subsidiaries; The Company undertakes to ensure that Wuhan Iron & Steel Co., Ltd.(or Wuhan Iron and Steel Company asset receiver according to the merger plan) and its related subsidiaries may use the aforesaid real estate for a long period of time and continue to use the</p>					
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		<p>aforesaid real estate directly in accordance with the instructions of Wuhan Iron & Steel Co., Ltd. (or Wuhan Iron & Steel Company asset receiver according to the merger plan) and the relevant subsidiaries. In the event of any profit, the company shall enjoy the shares of Wuhan Iron and steel company (or Wuhan Iron & Steel Company asset receiver according to the merger plan) and its affiliated subsidiaries. For such real estate, the Company undertakes to the merger in accordance with the merger plan in the merger within 2 years after the completion of the transfer to the merger according to the merger plan to determine the Wuhan Iron and Steel shares under the name of the recipient or the relevant subsidiary of the name. The above transfer procedures do not exist substantive legal obstacles, the resulting transfer and other related costs borne by the Company. 4. The Company undertakes to indemnify the Company for any loss resulting from the Company's breach of the aforesaid commitment to Wuhan Iron & Steel Company (or Wuhan Iron & Steel Company asset receiver according to the merger plan) and its related subsidiaries. These commitments were published on <i>China Securities News</i>, <i>Shanghai Securities News</i> and <i>Securities Times</i> dated September 23, 2016 and the</p>					
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			official website of Shanghai Stock Exchange (http://www.sse.com.cn) as well.					
Others	Wuhan Iron and Steel Group	III. Notes and commitments on the land use of the Wuhan Weishike Steel Processing & Distribution Co. Ltd. The company promises to ensure that the land use rights of the above-mentioned plots are obtained within 1 years after the completion of the merger and consolidation of Wuhan Weishike; If Wuhan Weishike is subject to administrative penalties or the order to demolish the buildings on the ground and to relocate from any government department before the actual use of the land prior to achieving the State-owned Land Use Certificate, or subsequently Wuhan Weishike will not obtain the State-owned Land Use Certificate of the above-mentioned plots in accordance with legal procedures. Wuhan Weishike therefore will compensate for the losses. These commitments were published on <i>China Securities News</i> , <i>Shanghai Securities News</i> and <i>Securities Times</i> dated September 23, 2016 and the official website of Shanghai Stock Exchange (http://www.sse.com.cn) as well.	September 22, 2016	Yes	Yes			
Others	Wuhan Iron and Steel Group	IV. Notes and commitments on Trademarks 1. The trademarks (hereinafter referred to as the "trademark") listed in annex two of this	September 22, 2016	No	Yes			

		<p>note and letter of commitment apply to the Company for registration, which are legal and valid, and their exclusive rights are protected by law and there is no dispute of ownership. The trademarks are currently used by Wuhan Iron & Steel Co., Ltd. and its subsidiaries free of charge. 2. The Company confirms that Wuhan Iron & Steel Company and its subsidiaries are entitled to continue to use such trademarks free of charge and that the Company will continue to maintain the validity of such trademarks and guarantee the right to use of Wuhan Iron & Steel Company. Without the consent of Wuhan Iron & Steel Co., Ltd., the Company will not waive the renewal of the Trademarks and will not transfer to any third party. 3. After the merger is completed, the recipient of the assets of Wuhan Iron & Steel Co., Ltd. (hereinafter referred to as the "Wuhan Iron and Steel Company Asset Receiver") have the right to continue to use such trademarks for a long period of time within the validity period of such trademarks. And the Company undertakes to cooperate to transfer the trademarks to Wuhan Iron and Steel Company Asset Receiver if any of the laws, regulations or regulatory requires. These commitments were published on <i>China Securities News</i>, <i>Shanghai Securities News</i> and <i>Securities</i></p>					
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			<i>Times</i> dated September 23, 2016 and the official website of Shanghai Stock Exchange (http://www.sse.com.cn) as well.					
	Others	Wuhan Iron and Steel Group	V. Notes and commitments on other matters The Company undertakes that, in order to safeguard the interests of the listed company after the merger, if the legal defects existing in Wuhan Iron and Steel shares before the merger caused losses for the listed companies after the merger, Wuhan Iron and Steel Group will compensate for the listed companies to ensure that listed companies will not suffer the actual loss after the merger. These commitments were published on <i>China Securities News</i> , <i>Shanghai Securities News</i> and <i>Securities Times</i> dated September 23, 2016 and the official website of Shanghai Stock Exchange (http://www.sse.com.cn) as well.	September 22, 2016	No	Yes		

IV. Engagement and/or Termination of Accounting Firm

Situation explanation of Engagement and/or Termination of Accounting Firm

Applicable Not applicable

Upon the deliberation at the third session of the seventh board of directors, the Company had agreed to engage Ernst & Young (special general partnership) as independent accountant and internal control auditor for the financial report of Fiscal Year 2018. Wherein, the audit fee of financial report had been RMB 2,167,000 Yuan (tax-inclusive) and the internal audit fee had been RMB 790,000 Yuan (tax-inclusive). In addition, it is necessary to submit the appointment of this accounting firm to the general meeting of stockholders for deliberation and approval.

Situation explanation of Hiring of Accounting Firm during audit period

Applicable Not applicable

V. Related events on Bankruptcy Reorganization

Applicable Not applicable

VI. Major litigation and arbitration matters

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

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

Applicable Not applicable

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

Applicable Not applicable

Unit: Million Yuan Currency: RMB

During the reporting period:									
The Prosecutor (Proposer)	The Responding Party (Respondent)	Joint Liability Undertaking Party	Type of Litigation or Arbitration	Basic Information on the Litigation or Arbitration	Amount of Litigation or Arbitration Involved:	Whether the litigation or arbitration forms the estimated liabilities and amount	Progress of Litigation or Arbitration	Hearing Result and Influence of Litigation or Arbitration	Execution of Litigation or Arbitration Judgment
Hua Xia Bank Wuhhan Branch Xudong Sub-branch	International Economic and Trading Corporation, WISCO		Dispute over obligation	In November 2016, Wuhan Intermediate People's Court issued a summons saying that Hua Xia Bank Wuhan Branch Xudong Sub-branch sued 9 defendants such as Wuhan Huanxin Company and International Economic and Trading Corporation, WISCO and then claimed them to undertake the responsibility of RMB 258 million Yuan because Wuhan Huanxin Commercial Trading Company did not return the loan of RMB 258 million Yuan. In addition, International Economic and Trading Corporation, WISCO thought that the seals of International Economic and Trading Corporation, WISCO affixed to the evidence presented by Hua Xia Bank Wuhan Branch Xudong Sub-branch	258	No	The first instance had been opened and not judged		

				were all counterfeited.				
Hankou Bank	Shandong Wuxin Material Trading Co., Ltd.		Financial load contract dispute	<p>The Plaintiff, Hankou Bank, claimed that it signed an acceptance agreement with Fuxing Hongtai on December 30, 2013 and the latter totally owed it RMB 102 million Yuan while Shandong Wuxin Company signed a financing pledge and guarantee contract with Fuxing Hongtai wherein such contract stipulated that Shandong Wuxin Company should provide the financing pledge and guarantee for Fuxing Hongtai. Therefore, Hankou Bank claimed Shandong Wuxin Company to undertake the responsibility for paying off debts within the pledge and guarantee range of RMB 147 million Yuan. At present, the Higher People’s Court of Hubei Province opened the first instance for hearing this case on July 26, and the Plaintiff (Hankou Bank) supplemented and submitted more evidence, including the “Receipt of the Confirmation of Pledge of Accounts Receivable” and other relevant information involving different seals of Shandong Wuxin Company. Upon self-inspection, Shandong Wuxin Company thought that all the seals involved in this case had not gone through the formalities for normal examination, approval and use, and thus were suspected of counterfeited seals. At present, Shandong Wuxin Company had applied to the court for seal appraisal.</p>	147	No	Not opened a court session yet	

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

Applicable Not applicable

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

Applicable Not applicable

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

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

In 2017, the Company implemented the Phase II of restricted share plan and totally granted 166,828,200 restricted shares to its incentive objects in order to establish a continuously stable medium and long-term incentive and restriction mechanism, accelerate the integration of Baoshan Iron & Steel Group with Wuhan Iron & Steel Group forward and strengthen the synergistic effect among its bases and promote its long-term stable development. Wherein, the source of shares was that Baosteel issued ordinary A-shares to its incentive objects. Refer to the Annual Report 2017 for relevant details.

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

As approved by the 1st meeting of the seventh Session of board of directors on June 8, 2018, the third phase of the restricted stock plan to unlock the second unlock period and unlock conditions of the incentive object have been achieved. According to the terms of the agreement, the incentive objects who meet the unlock conditions are 100 people. There are a total of 11,360,700 shares of unlocked restricted stock, accounting for 0.0510% of the company's total share capital. The date of going into market and circulation of unlocked restricted stock is June 19, 2018.

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

Incentive Undisclosed in Temporary Announcement or with Subsequent Progress

Applicable Not applicable

X. Significant Related Party Transactions

(I) Day-to-day Related Party Transactions

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

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

Unit: Million Yuan Currency: RMB

Related parties	Related transactions	Pricing policy	Amount
Baosteel Special Steel Co., Ltd.	Sale of iron & steel products, raw ma fuels and auxiliary materials	Market price	1,412
Ouyeel Incorporation	Sale of iron & steel products	Market price	8,026
Baosteel Metal Co., Ltd.	Sale of iron & steel products and energy media	Market price	866
Subtotal of product sales			10,304
Baosteel Stainless Steel Co., Ltd.	Purchase of iron & steel products, etc.	Market price	1,743
Baosteel Special Steel Co., Ltd.	Purchase of iron & steel products, etc.	Market price	3,048
Ningbo Baoxin Stainless Steel Co., Ltd.	Purchase of iron & steel products, etc.	Market price	3,111
Baosteel Resources Co., Ltd.	Purchase of raw fuels	Market price	3,655
Wuhan Iron & Steel (Group) Corporation	Raw ma fuels and auxiliary materials, etc.	Market price	2,666
Subtotal of products purchased			14,224
Baosteel Engineering & Technology Group Corporation	Receipt of services, e.g. testing, overhauling, engineering, etc.	Negotiated price	952
Subtotal of services received			952

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

The product sales above accounted for 6.9% of the Company's operating revenue in the reporting period; while the purchase of products and acceptance of services accounted for 11.3% and 0.8% respectively of the Company's operating cost in the reporting period.

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

2. Financial Services

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

In the reporting period, Finance Co. provided, at the RMB interest rate as set by the People's Bank of China, loans totaling RMB 7.96 billion to Baosteel Group's controlled subsidiaries, with a loan balance of RMB 390 million and a total interest income of RMB 8 million. At the same time, it absorbed deposits from Baosteel Group and its controlled subsidiaries, retaining a balance held on deposit of RMB 4.46 billion and paying a total interest of RMB 40 million at the end of the period.

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

3. Entrusted Capital for Management

In order to effectively raise the use efficiency of phased-available funds and with maintenance and appreciation of capital value, Baosteel entrusted its financial subsidiary for capital management,

including purchasing financial products like funds and trust. During the reporting period, trading volume was RMB 750 million, with RMB 3 billion highest closing balance, RMB 1.95 billion ending balance, RMB 50 million confirmed incomes.

(II) Related Transactions Resulting From Assets Acquisition and Sales

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

Applicable Not applicable

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

Applicable Not applicable

3. Matters Undisclosed in Temporary Announcement

Applicable Not applicable

(III) Significant Connected Transaction of Common Foreign Investment

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

Applicable Not applicable

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

Applicable Not applicable

XI. Significant Contracts and Performance

1. Custody, Contract or Lease Matters

Applicable Not applicable

2. Guarantees

Applicable Not applicable

Unit: Million Yuan Currency: RMB

Current provision of guarantee of the Company (excluding guarantee for subsidiaries)													
Guarantor	Relation between guarantor and listed company	Secured party	Amount guaranteed	Guarantee date (Execution date of Agreement)	Duration	Expiry date	Guarantee type	If fully performed	If overdue	Overdue amount	If any counter guarantee	If guaranteed by associated party	Association
Total guaranteed amount in the reporting period (excluding guarantees for subsidiaries)													
Total guarantee balance at the end of the reporting period (A) (excluding guarantees for subsidiaries)													

Guarantee for subsidiaries	
Total guaranteed amount for subsidiaries in the reporting period	
Total guarantee balance for subsidiaries at the end of the reporting period (B)	124.78
Total guarantee (including guarantee for subsidiaries)	
Total guaranteed amount (A+B)	124.78
Total guaranteed amount accounting for net asset of the Company (%)	0.07
Incl:	
Guaranteed amount provided to shareholders, actual controller and its associated parties (C)	
Debt guaranteed amount provided to warrantee with direct or indirect asset-liability ratio over 70% (D)	
Guaranteed amount exceeding 50% of net assets (E)	
Total above guaranteed amount (C+D+E)	
Note for undue guarantee which would cause joint satisfaction liability	The Company bears joint liability for above guarantees, however, no event which cause the Company to actually perform its joint liability has occurred.
Note for guarantee	Up to the end of June, 2018, the Company had provided its subordinate enterprises (Baosteel Middle-east companies) with a joint liability performance bond with an amount of 19 million USD and the period from November 28, 2016 to May 30, 2019. The amount in the above performance bond is converted into about RMB 125 million Yuan, accounting for 0.07% of the net assets of the Company at the end of the reporting period. The above performance bond has no substantial risk expansion and is essentially different from ordinary guaranteed events. The above guarantee of the Company has no performance tendency and thus its risk is controllable.

3. Other Significant Contracts

Applicable Not applicable

XII. Poverty Alleviation of Listed Companies

Applicable Not applicable

1. Plans on take targeted measures in poverty alleviation

Applicable Not applicable

In 2018, Baosteel has carefully carried out the spirit of the Party Central Committee and the State Council about the fixed-point poverty relief work and the spirit of General Secretary Xi Jinping's speech at the deep poverty-stricken area poverty-relief symposium on June 23, 2017, continued to deep carry out the fixed-point poverty relief work of Yunnan Province in some aspects such as projects, funds and personnel. In addition, the Company has carefully set the fixed-point poverty relief and construction assistance work of Year 2018 with the care and support of the Party Committees and the governments of counties under the fixed-point poverty relief, with the elaborate investigation of the local poverty relief system and the cadres of Baosteel taking temporary posts and in accordance with the proportion of 5:4:1 among the whole village pushing on, the industry development and the educational training as well as the requirements for

increasing investments in the poverty relief of deep poverty-stricken areas.

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

Applicable Not applicable

In 2018, Baosteel had relied on the work basis of being “market-driven, government and enterprise interlinked and multi-level launched”; centered on the goal of improving the poverty-stricken areas’ production and living conditions, taken projects as carriers and actively pushed on the activity that “Yunnan products go into Baosteel and Baosteel employees approach Yunnan”. The Company had increased the cooperation and communication between the two parties, relied on the characteristics and advantages of local resources and products, explored the new ways of poverty relief based on industries and e-commerce, sought the ways and methods of further improving the development levels of local industries, explored and implemented the combined poverty relief mechanism of “company + cooperatives + farmers” and promoted the functional change in the fixed-point poverty relief work from “blood transfusion” to “hematopoiesis”.

3. Effect of targeted poverty alleviation

Applicable Not applicable

Unit: Million Yuan Currency: RMB

Indicator	Quantity and development
I. Overall situation	The Company plans to invest the construction assistance funds of RMB 12,980,000 Yuan and determine 17 construction assistance projects. It had invested one unplanned project with the construction assistance funds of RMB 502,000 Yuan (to assist the impoverished students). At present, it had finished signing the contracts on the planned construction assistance projects and already started the construction of some projects. In the first half of 2018, Baosteel had been to and investigated the fixed-point counties for 68 person-times (wherein: one person-time at the level of department, 48 person-times at the level of division, 19 person-times at and below the level of section).
Including: 1.funds	1,348.2
II. Itemized investment	
1. poverty alleviation through industrial development	
Including: 1.1 Types of industrial poverty alleviation projects	<input checked="" type="checkbox"/> Poverty alleviation in agriculture and forestry industry <input type="checkbox"/> Poverty alleviation in tourism <input checked="" type="checkbox"/> Poverty alleviation in electronic business <input checked="" type="checkbox"/> Poverty alleviation in asset incomes <input type="checkbox"/> Poverty alleviation in technology <input type="checkbox"/> Others
1.2 Number of industrial poverty alleviation projects	7

1.3 Amounts invested of industrial poverty alleviation project	482
2. Poverty alleviation through transferring employment	
Including: 2.1 Amount of investment in vocational skills training	34
2.2 Number of person who attend vocational skills training (person / time)	1,000
3. Poverty alleviation through relocating the poor	
4. Poverty alleviation through education	
Including: 4.1 Funding for poor students	90.2
4.2 Number of needy students (person)	333
5. Health care for the poor	
Including: 5.1 Amount invested in medical and health resources at poverty-stricken areas	4
6. Poverty alleviation through ecological protection	
7. Fallback protection	
8 Social poverty alleviation	
9. Other projects	
Including: 9.1. Number of projects (number)	8
9.2.Amounts invested	738
9.3.Note of other projects	The Company had totally invested RMB 6,600,000 Yuan in 6 projects which belong to infrastructural construction; invested RMB 230,000 Yuan in one project which is the poverty relief system training of Pu'er City; invested RMB 550,000 Yuan in one project which is used as work funds for cadres providing assistance to Yunnan Province.
III. Awards received (content, grade)	

4. Periodic progress of performing targeted poverty alleviation social responsibilities

√Applicable □Not applicable

In the first half of 2018, the leaders of Baosteel together with Pu'er City and Zhuang and Miao Autonomous Prefecture mainly in charge of the poverty relief work had investigated the poverty relief work and paid exchange visits and communication, finished signing the construction assistance agreements on the projects of 2018, finished appropriating funds and also done the field inspection and verification of the implementation of the construction assistance projects of 2017. At present, the Company had finished the relevant preparation work on all the construction assistance projects of 2018 and had started the construction of some projects; the construction assistance projects of 2017 had been finished at a rate of 92%. During the Spring Festival of 2018, the Company had mobilized its staff officers to buy the agricultural and sideline products of Yunnan with the total amount of more than RMB 4,500,000 Yuan, organized its model workers at the end of June 2018 to investigate Yunnan Province for recuperation once;

carried out the activity of assisting the impoverished students at Ning'er County, Pu'er City once by assisting 116 impoverished students at the stage of non-compulsory education with the amount of RMB 502,000 Yuan..

5. Follow-up poverty alleviation plan

Applicable Not applicable

1. To strengthen the leadership. The Company will periodically push on the work, learn about the implementation, sum up the experience and draw the outline of prospect.
2. To strengthen the training. The Company will plan and organize the professional knowledge training for the managerial personnel of enterprises and governments where the fixed-point poverty relief areas are located, strengthen the skill training for rural labor force, and explore and implement the transfer employment of labor force in the poverty-stricken areas.
3. To develop the industries. The Company will further seek the ways and methods of improving the development levels of local industries. For example, it will utilize the advantages of Baosteel to help the featured agriculture of fixed-point poverty relief areas design and push on respective industrialization development, or expand and strengthen the recuperation routines.
4. To publicize and mobilize the poverty relief. While mobilizing its staff officers to buy the agricultural and sideline products of the fixed-point poverty relief areas, the Company will strengthen the publicity of its internal poverty relief work, cultivate its employees' senses of honor and belonging to the fixed-point poverty relief work and areas and strengthen its staff officers' awareness of social responsibility.
5. To strengthen the poverty relief work. In order to carefully carry out the decisions and arrangements of the Party Central Committee and the State Council, employ the social responsibilities of central enterprises, ensure that the oriented areas given assistance can get rid of poverty, on the original annual plan for investing RMB 12,980,000 Yuan in construction assistance, the Company will add RMB 13,220,000 Yuan to the funds for poverty relief projects of oriented areas in Yunnan Province in the second half of 2018, mainly used for aspects such as infrastructure, industry projects, educational training, assisting the impoverished students, and also help local governments win the anti-poverty war as soon as possible.

XIII. Convertible Corporation Bonds

Applicable Not applicable

(I) Issuance of convertible bonds

Upon the examination and approval of China Securities Regulatory Commission (CSRC) as per the CSRC Approval Document No. [2017]1707, Baosight Software, a holding subsidiary of the Company, issued 16 million public convertible bonds on November 17, 2017 wherein the face value of each bond was RMB 100 Yuan and the total amount of issuance was RMB 1.6 billion Yuan.

Upon the approval of Shanghai Stock Exchange (SSE) as per the Self-regulatory Decision No. [2017]437, the convertible bonds of Baosight Software with an amount of RMB 1.6 billion Yuan had been listed and traded at SSE since December 5, 2017 wherein the bonds were called "Baosight Convertible Bonds" for short and the bond code was "110039".

(II) Convertible bond holders and guarantors during the reporting period

Number of convertible bond holders at the end of period	12,674	
Convertible bond guarantors of the Company	No	
Information on Top 10 convertible bond holders		
Name of Convertible Bond Holder	Number of Holding Bonds at the End of Period (Yuan in RMB)	Holding Ratio (%)
National Social Security Fund (NSSF) 203 Portfolio	45,434,000	18.27

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Industrial and Commercial Bank of China – Yearly-interest Fixed Open-end Bond Securities Investment Funds of China Universal Asset Management Co., Ltd.	16,790,000	6.75
Agricultural Bank of China – Core-advantage Flexible-configuration Hybrid Securities Investment Funds of China Post Fund	16,560,000	6.66
Everbright Securities Asset Management Co., Ltd. – Everbright Global All-weather No.1 (QDII) Collective Asset Management Plan	10,000,000	4.02
China Universal Asset Management - Industrial and Commercial Bank of China – Shanghai Haitong Securities Asset Management Co., Ltd.	8,385,000	3.37
China Universal Asset Management - Industrial and Commercial Bank of China –Ping An Life Insurance – Bond Entrusted Investment No.1 of Ping An Life Insurance Company of China	8,180,000	3.29
Harvest Fund – Guangzhou Rural Commercial Bank – China Southern Capital Management Co., Ltd.	6,554,000	2.64
Everbright Securities – China Everbright Bank – Everbright Sunshine Hedge Value-added Collective Asset Management Plan	5,998,000	2.41
Tao Sha	5,832,000	2.35
Harvest Fund - Industrial and Commercial Bank of China –No. 3 Asset Management Plan of Harvest Fund Stocks and Bonds Hybrid Strategy	5,609,000	2.26

(III) Changes in convertible bonds during the reporting period

Unit: Yuan Currency: RMB

Name of Convertible Bond	Before the Change	Increase or Decrease during the Change			After the Change
		Conversion into Shares	Redemption	Put-back	
Baosight Convertible Bond	1,600,000,000	1,351,385,000	0	0	248,615,000

(IV) Accumulated conversion of convertible bonds into shares during the reporting period

Amount of conversion into shares during the reporting period (Yuan in RMB)	1,351,385,000
Number of convertible bonds converted into shares during the reporting period	74,290,508
Accumulated number of convertible bonds converted into shares	74,290,508
Ratio of the accumulated number of convertible bonds converted into shares to the total number of issued shares of the Company before the conversion into shares (%)	9.39
Number of convertible bonds not converted into shares (Yuan in RMB)	248,615,000
Ratio of the number of convertible bonds not converted into shares to the total number of convertible bonds issued (%)	15.54

(V) Records on the price adjustment of conversion into shares

Unit: Yuan Currency: RMB

Date of Price Adjustment of Conversion into Shares	Price of Conversion into Shares after the Adjustment	Date of Disclosure	Media of Disclosure	Remarks about the Price Adjustment of Conversion into Shares
February 12, 2018	18.36	February 8, 2018	The China Securities Journal, the Shanghai Securities News, the HK Commercial Daily and the website http://www.sse.com.cn	Baosight Software completed the registration on granting the initial restricted A-shares and added the issuance of 7,770,000 A-shares to its incentive objects with the granting price of RMB 8.60 Yuan per share.
May 8, 2018	18.19	April 27, 2018	The China Securities Journal, the Shanghai Securities News, the HK Commercial Daily and the website http://www.sse.com.cn	Baosight Software implemented the profit distribution scheme of Year 2017 by distributing the cash dividend of RMB 1.70 Yuan per 10 shares (tax-inclusive).
The latest price of conversion into shares up to the end of this reporting period				18.19

(VI) Liabilities and credit change as well as cash arrangements for paying the liabilities in the next year of the Company

Not applicable.

(VII) Other information on the convertible bonds

Up to the date of disclosure of this report, Baosight had completed the early redemption of convertible

bonds not converted into shares and was delisted on July 13, 2018. For details, please refer to the Announcement about the Redemption Result of “Baosight Convertible Bonds and Cashing for being Delisted” (Tentative No. 2018-042) and the Announcement about the Result of Converting the Convertible Bonds into Shares and the Stock Right Transfer (Tentative No. 2018-043) disclosed by Baosight Software on July 10, 2018.

XIV. Environmental Information

(I) Environmental statement of key pollutant discharge unit and its subsidiaries published by environmental protection department

Applicable Not applicable

1. Information on pollution discharge

Applicable Not applicable

During the reporting period, the Company had carefully carried out the important decisions and arrangements of national ministries and commissions as well as local government about environmental protection, always insisted on the concept of green sustainable development, taken the environmental protection work as the core of corporate survival and development and taken the environmental pollution improvement work as the unremitting important work. The Company had carried out the entity responsibility and the leadership responsibility at all levels, actively improved its awareness of environmental protection, persisted in the general requirements for “full coverage, zero tolerance, strict law enforcement and laying emphasis on actual effect” and also researched and solved those prominent problems restricting the environmental protection work of the Company as per national laws and regulations as well as industry standards.

(1) Information on pollution discharge. During the reporting period, the allowable pollution discharge of the Company: 26,300 tons of particulate matter, 32,422 tons of sulfur dioxide and 65,513 tons of nitric oxides. During such period, the actual pollution discharge of the Company: 6,615 tons of particulate matter, 9,131 tons of sulfur dioxide and 21,720 tons of nitric oxides. In addition, the target values of wastewater discharge: 2,417 tons of COD and 227 tons of ammonia nitrogen, and the actual wastewater discharge: 581 tons of COD and 47 tons of ammonia nitrogen. Seen from the data, these indexes had conformed to the total quantity control indexes on the pollution discharge license. Upon the supervisory monitoring of environmental protection departments and the corporate self-monitoring, the discharge of all the pollutants from the Company had conformed to the pollutant emission limits stipulated in the Discharge Standard of Water Pollutants for Iron and Steel Industry (GB13456-2012); Emission Standard of Air Pollutants for Sintering and Pelletizing of Iron and Steel Industry (GB28662-2012), Emission Standard of Air Pollutants for Iron Smelt Industry (GB28663-2012), Emission Standard of Air Pollutants for Steel Smelt Industry (GB28664-2012), Emission Standard of Air Pollutants for Steel Rolling Industry (GB28665-2012), Emission Standard of Air Pollutants for Thermal Power Plants (GB13223-2011), Emission Standard of Pollutants for Coking Chemical Industry (GB16171-2012) and Emission Standard for Industrial Enterprises Noise at Boundary (GB12348-2008). The details on the pollutant discharge of the Company and important subsidiaries are seen in the following table:

Name of company or subsidiary	Name of major pollutant and specific pollutant	Emission mode	Number of outlet	Distribution of outlet	Emission concentration	Implemented standard for discharge of pollutant	Total amount of discharge in first half of 2018 (ton/half year)	Permitted amount of discharge in 2018 (ton/year)	Excessive discharge in first half of 2018	Amount of discharge in 2017 (ton/year)	Permitted amount of discharge in 2017 (ton/year)	Excessive discharge in 2017
Headquarter of Baoshan Iron & Steel Co., Ltd.	Particulate matter	Organized discharge	464	Ironmaking, steelmaking and steel rolling	All meet the relevant standards	“Emission Standard of Air Pollutants for Sintering and Pelletizing of Iron and Steel Industry GB28662-2012”; “Emission Standard of Air Pollutants for Steel Rolling Industry GB28665-2012”; “Emission Standard of Air Pollutants for Thermal Power Plant GB13223-2011”; “Emission Standard of Pollutants for Coking Chemical Industry GB16171-2012” and “Emission Standard of Air Pollutants for Steel Smelt Industry GB28664-2012”	2444	8894	None	4899	-	None
	Sulfur dioxide						2935	7576	None	5089	13057	None
	Nitrogen oxide						5457	13796	None	15201	31080	None
	COD		7	Sewage disposal outlet		“Integrated Wastewater Discharge Standard DB31/199-2009”	83	190	None	265	426	None
	Ammonia nitrogen						5	15	None	18	19	None
Wuhan Iron and	Particulate	Organized	293	Ironmaking,	All meet	“Emission Standard of	2551	6584	None	4994	-	None

Steel Company Limited (WISCO, Ltd.)	te matter	ed discharge		steelmaking and steel rolling	the relevant standards	Air Pollutants for Sintering and Pelletizing of Iron and Steel Industry GB28662-2012”, “Emission Standard of Air Pollutants for Steel Rolling Industry GB28665-2012”, “Emission Standard of Air Pollutants for Thermal Power Plant GB13223-2011”, “Emission Standard of Pollutants for Coking Chemical Industry GB16171-2012” and “Emission Standard of Air Pollutants for Steel Smelt Industry GB28664-2012”								
	Sulfur dioxide		125					3289	12978	None	6730	14147	None	
	Nitrogen oxide		125					7944	23694	None	20613	26732	None	
	COD		2				WISCO, Ltd. Beihu outlet and Industrial Port outlet	“Integrated Wastewater Discharge Standard DB31/199-2009”	375	1191	None	852	1497	None
	Ammonia nitrogen		2				WISCO, Ltd. Beihu outlet and Industrial Port outlet		39	120	None	91	160	None
Baosteel Zhanjiang Iron and Steel Co., Ltd.	Particulate matter	Organized discharge	237	Ironmaking, steelmaking and steel rolling	All meet the relevant standards	“Emission Standard of Air Pollutants for Sintering and Pelletizing of Iron and Steel Industry GB28662-2012”, “Emission Standard of Air Pollutants for Steel	983	4517	None	3472	-	None		
	Sulfur dioxide						1471	4001	None	2855	4516	None		
	Nitrogen oxide						4297	11752	None	8958	10668	None		

						Rolling Industry GB28665-2012”;“Emission Standard of Air Pollutants for Thermal Power Plant GB13223-2011”;“Emission Standard of Pollutants for Coking Chemical Industry GB16171-2012”and “Emission Standard of Air Pollutants for Steel Smelt Industry GB28664-2012”						
	COD						25	158	None	9	158	None
	Ammonia nitrogen		1	Deep sea outlet		“Integrated Wastewater Discharge Standard DB31/199-2009”	0.6	15	None	0.9	15	None
Shanghai Meishan Iron and Steel Corporation Ltd	Particulate matter	Organized discharge	102	Ironmaking, steelmaking and steel rolling	All meet the relevant standards	“Emission Standard of Air Pollutants for Sintering and Pelletizing of Iron and Steel Industry GB28662-2012”, “Emission Standard of Air Pollutants for Steel Smelt Industry GB28663-2012”;“Emission Standard of Pollutants for Coking Chemical Industry GB16171-2012”and “Emission Standard of Air Pollutants for Steel Rolling Industry GB28665-2012”	615	6225	None	1795	2030	None
	Sulfur dioxide		24				1381	7504	None	2012	8400	None
	Nitrogen oxide		18				3836	15824	None	9313	9500	None
	COD		1	Outlet	All meet	“Integrated Wastewater	49	737	None	235	546	None

	Ammonia nitrogen				the relevant standards	Discharge Standard DB31/199-2009”	3	76	None	23	24	None
Baosteel-NSC/Arcelor Automotive Steel Sheets Co. Ltd.	Particulate matter	Organized discharge	13	Steel rolling	All meet the relevant standards	“Emission Standard of Air Pollutants for Steel Rolling Industry GB28665-2012”	13	41	None	43	-	None
	Sulfur dioxide		8				6	54	None	16	84	None
	Nitrogen oxide		8				89	196	None	203	170	None
Shanghai Baosteel Chemical Co., Ltd.	Particulate matter	Organized discharge	22	Tar, benzene processing	All meet the relevant standards	“Integrate Emission Standard of Air Pollutants DB31 933-2015”and “Emission Standard of Pollutants for Coking Chemical Industry GB16171-2012	7	35	None	12	35	None
	Sulfur dioxide		22				44	303	None	71	114	None
	Nitrogen oxide		22				68	218	None	114	218	None
	COD		2	Phenol-cyanogen waste-water disposal	All meet the relevant standards	“Integrated Wastewater Discharge Standard DB31/199-2009”	48.68	142	None	99	377	None
	Ammonia nitrogen		2	Phenol-cyanogen waste-water disposal			0.4	1.5	None	0.7	37	None
Baosteel Huangshi Coated and Galvanized Sheet Co., Ltd.	Particulate matter	Organized discharge	1	Cold rolling mill unit	All meet the relevant standards	“Emission Standard of Air Pollutants for Steel Rolling Industry GB28665-2012”	2.7	4.5	None	1.4	4.5	None
	Sulfur dioxide						5.3	5.8	None	2.7	5.8	None
	Nitrogen oxide						28.8	33.0	None	14.6	33.0	None

Note: The total emission control target for amount of particulate matter in 2017, which is not set by some subsidiaries, is indicated by "-".

2. Construction and operation of pollution prevention and control facilities

√Applicable □Not applicable

The subsidiaries of Baosteel had actively faced the environmental protection pressure, adjusted their environmental protection management ideas and been oriented by the requirements of existing laws, regulations and industry policies to carry out the delicacy management of environmental protection. They had strengthened the performance of environmental protection and guided their employees to fully exert their subjective initiative and also strengthened the supervision and management to ensure that their pollution prevention and control objects are controlled.

In accordance with the latest environmental protection requirements and the distribution of pollution sources, the subsidiaries of Baosteel had strengthened their comprehensive abatement of waste gases and water. To be specific, Baoshan Base had mainly implemented some projects such as the ultra-low emission control and improvement of power plants and the comprehensive control and improvement of sintering flue gases; proceeded to push on the totally-enclosed improvement of stock yards, namely “coal getting into silos and minerals getting into sheds” and thus effectively reduced the flowing dust pollution; checked the existing pollution prevention and control facilities in an all-round way and actively pushed on the ultra-low emission improvement of the iron and steel industry; actively pushed on the reduction of emission from the wastewater sources, implemented and publicized the steel rolling alkaline recovery technology. WISCO, Ltd. pushed on the flue gas desulfurization treatment of Sintering Machines 1~5 in a limited way, realized the complete desulfurization of sintering flue gas and finished the reduction in the emission of sulfur dioxide; planned to build enclosed stock yards, dismantled Stock Yard C3 and taken some measures such as tarpaulin covering, watering and/or spraying, dust-depressor spraying, adding vehicle washing platforms and entrance guard systems. In the first half of Year 2018, during the reporting period, WISCO, Ltd. had implemented the pollution abatement projects to a limited extent, mainly involving the wastewater, exhaust gas and environmental protection monitoring equipment upgrading projects, all of which had been done as per the pollution abatement project scheme of the Company. The main pollution abatement projects had included the project of closed improvement for finished product storage yard in the new sintering area of ironworks, the project of adding the de-dusting improvement facilities to three-roll hot rolling and rough rolling equipment, the project of No.3 Silicon Steel Plant CA13~16 weak-base wastewater pump improvement and the project of the Department of Energy and Environmental Protection on improving the chromic acid discharge system of some stations of cold rolling workshops of water supply plant; the supporting characteristic environmental protection measures taken by Zhanjiang Steel had mainly included: the powdery material totally closing of stock yards, the active carbon purifying technology of flue gas from the heads of sintering machines, the dry desulfurization of pellet-shaped flue gas, the coke-pusher-side de-dusting device installation, the coke-oven flue gas desulfurization and denitration system (the first one in the world), the utilization of vertical-flow constructed wetlands for coking wastewater treatment, the boiler flue gas ultra-low emission process of owned power plant, the centralized sewage treatment, the center of disposing solid waste containing iron (rotary hearth furnace) and so on.

The Company had paid high attention to the environmental protection and the operation and management of environmental protection facilities, defined the environmental protection and management functions of departments, established a complete environmental protection management system, formulated and perfected the management rules and systems and its subsidiaries had carried out the relevant work strictly as per the requirements of the ISO 14001 Environmental Management System. The Company had continuously paid attention to the further improvement of environmental protection equipment from “paying attention to results” to “paying attention to process”, pushed on the construction of environmental protection facility level-to-level management and control system, worked out the management and control list and corresponding management indexes, strengthened the management requirements. At present, the environmental protection and management facilities of the Company had covered exhaust gases,

wastewater, noise and solid waste. In short, the various pollution prevention and control facilities had been under normal operation.

3. Environmental impact assessment and other administrative licensing on environmental protection of the construction projects

√ Applicable □ Not applicable

The new projects as well as reconstruction and expansion projects of the Company had all conformed to the relevant provisions on “Three Simultaneities” of environmental protection for local and national construction projects. In addition, the Company had gone through the formalities for environmental impact assessment and completion acceptance. In 2018, the Company completed the project of Baosteel low-pressure boiler flue gas desulfurization improvement and given an official and written reply about the environmental impact assessment on the project of adding ultrahigh-strength steel temper mills to the 2050-mm hot rolling production line; completed the relocation project of the Transportation Department station and repair garage, and filed the environmental impact assessment registration form on the project of newly building an all-in-one production and operation center. The Company had completed the project of three-stage sintering overhaul and improvement, the project of blast-furnace gasometer relocation and improvement, the project of integrating and improving the first-stage material input system overhaul and supporting inspections, the project of newly adding auto sheet recoiling sets to the 1550-unit of cold rolling mill, the project of closed improvement for Phases I and II of Material Mixing Yards BA and BB and Indirect Material Yards OA and OB, and completed the environmental protection self-acceptance on the project of newly-added high-strength GA equipment to the pilot set (C122) of cold rolling mill. See the following table for details:

	Major Projects	Environmental Impact Assessment/Acceptance	Remarks
Head Office of Baoshan Iron & Steel Co., Ltd.	Baosteel low-pressure boiler flue gas desulfurization improvement	The official and written reply about environmental impact assessment on this project had been obtained.	
	Adding ultrahigh-strength steel temper mills to the 2050-mm hot rolling production line	The official and written reply about environmental impact assessment on this project had been obtained.	
	Relocation of the Transportation Department station and repair garage	The official and written reply about environmental impact assessment on this project had been obtained.	
	Newly building an all-in-one production and operation center	The official and written reply about environmental impact assessment on this project had been obtained.	
	Three-stage sintering overhaul improvement	The acceptance of this project had been completed.	
	Blast-furnace gasometer relocation and improvement	The acceptance of this project had been completed.	
	Integrating and improving the first-stage material input system overhaul and supporting inspections	The acceptance of this project had been completed.	
	Newly adding auto sheet recoiling sets to the 1550-unit of cold rolling mill	The acceptance of this project had been completed.	
	Closed improvement for Phases I and II of Material Mixing Yards BA and BB and Indirect Material Yards OA and OB	The acceptance of this project had been completed.	
	Newly adding high-strength GA equipment to the	The acceptance of this	

	pilot set (C122) of cold rolling mill	project had been completed.	
Wuhan Iron & Steel Company Limited	Newly adding online heat-treated steel rail production line to the bar material plant large-scale branch	The official and written reply about environmental impact assessment on this project had been obtained.	
	Newly adding slab lame cleaning to Steel Mill III	The environmental impact assessment had been submitted for examination.	
	Four-burning flue gas desulfurization and denitration	The environmental impact assessment had been under formulation.	
	Environmental protection improvement of the process for steel slag treatment of the bar material plant	The environmental impact assessment had been under formulation.	
Baosteel Zhanjiang Iron & Steel Co., Ltd.	Filling the sea with raw materials	The official and written reply about environmental impact assessment on this project had been obtained.	The project has been not started yet at present.
Shanghai Meishan Iron & Steel Co., Ltd.	Sintering Furnace 3 denitration improvement	The acceptance of this project had been completed.	
Baosteel (Shanghai) Chemical Co., Ltd.	Phenol-cyanogen sewage deep recovery device upgrading and modification	The official and written reply about environmental impact assessment on this project had been obtained.	
	Newly adding RO water concentration and crystallization to Phase IV of Phenol-cyanogen sewage treatment plant	The official and written reply about environmental impact assessment on this project had been obtained.	

In accordance with the requirements of some national standards such as the Interim Provisions on the Administration of Pollutant Discharge Permits and the Technical Regulations on Pollutant Discharging License Application and Issuance – Iron & Steel Industry, the branches and subsidiaries of Baoshan Iron & Steel Co., Ltd. had carried out the pollutant discharge license application as required since September 2017 and all obtained the Pollutant Discharge License issued by local environmental protection agencies (wherein Zhanjiang Steel had obtained the pollutant discharge licenses for its owned power plants and coking unit). In the future, the Company will proceed to discharge the pollutants according to the requirements of pollutant discharge license, carry out self-monitoring, establish account books, periodically report and make the relevant information known to the public. Meanwhile, during the reporting period, Zhanjiang Steel had been actively applying for the iron and steel industry pollutant discharge license as per the requirements of competent environmental protection departments of Zhanjiang People's Government.

4. Emergency plans for environmental emergencies

√ Applicable □ Not applicable

Based on the existing environmental risk assessment and in combination with the actual situation, the Company has formulated the emergency plans of its branches and subsidiaries and registered such plans in local environmental protection agencies in accordance with the requirements of relevant regulations such as the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Water Pollution, the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, the Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution, the Measures for the Filing and Administration of Emergency Plans for Environmental Emergencies in Enterprises and Institutions (Interim) and A Guide to the Formulation of Risk Assessment Report on Environmental Emergencies in Enterprises (Tentative) in

order to ensure the safety and security of enterprises, society and workers' lives and property, prevent the unexpected environmental pollution events from occurring and control and cope with the unexpected environmental events rapidly and effectively.

5. Environment self-monitoring scheme

Applicable Not applicable

The Company had periodically carried out the environmental protection self-monitoring and posted relevant information on the website of the local environmental protection agency as per the requirements of the Self-monitoring Technology Guidelines for Pollutant Discharging Units - the Iron & Steel Industry and the Coking Chemical Industry.

The Company had constantly strengthened the capabilities of monitoring stations to update its environmental protection monitoring equipment and improve the monitoring accuracy; changed the monitoring management mode, considered the monitoring, out-of-limits analysis, rectification, tracking and supervision as the important environmental protection monitoring functions and strived to realize the closed-loop management of out-of-limits problems. Meanwhile, in accordance with local and national requirements, the Company had carefully carried out the self-monitoring and posted the self-monitoring data and relevant information timely, completely and faithfully. The ratio of annual self-monitoring publication had been up to 100%.

6. Other environmental information that should be made public

Applicable Not applicable

(I) Description of the environmental protection information on the companies other than the major pollutant discharging units

Applicable Not applicable

(II) Description of the environmental information not disclosed on the companies other than the major pollutant discharging units

Applicable Not applicable

(III) Description of subsequent progress or changes in the environmental information disclosed during the reporting period

Applicable Not applicable

XV. Notes to Other Significant Events

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

Applicable Not applicable

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

Applicable Not applicable

Section VI Changes in shares of common stocks and shareholders

I. Changes in Capital Stock

(I) List of Changes in Shares

1. List of Changes in Shares

Unit: share

	Before the change		Changes in the period (+, -)					After the change	
	Shares	Ratio (%)	Shares newly issued	Shares dividend	Share dividend from accumulation fund	Others	Subtotal	Shares	Ratio (%)
I. Shares subject to conditional sales	178,385,650	0.801				-11,557,450	-11,557,450	166,828,200	0.749
1. State-owned shares									
2. State-owned legal person shares									
3. Other domestic shares	178,385,650	0.801				-11,557,450	-11,557,450	166,828,200	0.749
Among which: domestic non-state-owned legal person shares									
Domestic natural person shares	178,385,650	0.801				-11,557,450	-11,557,450	166,828,200	0.749
4. Foreign shares									
Among which: foreign legal person shares									
foreign natural person shares									
II. Shares not subject to	22,089,726,225	99.199				+11,360,700	+11,360,700	22,101,086,925	99.251

conditional sales									
1.RMB ordinary shares	22,089,726,225	99.199				+11,360,700	+11,360,700	22,101,086,925	99.251
2.Domestic listed international investment shares									
3.Overseas listed international investment shares									
4. Others									
III. Total	22,268,111,875	100				-196,750	-196,750	22,267,915,125	100.000

2. Explanation of Changes in shares

Applicable Not applicable

On December 7, 2017, the Company held the 24th session of the Sixth Board of Directors, deliberated and passed the Proposal for Adjusting the Incentive Objects under the Initial Restricted Stock Plan. On March 5, 2018, the Company repurchased 196,750 restricted shares that exited from the initial restricted A-share plan and the incentive objects had not met the unlocking conditions and completed the registration cancellation on March 12, 2018.

On June 8, 2018, the Company held the first session of the Seventh Board of Directors, deliberated and passed the Proposal for Unlocking the Third Unlocking Period under the Initial Restricted Stock Plan of the Company. On June 19, 2018, the Company's 11,360,700 shares unlocked during the Third Unlocking Period under the Initial Restricted Stock Plan were listed for circulation.

3. Influence of Share Change upon the Earnings Per Share, Net Asset Per Share and Other Financial Indicators during the Period from the End Date of the Reporting Period to Disclosure Date of Semi-year Report (if any)

Applicable Not applicable

4. Other Contents Necessary for the Company or Required by Securities Regulatory Initiations to Disclose

Applicable Not applicable

(II). Change of Shares Subject to Conditional Sales

Applicable Not applicable

Unit: share

Name	Shares at the beginning of period	Shares released in the period	Shares added in the period	Shares at the end of the period	Reason	Releasing date
Stock incentive object	178,385,650	11,557,450		166,828,200	Stock incentive	
Total	178,385,650	11,557,450		166,828,200	/	/

II. Shareholders

(I) Shareholders:

Total number of shareholders at the end of the reporting period (persons)	351,445
Total preferred stock holders whose voting right restored as of the end of the reporting period (persons)	

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

√ Applicable □ Not applicable

Unit: share

Shareholding of top 10 shareholders							
Name (Full Name)	Increase or decrease during the period	Shares at the end of the reporting period	Ratio (%)	Shares subject to conditional sales	Pledge or frozen		Shareholder nature
					Status	Quantity	
China Baowu Steel Group Corporation Ltd. (note 1)	-223,236,834	11,300,148,999	50.75	0	Pledged	2,850,000,000	State-own legal person
Wuhan Iron and Steel (Group) Corporation (WISCO)	0	2,982,172,472	13.39	0	None	0	State-own legal person
China Securities Finance Co., Ltd.	8,032,673	1,091,012,228	4.90	0	None	0	State-own legal person
China National Petroleum Corporation	0	800,000,000	3.59	0	None	0	State-own legal person
Guoxin Investment Co., Ltd.	112,671,441	653,544,817	2.93	0	None	0	State-own legal person
Beijing Chengtong Jinkong Investment Co., Ltd.	111,618,417	653,544,793	2.93	0	None	0	State-own legal person
Hong Kong Securities Clearing Company Ltd.	154,301,654	557,364,269	2.50	0	None	0	Unknown

China Cosco Shipping Corporation Ltd.	0	280,000,000	1.26	0	None	0	State-own legal person
Central Huijin Asset Management Co., Ltd.	0	194,224,180	0.87	0	None	0	State-own legal person
GIC PRIVATE LIMITED	64,791,984	144,880,062	0.65	0	None	0	Unknown
Shareholding of top 10 holders of shares not subject to conditional sales							
Name	Number of shares not subject to conditional sales	Type and number of shares					
		Type	Number				
China Baowu Steel Group Corporation Ltd.	11,300,148,999	RMB ordinary share	11,300,148,999				
Wuhan Iron and Steel (Group) Corporation	2,982,172,472	RMB ordinary share	2,982,172,472				
China Securities Finance Co., Ltd.	1,091,012,228	RMB ordinary share	1,091,012,228				
China National Petroleum Corporation	800,000,000	RMB ordinary share	800,000,000				
Guoxin Investment Co., Ltd.	653,544,817	RMB ordinary share	653,544,817				
Beijing Chengtong Jinkong Investment Co., Ltd.	653,544,793	RMB ordinary share	653,544,793				
Hong Kong Securities Clearing Company Ltd.	557,364,269	RMB ordinary share	557,364,269				
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	144,880,062	RMB ordinary share	144,880,062				
Remarks on affiliation, alliance or collusion among the aforementioned shareholders	Wuhan Iron & Steel (Group) Corporation is a wholly-owned subsidiary of China Baowu Iron & Steel Group Co Ltd. Besides, the Company is not aware of any connected relationship among other shareholders mentioned above or any parties acting in concert specified in <i>Measures for the Administration of Acquisitions by Listed Companies</i> .						
Description of preferred stockholders with voting rights restored and shareholdings							

Note 1: On December 1, 2017, China Baowu Steel Group Co., Ltd. finished the issuance of 2017 (initial) convertible bonds of China Baowu Steel Group Co., Ltd. with the A-shares of the Company held by it as the object, took the 2,850,000,000 A-shares of the Company ready for conversion and corresponding interest as the guarantee and trust property, held the shares in the name of China International Capital Corporation Limited (CICC) and was recorded on the list of security holders as a security holder named “Special Account for China Baowu Group – CICC – No. 17 Baowu EB Guarantee and Trust Property”. For details, please refer to the Announcement of the Company about Its Controlling Shareholders’ Planning for Issuing Convertible Bonds to Go through the Guarantee and Trust Registration for Some Shares of the Company issued by the Company on November 11, 2017.

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

√ Applicable □ Not applicable

Unit: share

No.	Name	Shares	Conditional sold shares available to be listed and traded		Conditions
			Date available to be listed and traded	Newly-added tradable shares	
1	Zhu Junsheng	357,000			See notes
2	Wu Xiaodi	333,000			See notes
3	Chu Shuangjie	333,000			See notes
4	Zhou Jianfeng	333,000			See notes
5	Liu An	333,000			See notes
6	Sheng Genghong	333,000			See notes
7	Liu Qiang	333,000			See notes
8	Yao Linlong	333,000			See notes
9	Wang Jing	333,000			See notes
10	Zhi Xiwei	333,000			See notes
11	Wu Kunzong	333,000			See notes
12	Fu Jianguo	333,000			See notes
13	Zhu Qingming	333,000			See notes
14	Zhou Xuedong	333,000			See notes
15	Ji Chao	333,000			See notes
16	Zhang Wenxue	333,000			See notes
17	Wu Bin	333,000			See notes
18	Zhou Longyun	333,000			See notes
19	Zhu Renliang	333,000			See notes
Notes on affiliation, alliance or collusion among the aforementioned shareholders		Above shareholders are incentive objectives of Baosteel Phase II A Share Restricted Share Plan. For the conditions, please refer to Baosteel Phase II A Share Restricted Share Plan (draft) on the website of Shanghai Stock Exchange http://www.sse.com.cn			

(III) Strategic investors or top 10 shareholders from general legal persons due to rights issue

Applicable Not applicable

III. Change of Controlling Shareholders and Actual Controller

Applicable Not applicable

Section VII Preferred Stock

Applicable Not applicable

Section VIII Directors, Supervisors and Senior Executives

I. Shareholding Change

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

Applicable Not applicable

Unit: share

Name	Title	Shares at the beginning of the reporting period	Shares at the end of the reporting period	Increase or decrease during the period	Change reason
Wang Juan	Senior executive	472,200	363,600	-108,600	Share sell in the secondary market before serving as senior executive

Description of other conditions

Applicable Not applicable

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

Applicable Not applicable

Unit: share

Name	Title	Quantity of restricted shares at the beginning of period	Quantity of new restricted shares during reporting period	Unlocked shares	Locked shares	Quantity of restricted shares at the end of period
Dai Zhihao	Director	181,000	0	181,000	0	0
Zhu Junsheng	Director	538,000	0	181,000	357,000	357,000
Wu Xiaodi	Director	441,600	0	108,600	333,000	333,000
Chu Shuangjie	Senior executive	495,900	0	162,900	333,000	333,000
Liu An	Senior executive	333,000	0	0	333,000	333,000
Sheng Genghong	Senior executive	477,800	0	144,800	333,000	333,000
Yao Linlong	Senior executive	477,800	0	144,800	333,000	333,000
Wu Kunzong	Senior executive	333,000	0	0	333,000	333,000
Wang Juan	Senior executive	363,600	0	108,600	255,000	255,000
Total	/	3,641,700	0	1,031,700	2,610,000	2,610,000

II. Change of Directors, Supervisors and Senior Executives√ Applicable Not applicable

Name	Position	Change
Zhao Changxu	Director	Leave office
Wu Xiaodi	Director	Hired
Huang Yuchang	Independent director	Leave office
Liu Wenbo	Independent director	Leave office
Li Li	Independent director	Leave office
Lu Xiongwen	Independent director	Hired
Xie Rong	Independent director	Hired
Bai Yanchun	Independent Director	Hired
Wang Jing	Vice-General Manager	Leave office
Zhi Xiwei	Vice-General Manager	Leave office
Yao Linlong	Vice-General Manager	Hired
Wu Yiming	Board Secretary	Leave office
Wang Juan	Board Secretary	Hired

Notes to changes of Directors, Supervisors and Senior Executives

 Applicable Not applicable**III. Other Notes** Applicable Not applicable

Section IX Corporate bond

√ Applicable □ Not applicable

I. Basic Information about Corporate bond

Unit: Yuan Currency: RMB

Bond name	Abbreviation	Code	Issuing date	Due date	Bond balance	Interest rate (%)	Ways of repaying principal with interests	Trading venue
Wuhan Iron & Steel Co., Ltd., 14 Corporate bond	14 WISCO bond	122366	July 1, 2015	July 1, 2018	0	4.38	Interests are paid by year. Principal and interests of the last term are paid at the end of the last term	Shanghai Stock Exchange

Interests payment and cashing of corporate bond

√ Applicable □ Not applicable

Date of principal and interest cashing and creditor's rights registration of 2018: June 27, 2018. In accordance with the Announcement of Wuhan Iron & Steel Company Limited about the Nominal Interest Rate of Bonds of 2014 under Public Issuance, the nominal interest rate of "WISCO Bond No. 14" was 4.38%, the nominal value of every "WISCO Bond No. 14" was RMB 1,000 Yuan and the amount of principal and interest cashed were RMB 1,043.80 Yuan (tax-inclusive). The total amount of principal and interest cashed this time were RMB 7,306,600,000.00 Yuan (tax-inclusive).

The issuer had timely transferred the full-amount bonds and interest cashed to the bank account designated by CSDC (China Securities Depository and Clearing Corporation Limited) Shanghai Branch during the reporting period and then completed the release of funds cashed on July 2, 2018.

The bonds were delisted from Shanghai Stock Exchange on July 2, 2018.

Other notes of corporate bonds

□ Applicable √ Not applicable

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

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

Other notes:

□ Applicable √ Not applicable

III. Use of the Corporate Raised Capital from Bond

Applicable Not applicable

IV. Corporate Bond Rating

Applicable Not applicable

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

Applicable Not applicable

VI. Meeting of Corporate bond Holders

Applicable Not applicable

VII. Corporate bond Trustee's Execution of Duty

Applicable Not applicable

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

Applicable Not applicable

IX. Explanation of Overdue Debt

Applicable Not applicable

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

Applicable Not applicable

XI. Bank Credit of the Company during the Reporting Period

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

Section X Financial Statements

I. Audit Report

Applicable Not applicable

II. Financial Statements

Consolidated Balance Sheet

June 30, 2018

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

Unit: Yuan Currency: RMB

Item	Note	Ending Balance	Beginning Balance
Current assets:			
Monetary fund	(VII)1	25,502,401,997.57	17,857,363,941.27
Financial assets measured at fair value and the change included in current gains and losses	(VII)2	604,312,172.90	1,726,166,623.63
Notes receivable	(VII)3	33,122,009,277.64	31,857,024,088.54
Accounts receivable	(VII)4	13,255,043,426.76	12,079,375,683.85
Prepayments	(VII)5	8,554,343,792.28	8,018,401,078.40
Interest receivable	(VII)6	31,624,093.68	13,568,978.49
Dividends receivable	(VII)7	17,785,185.43	45,043,206.68
Other receivables	(VII)8	2,873,297,545.59	2,701,253,244.83
Financial assets purchased under resale agreements			3,583,919,000.00
Stock	(VII)9	39,887,452,264.78	39,488,037,616.60
Non-current assets due within one year	(VII)10	49,040,909.50	547,982,220.29
Other current assets	(VII)11	12,825,379,569.99	15,374,474,805.32
Total current assets		136,722,690,236.12	133,292,610,487.90
Non-current assets:			
Loans and advances	(VII)12	3,879,628,909.97	3,941,771,480.10
Available-for-sale financial assets	(VII)13	12,892,217,900.80	13,016,772,119.86
Long-term receivables	(VII)14	314,004,494.60	323,443,628.36
Long-term equity investment	(VII)15	17,962,051,716.97	17,286,462,494.34
Investment property	(VII)16	488,028,196.59	437,906,877.45
Fixed assets	(VII)17	153,077,242,336.85	154,221,659,305.18
Construction in progress	(VII)18	7,915,409,382.67	9,974,993,262.80
Engineering materials	(VII)19	86,810,870.66	120,072,392.03
Intangible assets	(VII)20	12,371,755,311.56	12,384,059,562.20
Goodwill	(VII)21	510,949,530.84	520,886,853.98

Long-term prepaid expenses	(VII)22	1,412,463,327.06	1,330,650,683.79
Deferred income tax assets	(VII)23	2,559,325,126.45	2,413,983,183.78
Other non-current assets	(VII)24	1,609,431,631.32	969,360,283.40
Total non-current assets		215,079,318,736.34	216,942,022,127.27
Total assets		351,802,008,972.46	350,234,632,615.17
Current liabilities:			
Short-term loan	(VII)25	62,795,918,040.02	60,282,446,151.02
Deposits-taking and due to banks	(VII)26	5,329,662,674.86	8,471,020,955.41
Borrowing funds	(VII)27	500,000,000.00	400,000,000.00
Financial liabilities measured at fair value and the change included in current gains and losses	(VII)28	69,880,377.65	371,853,492.51
Notes payable	(VII)29	13,250,760,812.17	10,517,063,796.47
Accounts payable	(VII)30	31,495,874,125.69	29,156,277,645.17
Advances from customers	(VII)31	22,495,824,887.08	23,744,883,795.03
Financial assets sold for repurchase		108,647,724.88	130,556,138.69
Employee benefits payable	(VII)32	3,208,323,779.07	2,365,608,949.15
Taxes payable	(VII)33	3,505,154,358.73	4,699,230,756.94
Interest payable	(VII)34	370,098,548.57	582,058,272.27
Dividends payable	(VII)35	54,555,705.23	50,674,285.20
Other payables	(VII)36	3,325,407,118.48	1,974,769,049.99
Non-current liabilities due within one year	(VII)37	14,195,963,972.55	20,407,281,386.07
Other current liabilities	(VII)38	4,077,504,316.20	52,914,690.00
Total current liabilities		164,783,576,441.18	163,206,639,363.92
Non-current liabilities:			
Long term loan	(VII)39	2,868,252,529.29	413,368,004.28
Bonds payable	(VII)40	3,204,272,326.90	8,553,245,927.39
Long-term payables	(VII)41	665,644,518.00	712,416,884.50
Long-term employee benefits payables	(VII)42	1,429,976,049.36	781,049,807.00
Special payables	(VII)43	289,110,000.00	261,860,000.00
Estimated liability	(VII)44	1,996,714.87	1,989,562.11
Deferred gains	(VII)45	1,303,032,592.06	1,116,879,279.02
Deferred income tax liabilities	(VII)23	964,492,196.11	714,779,247.74
Total non-current liabilities		10,726,776,926.59	12,555,588,712.04
Total Liabilities		175,510,353,367.77	175,762,228,075.96
Owner's equity			
Share capital	(VII)46	22,267,915,125.00	22,268,111,875.00
Other equity instruments	(VII)47	24,906,415.83	77,717,323.62

Capital reserve	(VII)48	49,253,972,422.05	48,714,559,218.40
Less: treasury stock	(VII)49	665,644,518.00	712,416,884.50
Other comprehensive income	(VII)50	-436,956,587.75	-301,403,547.57
Special reserves	(VII)51	65,059,492.81	41,582,048.73
Surplus reserve	(VII)52	29,774,721,062.00	29,774,721,062.00
Undistributed profit	(VII)53	64,558,275,365.01	64,569,632,340.12
Total owners' equity attributable to parent company		164,842,248,776.95	164,432,503,435.80
Minority interests		11,449,406,827.74	10,039,901,103.41
Total owner's equity		176,291,655,604.69	174,472,404,539.21
Total Liabilities and owner's equity		351,802,008,972.46	350,234,632,615.17

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

Balance Sheet of Parent Company

June 30, 2018

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

Unit: Yuan Currency: RMB

Item	Note	Ending Balance	Beginning Balance
Current assets:			
Monetary fund		17,036,420,773.64	11,927,358,284.13
Financial assets measured at fair value and the change included in current gains and losses		203,268,032.19	734,096,000.00
Notes receivable		21,512,219,479.74	19,504,576,992.77
Accounts receivable	(XVII)1	14,745,475,204.95	10,835,531,758.06
Prepayments		2,429,890,010.18	1,945,468,308.57
Interest receivable		41,270,167.62	82,540,335.24
Other receivables	(XVII)2	510,316,443.26	369,778,096.91
Stock		11,824,156,311.94	11,103,486,717.45
Non-current assets due within one year			
Other current assets		39,012,494,037.77	41,427,207,910.87
Total current assets		107,315,510,461.29	97,930,044,404.00
Non-current assets:			
Available-for-sale financial assets		9,049,773,096.20	9,340,528,096.20
Long-term receivables		2,215,316,208.88	2,223,327,009.32
Long-term equity investment	(XVII)3	81,514,645,566.06	78,708,570,251.16
Fixed assets		44,558,593,432.18	42,849,063,926.97
Construction in progress		4,444,427,730.17	4,662,382,023.28
Engineering materials		17,982,088.61	3,947,337.41
Intangible assets		3,502,196,365.62	3,543,280,357.44
Long-term prepaid expenses		38,402,656.82	31,070,463.38
Deferred income tax assets		1,042,809,496.41	1,005,228,434.07
Other non-current assets		521,098,532.75	2,721,183,386.49
Total non-current assets		146,905,245,173.70	145,088,581,285.72
Total assets		254,220,755,634.99	243,018,625,689.72
Current liabilities:			
Short-term loan		41,596,732,448.95	34,916,707,000.00
Financial liabilities measured at fair value and the change included in current gains and losses			331,882,154.88
Notes payable		5,298,271,097.94	3,801,954,041.22
Accounts payable		27,556,705,343.90	24,409,840,022.82

Advances from customers		11,939,447,583.21	14,375,910,316.12
Employee benefits payable		2,039,650,650.03	1,395,413,171.14
Taxes payable		1,081,349,155.99	1,964,136,800.32
Interest payable		293,026,891.86	329,510,733.76
Other payables		1,736,664,490.11	407,132,988.23
Non-current liabilities due within one year		7,000,000,000.00	2,000,000,000.00
Other current liabilities		4,010,876,712.33	
Total current liabilities		102,552,724,374.32	83,932,487,228.49
Non-current liabilities:			
Long-term loan		1,619,000,000.00	50,000,000.00
Bonds payable		3,000,000,000.00	8,000,000,000.00
Long-term payables		665,644,518.00	712,416,884.50
Long-term employee benefits payables		839,439,129.01	189,439,129.01
Special payables		242,580,000.00	242,580,000.00
Deferred gains		576,626,934.85	366,420,337.96
Deferred income tax liabilities		656,233,807.23	561,037,857.08
Total non-current liabilities		7,599,524,389.09	10,121,894,208.55
Total Liabilities		110,152,248,763.41	94,054,381,437.04
Owner's equity:			
Share capital		22,267,915,125.00	22,268,111,875.00
Capital reserve		56,422,695,111.73	56,360,561,245.89
Less: treasury stock		665,644,518.00	712,416,884.50
Other comprehensive income		-127,878,422.18	-42,593,990.71
Special reserves			
Surplus reserve		29,774,721,062.00	29,774,721,062.00
Undistributed profit		36,396,698,513.03	41,315,860,945.00
Total owners' equity		144,068,506,871.58	148,964,244,252.68
Total Liabilities and owner's equity		254,220,755,634.99	243,018,625,689.72

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

Consolidated Income Statement

January-June 2018

Unit: Yuan Currency: RMB

Item	Notes	Beginning Balance	Beginning Balance
I. Total operating income		148,722,369,524.27	145,587,950,599.31
Of which: Operating income	(VII)54	148,534,090,141.08	145,373,347,428.44
Interest income		181,800,471.62	208,642,992.75
Fee and commission income		6,478,911.57	5,960,178.12
II. Total operating cost		136,704,408,583.42	138,092,423,476.18
Of which: Operating costs	(VII)54	126,275,218,563.89	128,229,805,518.69
Interest expense		73,764,860.45	90,315,267.36
Fee and commission expense		2,001,746.51	1,837,876.25
Tax and surcharges	(VII)55	849,366,991.51	934,471,616.75
Sales expense	(VII)56	1,635,944,055.64	1,590,504,272.18
Administrative fees	(VII)57	5,699,247,311.81	4,556,027,300.65
Financial expenses	(VII)58	2,166,342,144.02	1,989,905,250.08
Assets impairment loss	(VII)59	2,522,909.59	699,556,374.22
Plus: Gains from changes in fair value ("-" For loss)	(VII)60	325,954,837.14	-7,548,213.39
Investment income ("-" For loss)	(VII)61	1,696,235,222.94	1,395,768,296.68
Including: Investment income from associates and joint ventures		755,199,988.80	415,778,663.50
Income from disposal of assets ("-" for loss)			
Exchange gains ("-" for loss)			
Other income	(VII)62	167,023,487.95	87,895,448.39
III. Operating profit ('-' for loss)		14,207,174,488.88	8,971,642,654.81
Plus: Non-operating income	(VII)63	90,514,738.63	152,106,771.81
Less: Non-operating expenses	(VII)64	218,140,561.26	609,783,064.66
IV. Total profit ("-" For total loss)		14,079,548,666.25	8,513,966,361.96
Less: Income tax expense	(VII)65	3,178,416,323.25	1,774,878,191.13
V. Net profit ('-' for net loss)		10,901,132,343.00	6,739,088,170.83
(I) Classified by business continuity			
1. Net profit from continuing operations ("-" for net loss)		10,901,132,343.00	6,739,088,170.83
2. Net profit from discontinued operations ("-" for net loss)			
(II) Classified by ownership			
1. Net profits attributable to the owners of		10,009,204,831.14	6,169,575,197.07

parent company			
2. Minority shareholder's profits and losses		891,927,511.86	569,512,973.76
VI. Net of tax of other comprehensive income	(VII)66	-137,257,754.39	45,581,890.59
Net of tax of other comprehensive income attributable to the owner of parent company		-135,553,040.18	44,635,507.95
(i) Other comprehensive income which cannot be reclassified in gains and losses in subsequent period			-223,213.79
1. Changes in net liabilities and net assets resulting from re-measuring defined benefit plan			-223,213.79
2. Shares enjoyed under equity method in investee's other comprehensive income which cannot be reclassified in gains and losses in subsequent period			
(ii) Other comprehensive income which will be reclassified in gains and losses in subsequent period		-135,553,040.18	44,858,721.74
1. Shares enjoyed under equity method in investee's other comprehensive income which can be reclassified in gains and losses in subsequent period		349,637.10	-3,568,787.73
2. Gains and losses from change in fair value of financial asset available for sale		-130,081,562.59	5,897,399.89
3. Gains and losses from held-to-maturity investment reclassified as financial asset available for sale			
4. Effective part of gains and losses from cash flow hedging			
5. Translation difference of foreign currency financial statements		-5,821,114.69	42,530,109.58
6. Others			
Net of tax of other comprehensive income attributable to minority		-1,704,714.21	946,382.64
VII. Total comprehensive income		10,763,874,588.61	6,784,670,061.42
Total comprehensive income attributable to the owners of the parent company		9,873,651,790.96	6,214,210,705.02
Total comprehensive income attributable to minority shareholders		890,222,797.65	570,459,356.40
VIII. Earnings per share			
(i) Basic earnings per share (Yuan/share)		0.45	0.28

(ii) Diluted earnings per share (Yuan/share)		0.45	0.28
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The net profit of the enterprise under the same control in the last period is RMB 71,273,863.89 before such enterprise is merged.

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

Income Statement of Parent Company

January-June 2018

Unit: Yuan Currency: RMB

Item	Notes	Amount in current period	Amount in previous period
I. Operating income	(XVII)4	64,898,089,534.71	62,814,845,456.72
Less: Operating costs	(VII)4	56,369,887,298.43	54,321,702,403.85
Tax and surcharges		223,271,784.51	306,255,732.94
Sales expense		375,626,470.13	304,203,892.27
Administrative fees		3,013,730,238.36	2,290,198,112.15
Financial expenses		663,253,747.52	-53,990,964.12
Assets impairment loss		38,424,764.89	-58,647,097.24
Plus: Gains from changes in fair value ("-" For loss)		489,054,187.07	-129,146,280.01
Investment income ("-" For loss)	(XVII)5	1,612,100,761.00	990,556,701.20
Including: Investment income from associates and joint enterprises		517,118,283.38	89,409,103.36
Income from disposal of assets ("-" for loss)			
Other incomes		33,104,197.18	26,199,296.49
II. Operating profit ('-' for loss)		6,348,154,376.12	6,592,733,094.55
Plus: Non-operating income		51,115,576.95	40,137,022.15
Less: Non-operating expenses		48,012,240.84	469,943,630.55
III. Total profit ("-" For total loss)		6,351,257,712.23	6,162,926,486.15
Less: Income tax expense		1,249,858,337.95	1,362,426,127.96
IV. Net profit ('-' for net loss)		5,101,399,374.28	4,800,500,358.19
1. Net profit from continuing operations ("-" for net loss)			
2. Net profit from discontinued operations ("-" for net loss)			
V. Net amount of other comprehensive income after tax		-85,284,431.47	-8,018,310.30
(i) Other comprehensive income which cannot be reclassified in gains and losses in subsequent period			
1. Changes in net liabilities and net assets resulting from re-measuring defined benefit plan			
2. Shares enjoyed under equity method in investee's other comprehensive income which			

cannot be reclassified in gains and losses in subsequent period			
(ii) Other comprehensive income which will be reclassified in gains and losses in subsequent period		-85,284,431.47	-8,018,310.30
1. Shares enjoyed under equity method in investee's other comprehensive income which can be reclassified in gains and losses in subsequent period		2,120,568.53	-14,498,310.30
2. Gains and losses from change in fair value of financial asset available for sale		-87,405,000.00	6,480,000.00
3. Gains and losses from held-to-maturity investment reclassified as financial asset available for sale			
4. Effective part of gains and losses from cash flow hedging			
5. Translation difference of foreign currency financial statements			
6. Others			
VI. Total comprehensive income		5,016,114,942.81	4,792,482,047.89

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

Consolidated Cash Flow Statement

January-June 2018

Unit: Yuan Currency: RMB

Item	Notes	Amount in current period	Amount in previous period
I. Cash flows from operating activities:			
Cash received from sales of goods and rendering services		167,867,162,272.99	158,884,448,399.66
Net decrease in loans and advances to customers		71,228,905.73	325,134,270.38
Net decrease in deposits in central bank and due to bank		230,670,669.58	
Net increase in borrowing funds from other financial institutions		100,000,000.00	600,000,000.00
Cash received from interest, fees and commissions		182,769,040.31	222,302,593.74
Tax refund		398,280,335.62	327,479,099.76
Other cash received relating to operating activities	(VII)67	904,190,354.75	1,183,898,994.73
Subtotal of cash inflows from operating activities		169,754,301,578.98	161,543,263,358.27
Cash paid for purchase of goods and acceptance of services		129,299,568,107.34	132,571,140,475.94
Net decrease in customer deposits and due to banks		3,139,005,714.18	4,660,187,148.65
Net decrease in sales of repurchased financial assets		21,908,413.81	55,214,987.47
Net increase in deposits in the central bank and due from banks			164,564,534.17
Cash payment of interest, fees and commissions		48,744,116.27	77,845,464.60
Cash paid to and on behalf of employees		6,524,492,397.64	6,387,175,393.70
Payments of taxes		8,897,050,907.87	7,592,671,082.41
Other cash paid relating to operating activities	(VII)67	2,354,130,077.22	3,493,073,702.45
Subtotal of cash outflows from operating activities		150,284,899,734.33	155,001,872,789.39
Net cash flow from operating activities		19,469,401,844.65	6,541,390,568.88
II. Cash flow from investing activities:			
Cash received from investment retrieving		53,017,240,708.70	35,515,702,349.60

Cash received from investment income		1,574,497,353.21	1,134,512,176.85
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		38,412,480.35	153,890,492.10
Net cash received from disposal of subsidiaries and other business units			-42,773,291.00
Other cash received relating to investing activities	(VII)67	76,990,673.03	4,731,834,993.61
Subtotal of cash inflows from investing activities		54,707,141,215.29	41,493,166,721.16
Cash paid for acquisition and construction of fixed assets, intangible assets and other long-term assets		5,580,954,642.40	5,982,139,139.74
Cash paid for investment		51,017,252,118.02	38,957,590,497.78
Other cash paid relating to investing activities	(VII)67	457,859,295.34	81,860,000.00
Subtotal of cash outflows from investing activities		57,056,066,055.76	45,021,589,637.52
Net cash flows from investing activities		-2,348,924,840.47	-3,528,422,916.36
III. Cash flow from financing activities:			
Cash received from investors			197,793,735.20
Including: Cash of subsidiaries received from minority shareholders' investment			197,793,735.20
Cash received from borrowings		50,443,528,459.80	57,993,750,014.05
Cash received from issuing bonds		6,688,000,000.00	6,000,000,000.00
Other cash received relating to financing activities	(VII)67	66,822,000.00	
Subtotal of cash inflows from financing activities		57,198,350,459.80	64,191,543,749.25
Cash paid for debt repayment		58,998,369,778.44	55,674,409,835.64
Cash for distribution of dividends, profits or interest payments		10,701,343,941.71	6,641,453,092.79
Where: Dividends, profits paid by subsidiaries to minority shareholders		261,853,864.15	118,520,360.97
Other cash paid for financing activities	(VII)67	305,723,860.38	250,000,000.00
Subtotal of cash outflows from financing activities		70,005,437,580.53	62,565,862,928.43
Net cash flow from financing activities		-12,807,087,120.73	1,625,680,820.82
IV. Effect of fluctuations in exchange on		-21,638,391.17	54,946,094.08

cash and cash equivalents			
V. Net increase in cash and cash equivalents		4,291,751,492.28	4,693,594,567.42
Plus: opening balance of cash and cash equivalents		19,912,309,189.73	12,931,144,089.49
VI. Ending balance of cash and cash equivalents		24,204,060,682.01	17,624,738,656.91

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

Cash Flow Statement of Parent Company

January-June 2018

Unit: Yuan Currency: RMB

Item	Notes	Amount in current period	Amount in previous period
I. Cash flows from operating activities:			
Cash received from sales of goods and rendering services		66,173,111,911.36	75,644,257,341.52
Tax refund		163,667,499.50	
Other cash received relating to operating activities		368,014,399.36	518,090,747.61
Subtotal of cash inflows from operating activities		66,704,793,810.22	76,162,348,089.13
Cash paid for purchase of goods and acceptance of services		57,923,047,236.48	56,629,138,046.03
Cash paid to and on behalf of employees		2,886,369,692.70	2,614,147,185.34
Payments of taxes		3,482,646,961.42	4,556,335,444.12
Other cash paid relating to operating activities		528,151,173.53	549,228,242.85
Subtotal of cash outflows from operating activities		64,820,215,064.13	64,348,848,918.34
Net cash flow from operating activities	(XVII)7	1,884,578,746.09	11,813,499,170.79
II. Cash flow from investing activities:			
Cash received from investment retrieving		41,438,000,000.00	13,540,000,000.00
Cash received from investment income		1,656,000,980.71	900,368,058.58
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		24,426,249.96	55,675,464.67
Other cash received relating to investing activities		180,332,281.70	4,816,421,640.36
Subtotal of cash inflows from investing activities		43,298,759,512.37	19,312,465,163.61
Cash paid for acquisition and construction of fixed assets, intangible assets and other long-term assets		3,679,794,506.67	2,288,333,827.85
Cash paid for Investment		40,023,403,900.00	17,720,000,000.00
Other cash paid relating to investing activities		457,746,388.67	10,600,000.00
Subtotal of cash outflows from investing activities		44,160,944,795.34	20,018,933,827.85
Net cash flows from investing		-862,185,282.97	-706,468,664.24

activities			
III. Cash flow from financing activities:			
Cash received from borrowings		33,843,493,820.09	34,851,374,300.00
Cash received from issuing bonds		6,000,000,000.00	6,000,000,000.00
Other cash received relating to financing activities		1,808,196,178.37	
Subtotal of cash inflows from financing activities		41,651,689,998.46	40,851,374,300.00
Cash paid for debt repayment		27,912,339,758.87	34,500,205,306.03
Cash for distribution of dividends, profits or interest payments		9,668,665,041.61	5,376,281,224.63
Other cash paid for financing activities			4,246,134,719.28
Subtotal of cash outflows from financing activities		37,581,004,800.48	44,122,621,249.94
Net cash flow from financing activities		4,070,685,197.98	-3,271,246,949.94
IV. Effect of fluctuations in exchange on cash and cash equivalents		15,983,828.41	19,343,824.09
V. Net increase in cash and cash equivalents		5,109,062,489.51	7,855,127,380.70
Plus: opening balance of cash and cash equivalents		11,927,358,284.13	3,761,841,278.83
VI. Ending balance of cash and cash equivalents		17,036,420,773.64	11,616,968,659.53

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

Consolidated Statement of Changes in Owners' Equity
January-June 2018

Unit: Yuan Currency: RMB

Item	Current period									
	Owners' Equity Attributable to Parent Company								Minority shareholders' equity	Total owners' equity
	Capital stock	Other equity instruments Others	Capital reserve	Less: Treasury share	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profit		
I. Ending balance of previous year	22,268,111,875.00	77,717,323.62	48,714,559,218.40	712,416,884.50	-301,403,547.57	41,582,048.73	29,774,721,062.00	64,569,632,340.12	10,039,901,103.41	174,472,404,539.21
Plus: Changes in accounting policies										
Others										
II. Beginning balance of current period	22,268,111,875.00	77,717,323.62	48,714,559,218.40	712,416,884.50	-301,403,547.57	41,582,048.73	29,774,721,062.00	64,569,632,340.12	10,039,901,103.41	174,472,404,539.21
III. Amount changes of current period ("-" for loss)	-196,750.00	-52,810,907.79	539,413,203.65	-46,772,366.50	-135,553,040.18	23,477,444.08		-11,356,975.11	1,409,505,724.33	1,819,251,065.48
(i) Total comprehensive income					-135,553,040.18			10,009,204,831.14	890,222,797.65	10,763,874,588.61
(ii) Shareholders' contribution and reduction in capital	-196,750.00	-52,810,907.79	420,612,357.43	-46,772,366.50					779,796,760.82	1,194,173,826.96
1. Common shares from shareholders	-196,750.00		36,996,263.06						-25,484,005.13	11,315,507.93
2. Capital from holders of other equity instruments										
3. Amount of share payment calculated in owners' equity			124,729,124.23							124,729,124.23
4. Others		-52,810,907.79	258,886,970.14	-46,772,366.50					805,280,765.95	1,058,129,194.80
(III) Profit distribution								-10,020,561,806.25	-258,740,803.90	-10,279,302,610.15
1. Withdrawal of surplus reserves										

2. Withdrawal of general risk reserves										
3. Distribution to owners (or shareholders)								-10,020,561,806.25	-258,740,803.90	-10,279,302,610.15
4. Others										
(IV). Internal carry-over of owners' equity										
(V). Special reserves						23,477,444.08			-1,773,030.24	21,704,413.84
1. Current withdrawal						195,181,039.34			7,748,486.42	202,929,525.76
2. Current use						171,703,595.26			9,521,516.66	181,225,111.92
(VI). Others			118,800,846.22							118,800,846.22
IV. Current ending balance	22,267,915,125.00	24,906,415.83	49,253,972,422.05	665,644,518.00	-436,956,587.75	65,059,492.81	29,774,721,062.00	64,558,275,365.01	11,449,406,827.74	176,291,655,604.69

Item	Previous period									
	Owners' Equity Attributable to Parent Company								Minority shareholders' equity	Total owners' equity
	Capital stock	Other equity instruments	Capital reserve	Less: Treasury share	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profit		
I. Ending balance of previous year	16,450,393,624.00		33,769,068,132.18	49,879,268.00	-60,089,825.59	25,654,384.62	27,894,484,385.08	43,236,393,452.96	10,155,160,014.52	131,421,184,899.77
Plus: Changes in accounting policies										
Error corrections of the last period										
Enterprise merger under the same control			20,023,263,782.09		-222,861,382.00	26,871,120.81		8,684,695,948.69	319,116,514.85	28,831,085,984.44
Others										
II. Beginning	16,450,393,624.00		53,792,331,914.27	49,879,268.00	-282,951,207.59	52,525,505.43	27,894,484,385.08	51,921,089,401.65	10,474,276,529.37	160,252,270,884.21

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balance of current period										
III. Amount changes of current period (“-” for loss)	5,817,718,251.00	77,717,323.62	-5,077,772,695.87	662,537,616.50	-18,452,339.98	-10,943,456.70	1,880,236,676.92	12,648,542,938.47	-434,375,425.96	14,220,133,655.00
(i) Total comprehensive income					-18,452,339.98			19,170,337,569.64	1,232,797,495.80	20,384,682,725.46
(ii) Shareholders’ contribution and reduction in capital	5,817,718,251.00		-5,133,456,149.23	662,537,616.50					-23,252,246.64	-1,527,761.37
1. Common shares from shareholders	165,201,550.00		513,537,666.50	662,537,616.50					-23,252,246.64	-7,050,646.64
2. Capital from holders of other equity instruments										
3. Amount of share payment calculated in owners’ equity			5,522,885.27							5,522,885.27
4. Others	5,652,516,701.00		-5,652,516,701.00							
(III) Profit distribution							1,880,236,676.92	-6,521,794,631.17	-312,513,354.33	-4,954,071,308.58
1. Withdrawal of surplus reserves							1,880,236,676.92	-1,880,236,676.92		
2. Withdrawal of general risk reserves										
3. Distribution to owners (or shareholders)								-4,641,557,954.25	-312,513,354.33	-4,954,071,308.58
4. Others										
(IV). Internal carry-over of owners’ equity										
(V). Special reserves						-10,943,456.70			-2,099,461.10	-13,042,917.80
1. Current						450,775,393.32			9,564,485.41	460,339,878.73

withdrawal										
2. Current use						461,718,850.02			11,663,946.51	473,382,796.53
(VI). Others		77,717,323.62	55,683,453.36						-1,329,307,859.69	-1,195,907,082.71
IV. Current ending balance	22,268,111,875.00	77,717,323.62	48,714,559,218.40	712,416,884.50	-301,403,547.57	41,582,048.73	29,774,721,062.00	64,569,632,340.12	10,039,901,103.41	174,472,404,539.21

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

Statement of Changes in Owners' Equity of Parent Company

January-June 2018

Unit: Yuan Currency: RMB

Item	Current period							Total owners' equity
	Capital stock	Capital reserve	Less: Treasury share	Other Comprehensive Income	Special reserves	Surplus reserves	Undistributed profit	
I. Ending balance of previous year	22,268,111,875.00	56,360,561,245.89	712,416,884.50	-42,593,990.71		29,774,721,062.00	41,315,860,945.00	148,964,244,252.68
Plus: Changes in accounting policies								
Error corrections of the last period								
Others								
II. Beginning balance of current period	22,268,111,875.00	56,360,561,245.89	712,416,884.50	-42,593,990.71		29,774,721,062.00	41,315,860,945.00	148,964,244,252.68
III. Amount changes of current period ("-" for loss)	-196,750.00	62,133,865.84	-46,772,366.50	-85,284,431.47			-4,919,162,431.97	-4,895,737,381.10
(i) Total Comprehensive Income				-85,284,431.47			5,101,399,374.28	5,016,114,942.81
(ii) Shareholders' contribution and reduction in capital	-196,750.00	-24,147,452.28	-46,772,366.50					22,428,164.22
1. Common shares from shareholders	-196,750.00	36,996,263.06						36,799,513.06
2. Capital from holders of other equity instruments								
3. Amount of share payment calculated in owners' equity		110,784,274.23						110,784,274.23
4. Others		-171,927,989.57	-46,772,366.50					-125,155,623.07
(III) Profit distribution							-10,020,561,806.25	-10,020,561,806.25
1. Withdrawal of surplus reserves								
2. Distribution to owners (or shareholders)							-10,020,561,806.25	-10,020,561,806.25
3. Others								
(IV). Internal carry-over of owners' equity								
1. Capital reserves capitalization (or capital stock)								

2. Surplus reserves capitalization (or capital stock)								
3. Remedying loss with surplus reserves								
4.Others								
(V). Special reserves								
1. Current withdrawal					102,636,229.85			102,636,229.85
2. Current use					102,636,229.85			102,636,229.85
(VI). Others		86,281,318.12						86,281,318.12
IV. Current ending balance	22,267,915,125.00	56,422,695,111.73	665,644,518.00	-127,878,422.18		29,774,721,062.00	36,396,698,513.03	144,068,506,871.58

Item	Previous period										
	Capital stock	Other equity instruments			Capital reserve	Less: Treasury share	Other Comprehensive Income	Special reserves	Surplu s reserves	Undistribut ed profit	Total owner s' equity
		Preferred stock	Perpetual debts	Others							
I. Ending balance of previous year	16,450,393,624.00	32,912,011,944.13	49,879,268.00	-26,995,259.25		27,894,484,385.08	38,436,472,191.53	115,616,487,617.49			
Plus: Changes in accounting policies											
Error corrections of the last period											
Others											
II. Beginning balance of current period	16,450,393,624.00	32,912,011,944.13	49,879,268.00	-26,995,259.25		27,894,484,385.08	38,436,472,191.53	115,616,487,617.49			
III. Amount changes of current period ("-" for loss)	5,817,718,251.00	23,448,549,301.76	662,537,616.50	-15,598,731.46		1,880,236,676.92	2,879,388,753.47	33,347,756,635.19			
(i) Total comprehensive income				-15,598,731.46			9,401,183,384.64	9,385,584,653.18			
(ii) Shareholders' contribution and reduction in capital	5,817,718,251.00	23,485,196,481.49	662,537,616.50					28,640,377,115.99			
1. Common shares from shareholders	165,201,550.00	497,336,066.50	662,537,616.50								
2. Capital from holders of other equity instruments											

3.Amount of share payment calculated in owners' equity		5,522,885.27						5,522,885.27			
4. Others	5,652,516,701.00	22,982,337,529.72						28,634,854,230.72			
(III) Profit distribution						1,880,236,676.92	-6,521,794,631.17	-4,641,557,954.25			
1. Withdrawal of surplus reserves						1,880,236,676.92	-1,880,236,676.92				
2. Distribution to owners (or shareholders)							-4,641,557,954.25	-4,641,557,954.25			
3. Others											
(IV). Internal carry-over of owners' equity											
1. Capital reserves capitalization (or capital stock)											
2. Surplus reserves capitalization (or capital stock)											
3. Remediating loss with surplus reserves											
4.Others											
(V). Special reserves											
1. Current withdrawal					264,507,027.76			264,507,027.76			
2. Current use					264,507,027.76			264,507,027.76			

(VI). Others		-36,647,179.73						-36,647,179.73			
IV. Current ending balance	22,268,111,875.00	56,360,561,245.89	712,416,884.50	-42,593,990.71		29,774,721,062.00	41,315,860,945.00	148,964,244,252.68			

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

III. Company Profile

1. Company Profile

Applicable Not applicable

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

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

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

Following the approval provided in the approval document No. [2005]15 issued by the CSRC on April 13, 2005, during April 21 to 26, 2005, the Company issued 5 billion shares (A-shares) with a par value of RMB 1 each and an offer price of RMB 5.12 per share, including 3 billion state-owned shares to Baowu Group and 2 billion to the general public, with the latter on a combinatory basis of preferential claiming, pro-rata and on-line and off-line bidding inquiry.

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

According to “The Board’s Resolution on the Motion for Repurchasing Shares of the Company Through Centralized Bidding”, “The Creditors’ Notice About Repurchasing Shares of Baoshan Iron & Steel Co., Ltd.”, “The Resolution of the Second Temporary Shareholders’ Meeting of Baoshan Iron & Steel Co., Ltd. in 2012” and the Company’s revised Articles of Association, the Company repurchased A-shares on Shanghai Stock Exchange through centralized bidding with a price no more than RMB 5 per share and an amount no more than RMB 5 billion in total. The first repurchase began on September 21, 2012, and the Company has repurchased 414,055,508 shares by the end of December, 2012. According to the resolution and the Company’s revised Articles of Association, the Company applied for reduction of share capital by RMB 0.39 billion and completed the cancellation of 390,000,000 shares with China Securities Depository and Clearing Corporation Limited., Shanghai Branch on December 20, 2012. The Company renewed all commercial

registration on December 31, 2012, and the updated registered share capital is RMB 17,122,048,088.00 as of December 31, 2012.

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

The Company's shares have been decreased by 23,154,700 in total in 2014, 2015, 2016, 2017 and the first half of 2018 due to repurchasing restricted stock failing to reach the release conditions, and 698,900, 3,508,500, 17,123,900, 1,626,650 and 196,750 shares respectively in 2014, 2015, 2016, 2017 and the first half of 2018.

In accordance with the Agreement on the "Absorption and Merge by Stock Exchange between the Baoshan Iron & Steel Co and Wuhan Iron and Steel Company Limited" (the "Agreement on Absorption and Merge by Stock Exchange") signed by between the Company and Wuhan Iron and Steel Company Limited (the "WISCO., Ltd."), the Company absorbs and merges the WISCO., Ltd. through the stock exchange. Hence, the Company issued 5,652,516,701 shares in A-share market and the merge date was March 1, 2017.

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

The Company held the 25th meeting of the 6th board of directors on December 22, 2017, and passed the "Proposal on the Granting of Restricted Shares of the Company's Second Phase A-share Plan". Accordingly, the 166,828,200 restricted shares granted by the Company were registered in China Securities Depository and Clearing Co., Ltd. Shanghai Branch on January 16, 2018.

The Company held the first meeting of the 7th board of directors on June 8, 2018 and passed the "Proposal on Unlocking the Third Unlocking Period of Baosteel's Restricted Shares Plan ". Accordingly, the 11,360,700 unlocked shares from the Company's third unlocking period were listed and traded on June 19, 2018.

By the end of reporting period, the Company's registered capital and share capital have reached 22,267,915,125 Yuan. Among which, there are 22,101,086,925 common shares without restricted conditions for sale, and Baowu Group holds 11,300,148,999 shares; WISCO holds 2,982,172,472 shares; Baowu Group holds 14,282,321,471 shares directly and indirectly, accounting for 64.1% of total share capital.

The business scope of the Company: iron and steel smelting and processing, power generation, coal, industrial gas production, port terminals, warehousing, transportation and other business relating to iron & steel, as well as technology development, technology transfer, technical service, technical management consultation service, automobile maintenance/repair, import and export of goods and technologies, [non-ferrous smelting and rolling, industrial furnaces, production and sales of chemical raw materials and products, metal ore, coal, iron & steel, non-metallic ore loading and unloading, port area services, waterway freight forwarding, waterway cargo handling combined transport, shipping agency, foreign contract engineering labor cooperation, international tendering, project bidding agency, domestic trade, counter and transit trade, scrap steel, coal, fuel oil, chemical dangerous goods (only for wholesale)] (only for branch office), motor vehicle security check, production and sales of chemical raw materials and products.

The parent company of the Company is China Baowu Steel Group Corporation Limited.

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

The Company's consolidated financial statement has been approved by the Company's Board of Directors on August 27, 2018.

2. Scope of Consolidated Financial Statement√Applicable Not applicable

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

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

The financial statement of the Company is prepared based on the going-concern.

2. Going-concern√Applicable Not applicable

The Group conducts the evaluation on the going-concern ability of 12 months from June 30, 2018, and does not find matters and situations producing significant doubt about the going-concern ability. Therefore, the financial statement is prepared based on the going-concern assumption.

V. Important Accounting Policies and Accounting Estimates

The specific accounting policies and accounting estimates tip:

√Applicable Not applicable

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

1. Statement of Compliance with the ASBE

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

2. Basis of Accounting and Principle of Measurement

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

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

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

- First level input refers to the offer of same assets or liabilities achieved on the measurement date and without adjustment in the active market;
- Second level input refers to the directly or indirectly observable input value of relevant assets or liabilities except for the input value of the first level
- Third level input refers to the non-observable value of relevant assets and liabilities.

3. Accounting Period

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

4. Operating Cycle

Applicable Not applicable

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

5. Bookkeeping Base Currency

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

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

Applicable Not applicable

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

6.1 Business combinations under common control

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

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

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

6.2 Business Combinations not Under Common Control

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

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

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

The acquirer shall recognize the positive balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquired party as business reputation and conduct initial

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

Goodwill arising from a business combination is separately presented in the consolidated financial statements and measured at the cost less accumulated depreciation reserves.

7. Preparation Method of Consolidated Financial Statements

Applicable Not applicable

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

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

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

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

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

The internal transactions' impact on consolidated financial statements which is between the Company and its subsidiaries or between subsidiaries shall be eliminated on consolidation.

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

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

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

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

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

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

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

Applicable Not applicable

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

9. Criteria for Determining Cash and Cash Equivalents

Cash refers to the enterprise’s cash on hand and the deposit that can be used for payment at any time. Cash equivalent refers to the investment held by the group, with short term, strong liquidity, easy conversion into

cash with known amount, and small risk in value change.

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

√Applicable Not applicable

10.1 Foreign Currency Transactions

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

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

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

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

10.2 Translation of Financial Statements Denominated in Foreign Currencies

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

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

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

11. Financial Instruments

√Applicable Not applicable

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

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

11.1 Effective Interest Method

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

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

11.2 Classification, Recognition and Measurement of Financial Assets

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

11.2.1 Financial Assets at FVTPL

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

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

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

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

11.2.2 Held-to-maturity Investments

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

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

11.2.3 Loans and Receivables

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

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

11.2.4 AFS financial assets

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

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

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

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

11.3 Impairment of Financial Assets

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

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

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

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

- Impairment of financial assets measured at amortized cost

If a financial asset measured at amortized cost is impaired, the book value of the financial asset shall be reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The written-down amount shall be recognized as an impairment loss in profit or loss. If, subsequent to the recognition of an impairment loss on a financial asset measured at amortized cost, there is objective evidence of a recovery in value of the financial asset which can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed and recognized in profit or loss. However, the reversal shall not result in a book value of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed.

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

- Impairment of AFS financial assets

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

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

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

- Impairment of financial assets measured at cost

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

11.4 Transfer of Financial Assets

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

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

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

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

11.5 Classification, Recognition and Measurement of Financial Liabilities

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

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

11.5.1 Financial Liabilities at FVTPL

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

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

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

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

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

11.5.2 Other Financial Liabilities

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

11.6 Derecognizing of Financial Liabilities

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

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

11.7 Derivative Instruments and Embedded Derivative Instruments

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

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

11.8 Offset of Financial Assets and Financial Liabilities

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

11.9 Equity Instruments

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

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

11.9.1 Repurchase of Shares

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

11.10 Convertible Bond

Convertible bonds issued by the Group, which contain both liabilities and conversion options, are carved out and recognized at the initial confirmation respectively. Among them, the conversion options settled with a fixed amount of cash or other financial assets in exchange for a fixed number of their own equity instruments are calculated as the equity. At the time of initial recognition, the fair value of the liability portion is determined by current market prices similar to those bonds without conversion options. The difference that the total issuance price of the convertible bonds deducts the fair value of liabilities portion is taken as the value of conversion options after the bondholder's conversion of the bonds into equity instruments, and is included in other equity instruments. In the follow-up measurement, the liability portion of convertible bonds is measured at the amortized cost using the real interest rate methods; and the value of the conversion options included in equity remains in equity. No losses or gains generate when convertible bonds are mature or converted. The transaction costs incurred during issuance of convertible bonds shall be apportioned among the liability and equity portion according to their relative fair values. Transaction costs related to equity are directly included in equity; transaction costs related to liability are included in the book value of the liability and amortized over the period of convertible bonds using the real interest rate method.

12. Accounts Receivable

12.1 Individually Significant Receivables with Bad Debt Reserves Separately Recognized

√Applicable Not applicable

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

12.2 Account Receivables Which Provision Bad Debt Reserves According to Credit Risk Characteristics Combination:

Applicable Not applicable

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

In Combination, Bad Debt Reserves Made Using the Aging Analysis Method

Applicable Not applicable

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

In Combination, Bad Debt Reserves Made Using the Percentage Methods

Applicable Not applicable

In Combination, Bad Debt Reserves Made Using Other Methods

Applicable Not applicable

12.3 Accounts Receivable with Single Amount Insignificant and Bad Debt Reserves Made on a Single Basis:

Applicable Not applicable

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

13. Inventories

Applicable Not applicable

13.1 Classification of Inventories

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

13.2 Measurement of the Cost of Delivered Inventories

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

13.3 Recognition of the Net Realizable Value

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

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

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

13.4 Stock Counting System of Inventories

The perpetual inventory system is adopted for stock counting

13.5 Amortization Methods of Low-value Consumables and Wrap Pages

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

14. Long-term equity investments

Applicable Not applicable

14.1 Criteria of Common Control and Significant Influence

Control refers to that the investor has power over the investee, enjoys the variable returns by participating in the relevant activities of the investee, and has the ability to use the power over investee to influence its return amount. Joint control refers to the mutual control of an arrangement in accordance with the relevant agreement, and the related activities of such arrangement can be decided after getting the unanimous consent of participants sharing the control. Significant impact refers to having the power of participating in decision-making of the financial and operating policies of investee, but failing to control or making joint

control with other parties over the making of these policies. When determining whether to conduct the control or exert significant impact on the invested unit, potential voting right factors held by the investors and other parties such as current convertible bond and current executable warrant of the invested unit have been considered.

14.2 Determination of Initial Investment Cost

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

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

Audit fee, legal service fee, assessment consultation fee and other agency fees as well as other related management fees brought by the combining party or the purchaser for business combination shall be included in the current profits and losses during their occurrence.

Except for those formed by business combination, long-term equity investment obtained by other forms shall go through the initial measurement according to the cost. The cost of long-term equity investment which has significant impact upon the invested unit or implements joint control but does not constitute the control shall be the sum of new investment cost and fair value of the original equity investment determined by Accounting

Standard for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments.

14.3 Subsequent Measurement and Recognition of Profit and Loss

14.3.1 Long-term Equity Investment Using the Cost Method

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

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

14.3.2 Long-term Equity Investment Using the Equity Method

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

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

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

The Group's share of net losses of the invested is recognized to the extent that the carrying amount of the long-term equity investment together with any long-term interests that substantially form part of the investors net investment in the invested are reduced to zero. If the Group has to assume additional obligations, the estimated obligation assumed is provided for and charged to the profit or loss as investment loss for the period. Where the invested realizes net profits in subsequent periods, the Group resumes recognizing its share of profits after setting off profits against the unrecognized share of losses.

14.4 Disposal of a Long-term Equity Investment

During the disposal of long-term equity investment, the difference between its book value and actually

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

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

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

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

The Group conducts the disposal of subsidiary's stock equity step by step through multiple transaction until lose the control, and if the above transaction belongs to the package deal, accounting treatment should be

conducted which take each transaction as the transaction of disposing the subsidiary's stock equity and losing the control, and the difference between the disposal money and the book value of corresponding long-term equity investment before losing the control shall first be recognized as other comprehensive income, and then transferred to the current profits and losses when the control is lost.

15. Investment Property

Depreciation or Amortization Method

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

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

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

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

16. Fixed Assets

16.1 Conditions for Recognition

Applicable Not applicable

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

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

16.2 Depreciation Method

Applicable Not applicable

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

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

Office facilities and other facilities	Method of line	4-9	4-5%	10.6-24.0%
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Estimated net residual value of a fixed asset means the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

16.3 Confirmation basis, methods of accounting and depreciation of financial leased fixed assets

Applicable Not applicable

On the start date of the lease term, the fair value of the leased assets in the start date and the present value of the minimum lease payments, whichever is lower, are regarded as the entry value of the leased assets; the minimum lease payments are regarded as the entry value of the long-term accounts payable, and the difference between the two is regarded as the unrecognized financing costs. In addition, the initial direct costs attributable to the lease project incurred during the lease negotiation and the signing of the lease contract are also included in the value of the leased assets.

Fixed assets leased by means of financial leasing shall be depreciated according to a policy consistent with that of their own fixed assets. If it is possible to reasonably determine the acquirement of the leased assets ownership when the lease term expires, the depreciation shall be calculated within the service life of the leased assets; if it is not possible to reasonably determine the acquirement of the leased assets ownership when the lease term expires, the depreciation shall be calculated against the lease term or the service life of the leased assets, whichever is shorter.

16.4 Other notes

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

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

17. Construction in Progress

Applicable Not applicable

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

18. Borrowing Costs

Applicable Not applicable

For borrowing costs that are directly attributable to the acquisition, construction or production of a qualified asset, capitalization of such borrowing costs can commence only when all of the following conditions are satisfied: (1) expenditures for the asset have already been incurred; (2) borrowing costs have already been incurred; and (3) activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have already commenced. Capitalization of such borrowing

costs ceases when the qualified assets acquired, constructed or produced become ready for their intended use or sale. The amount of any other borrowing cost incurred is recognized as an expense in the period in which it is incurred.

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

19. Intangible Assets

19.1 Cost Measurement, Useful Life and Impairment Test

Applicable Not applicable

Intangible assets include tenure, software, etc.

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

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

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

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

19.2 Accounting Policies for Expenditures on Research and Development

Applicable Not applicable

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

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

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

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

20 Long-term Assets Impairment

Applicable Not applicable

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

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

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

The goodwill impairment test is carried out at least annually at the end of the year. The goodwill impairment test shall be implemented in conjunction with its related asset group or combination of asset groups. Namely, from the date of purchase, the book value of goodwill is apportioned in a reasonable way to the asset group or combination of asset groups that can benefit from the synergy effect of enterprise merger; if the recoverable amount of the asset group or combination of asset groups containing the apportioned goodwill is lower than its book value, the corresponding impairment loss is recognized. The amount of impairment loss first deducts the book value of the goodwill apportioned to the asset group or combination of asset groups, and then proportionally deducts the book value of the other assets according to the proportion of the book value of the assets other than goodwill in the asset group or combination of asset groups.

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

21 Long-term Prepaid Expenses

Applicable Not applicable

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

22 Assets Transferred Under Repurchase Agreements

22.1 Financial Assets Purchased Under Resale Agreements

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

22.2 Financial Assets Sold Under Repurchase Agreements

Financial assets sold subject to agreements with a commitment to repurchase at a specific future date are not derecognized in the balance sheet. The proceeds from selling such assets are presented under "financial assets

sold under repurchase agreements" in the balance sheet. The difference between the selling price and repurchasing price is recognized as interest expense during the term of the agreement using the effective interest method.

23 Employee Benefits

23.1 Accounting Treatment Method of Short-term Benefits

Applicable Not applicable

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

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

23.2 Accounting Treatment Method of Post-employment Benefits

Applicable Not applicable

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

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

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

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

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

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

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

23.3 Accounting Treatment Method of Termination Benefits

Applicable Not applicable

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

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

23.4 Accounting Treatment Method of Other Long-term Employee Benefits

Applicable Not applicable

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

24 Estimated Liabilities

Applicable Not applicable

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

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

25 Share-based Payment

Applicable Not applicable

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

25.1 Equity-settled Share-based Payment

Equity-settled share-based payment granted to the employees: For equity-settled share-based payment for getting the services provided by the employees, the Group shall conduct the measurement according to the fair value of the equity instruments granted to the employee on the grant date. The amount of such fair value shall

be based on the best estimate on the number of vesting equity instruments within the waiting period and shall be calculated with straight line method and included in the relevant costs or expenses, and the capital reserves shall be increased accordingly. On each balance sheet date within the waiting period, the Group shall make the best estimate and correct the number of vesting equity instruments according to the latest follow-up information such as the change of number of vesting employees. The impact from the above estimate shall be included in the current relevant costs or expenses, and the capital reserves shall be adjusted accordingly.

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

When the Group changes the share-based payment plan, if such change increases the fair value of the equity instruments granted, the increase of the acquired service shall be confirmed according to the increase of the fair value of the equity instruments. If such change increases the number of the equity instruments granted, the increased fair value of the equity instrument shall be recognized as the increase of the acquired service accordingly. The increase of the fair value of equity instruments refers to the difference of fair value on the change date of equity instruments before and after the change. If such change decreases the total fair value of share-based payment or other ways which are unfavorable to the employee are used to change the terms and conditions of share-based payment plan, the acquired service shall continue to be dealt with the accounting treatment, and it shall be deemed that such change never occur, unless the Group cancels part or all of the equity instruments granted.

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

25.3 Others

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

26 Revenue

Applicable Not applicable

26.1 Revenue from Sales of Commodities

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

26.2 Revenue from Rendering of Services

The outcome of a transaction concerning the rendering of labor services can be measured in a reliable way, means that the following conditions shall be met simultaneously: the amount of revenue can be measured in reliable way; the relevant economic benefits are likely to flow into the enterprise; the schedule of completion under the transaction can be confirmed in a reliable way; and the costs incurred or to be incurred in the transaction can be measured in a reliable way. The Group shall recognize the revenue from rendering services

employing the percentage-of-completion method. The schedule of completion under the transaction concerning the rendering of labor services shall be determined according to the proportion of the costs incurred against the estimated total cost. If the result of a transaction concerning the rendering of labor services cannot be estimated in a reliable way, the revenue from the rendering of labor services shall be recognized in accordance with the amount of the cost of labor services which has incurred and can be compensated. If no compensation is estimated to be received for the labor service cost incurred, no revenue will be recognized.

26.3 Royalty Revenues

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

26.4 Interest Revenues

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

27 Government Subsidies

A government subsidy means the monetary or non-monetary asset obtained free by the Group from the government. No government subsidy may be recognized unless relevant conditions are met simultaneously.

If a government subsidy is a monetary asset, it shall be measured in the light of the received or receivable amount. If the government subsidy is a non-monetary asset, it shall be measured at fair value. If the fair value cannot be obtained reliably, the government subsidy shall be measured by notional amount. The government subsidies measured by nominal amount shall be included in current profits and losses directly

27.1 Judgment Basis and Accounting Treatment Method of Government Subsidies Pertinent to Assets

Applicable Not applicable

Details of the Group's asset-related government subsidies are given in Note (VII), 45. As such government subsidies are directly related to the investment and construction of fixed assets, they are asset-related government subsidies. Government subsidies related to assets are recognized as deferred gains and are distributed equally over the life of the assets and included in current profits and losses.

27.2 Judgment Basis and Accounting Treatment Method of Government Subsidies Pertinent to Income

Applicable Not applicable

As the revenue-related government subsidies of the Group are used to compensate the related expenses and losses, such subsidies shall be recognized as revenue-related government subsidies. The revenue-related government subsidies, which are used to compensate the related expenses and losses in the subsequent period, shall be recognized as deferred income and shall be included in current profits and losses during the recognition period of the relevant expenses; the revenue-related government subsidies, which are used to compensate the related expenses and losses already incurred, shall be directly included in the current profits and losses.

The government subsidies related to the Group's daily activities are included in other income according to the nature of business transaction. The government subsidies unrelated to the Group's daily activities are included in the non-operating income and expense.

27.3 Accounting Treatment Method of Acquiring Policy Preferred Loan Discount

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

In case of discount interest funds distributed to lending bank by the Ministry of Finance or supplied to enterprises by lending bank in form of policy preferential interest rate, one of the following methods shall be

adopted for accounting measurement: actual lending amount as the entry value, relevant borrowing cost shall be calculated according to principal borrowing amount and the police preferential rate; the fair value of the borrowing amount as the entry value and the borrowing cost calculated in the method of actual interest rate, the difference between actual received amount and the fair value of borrowing amount shall be recognized as deferred income. The deferred income shall be amortized in the method of actual interest rate in the duration to write off relevant borrowing cost.

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

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

Relocation compensation received for relocation due to public interest

The relocation compensation has been received by the Group directly from the government's budget for public interests such as the overall planning of the town and shall be dealt with as a special payable. Of which, the compensation for losses of fixed and intangible assets, related expenditures, stoppage losses and new assets to be built after relocation and reconstruction are transferred from the special payable to the deferred income, and are calculated according to their nature, the asset related government subsidies and the income related government subsidies; if there is any surplus after deducting the amount transferred into deferred income from the relocation compensation, it shall be recognized as capital reserve.

28 Deferred Income Tax Assets and Deferred Income Tax Liabilities

Applicable Not applicable

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

28.1 Current Income Taxes

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

28.2 Deferred Tax Assets and Deferred Tax Liabilities

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

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

The taxable temporary differences related to the investments of subsidiary companies, associates and joint ventures shall recognize corresponding deferred income tax liabilities. However, those that can simultaneously

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

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

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

The book value of deferred income tax assets shall be reexamined on balance sheet date. If it is unlikely to obtain sufficient taxable income taxes to offset the benefit of the deferred income tax assets, the carrying amount of the deferred income tax assets shall be written down. When it is likely to obtain sufficient taxable income taxes, such written-down amount shall be subsequently reversed.

28.3 Offset of Income Tax

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

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

29 Leasing

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

29.1 Accounting Treatment Methods for Operating Lease

√Applicable Not applicable

29.1.1 Operating Leases Recorded by the Group as a Lessee

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

29.1.2 Operating Leases Recorded by the Group as a Lessor

The rental incomes from operating leases shall be recognized as the current profits and losses by using the straight-line method over each period of the lease term. The initial direct costs with a relatively large amount shall be capitalized, and recorded into the current profits and losses in more than one phase on the basis same

as that of the recognition of rental incomes during the entire lease term; the other initial direct costs with a relatively small amount shall be recorded into the profits and losses in the period in which they are actually incurred. Contingent rents shall be included in the profits and losses of the period in which they are actually incurred.

29.2 Accounting Treatment Methods for Financing Lease

Applicable Not applicable

29.2.1 Financing Leases Recorded by the Group as a Lessee

Please refer the relevant accounting treatment methods to Note (V) "16.3 The Basis, Valuation and Depreciation Method of Fixed Assets through Financial Leasing".

During the lease term, the real interest rate method is adopted for the unrecognized financing cost to calculate and recognize the current financing cost. The contingent rental is included in the current profits and losses when it actually occurs. The balance after deducting the unrecognized financing costs from minimum lease payment is presented as long-term liabilities and long-term liabilities due within one year respectively.

29.2.2 Financing Leases Recorded by the Group as a Lessor

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

After the unrealized financing incomes are deducted from the financing lease accounts receivable, the balance shall be presented as the long-term claim and the long-term claim due in one (1) year.

30 Discontinuing operation

Discontinuing operation refers to a component which satisfies one of the following conditions and can be separated independently, and has been disposed or divided into held-for-sale category:

- This component represents an independent main business or a major business area;
- This component is part of a related plan which is intended to dispose an independent main business or a separate business area;
- This component is a subsidiary acquired specifically for resale.

31 Key Assumptions Adopted for and Uncertain Factors Involved in Significant Judgments and Accounting Estimates Made in the Process of Applying Accounting Policies

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

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

Key Assumptions Adopted for and Uncertain Factors Involved in Accounting Estimates

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

31.1 Inventory Falling Price Reserve

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

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

31.2 Impairment of Accounts Receivable

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

31.3 Deferred Income Tax Assets

The realization of the deferred income tax assets mainly depends on the future actual gains and the effective tax rate of temporary differences in the future years of use. If the future effective gains are less than the expected gains, or the effective tax rate is lower than the expected one, the recognized deferred income tax assets shall be reversed, and recognized in the Consolidated Profit Statement during the period in which the reversal is incurred. Any deductible loss that can be carried forward to the next year is not recognized by certain subsidiaries as the deferred income tax asset because whether such subsidiaries obtain the sufficient taxable incomes is uncertain.

31.4 Impairment Reserve for Fixed Assets

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

Group, the provision for impairment losses have been fully made for the fixed assets.

32. Significant accounting policy and accounting estimate

32.1 Significant changes in accounting policy

Applicable Not applicable

32.2 Significant changes in accounting estimate

Applicable Not applicable

33. Others

Applicable Not applicable

VI. Taxes

1. Main Tax Categories and Tax Rates

Main Tax Categories and Tax Rates

Applicable Not applicable

Tax category	Taxation Basis	Tax Rate
VAT	Taxable sales revenue	6%, 10%, 16% note 1
Urban maintenance and construction tax	Actually-paid turnover tax	1%~7%
Educational surtax and surcharge	Actually-paid turnover tax	1%~5%
Enterprise income tax	Taxable income	Note 2
Business tax	Taxable income	3% or 5% note 3
Riverway management fee	Actually-paid turnover tax	At the ratio specified by the government
Property tax	Taxable residual or rent income of taxable houses	At the ratio specified by the government
Individual income tax	Taxable income	At the ratio specified by the government

Note 1: From May 1, 2018, the Ministry of Finance and the State Administration of Taxation issued a document that the value-added tax rate of taxable business which is originally 17% and 11% is reduced to 16% and 10% respectively.

Note 2: The Company shall have the enterprise income tax rate of 25%. Each subsidiary of the Group shall, in light of their respective income tax rate, make accrual and payment for business income tax in proportion to their respective taxable incomes. The overseas subsidiaries of the Group shall, in accordance with the tax laws of their locations, make accrual and payment for business income tax.

Note 3: Fully implementing the replace of business tax with VAT, which was deliberated and approved on the fourth session of the Twelfth National People's Congress on March, 2016, will have its pilot scope extended to construction industry, real estate industry, financial industry and life service industry. In the meanwhile, the Ministry of Finance and State Administration of Taxation published Notice on Full Preparation of Replacing Business Tax with VAT (No. 32[2016] of the Ministry of Finance). From May 1, 2016, the Group will replace the business tax of interest income and rental income with VAT and applicable VAT rate is 6%.

Disclosure of tax entities with different corporate income tax rates:

Applicable Not applicable

2. Tax preference

Applicable Not applicable

VII. Notes to Consolidated Financial Statements

1. Monetary Funds

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Cash on hand	663,915.67	686,037.28
Bank deposit	24,056,579,666.30	16,273,258,182.23
Other monetary funds	1,445,158,415.60	1,583,419,721.76
Total	25,502,401,997.57	17,857,363,941.27
Where: total overseas deposit	4,518,090,561.08	3,691,471,641.39

Other notes

Particulars about restricted monetary funds:

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Legal reserves deposited by the Finance Co. in the Central Bank of China	1,298,341,315.56	1,528,973,751.54

On June 30, 2018, the overseas monetary assets of the Group is RMB 4,518,090,561.08 Yuan (On December 31, 2017, RMB 3,691,471,641.39 Yuan). At the end of the reporting period, except for legal reserves deposited by the Finance Co. in the Central Bank of China, other monetary assets of the Group mainly includes performance bond RMB 309,598.00 Yuan (On December 12, 2017, RMB 153,290.99 Yuan), deposited investment fund RMB 70,785,285.97 Yuan (On December 31, 2017, RMB 3,433,364.35 Yuan), banks' acceptance bill deposit RMB 39,016,243.03 Yuan (On December 31, 2017, RMB 28,474,804.85 Yuan), guarantee deposit RMB 29,075,289.04 Yuan (On December 31, 2017, RMB 14,880,648.26 Yuan).

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

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Held-for-trading financial assets	604,312,172.90	1,726,166,623.63
Where: Debt instrument investment	395,959,650.00	1,430,136,340.00
Equity instrument investment	828,278.40	111,038,666.40
Derivative financial assets	207,524,244.50	184,991,617.23
Total	604,312,172.90	1,726,166,623.63

Other notes:

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

3. Notes Receivable

(1) Categories of Notes Receivable√Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Bank acceptance	25,627,522,591.22	23,399,045,356.81
Trade acceptance	7,494,486,686.42	8,457,978,731.73
Total	33,122,009,277.64	31,857,024,088.54

On June 30, 2018, the Group discounted undue notes receivable at RMB 108,624,000.00 (on December 31, 2017: RMB 219,270,000.00). The major risks and remuneration associated with these notes receivable have been transferred. Therefore, the group terminated the recognition of this part of undue notes receivable that have been discounted.

(2) Notes Receivable that Has Been Pledged by the Company at the End of the PeriodApplicable Not applicable**(3) Notes Receivable That Have Been Endorsed or Discounted by the Company at the End of the Period and not Been Overdue on Balance Sheet Date:**√Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount derecognized by the end of the period	Amount not derecognized by the end of the period
Bank acceptance	1,760,000.00	
Trade acceptance	106,864,000.00	
Total	108,624,000.00	

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

Other notes

Applicable Not applicable**(5) Refer to the Note (XII), 6(1), 1) for arrears owed to the Company by any shareholder holding shares representing 5% or more of voting rights of the Company at the end of the period and the beginning of the year in the balance of notes receivable, and the notes receivable from the affiliated parties in the balance of notes receivable.**

4. Accounts Receivable

(1) Accounts Receivables Disclosure by Category

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Category	Ending balance					Beginning balance				
	Book balance		Bad debt reserves		Book Value	Book balance		Bad debt reserves		Book Value
	Amount	Proportion (%)	Amount	Provision proportion (%)		Amount	Proportion (%)	Amount	Provision proportion (%)	
Other accounts receivable with significant single amount and individual bad debt reserves	2,688,930,783.43	18	81,967,556.08	3	2,606,963,227.35	1,924,539,201.60	14	57,717,392.72	3	1,866,821,808.88
Other accounts receivable with bad debt reserves according to credit risk characteristics combination	11,030,615,985.06	73	382,535,785.65	3	10,648,080,199.41	10,586,938,225.66	76	374,384,350.69	4	10,212,553,874.97
Receivables with bad debt reserves made individually in spite of insignificant single amounts	1,379,599,930.77	9	1,379,599,930.77	100	-	1,375,807,185.22	10	1,375,807,185.22	100	-
Total	15,099,146,699.26	100	1,844,103,272.50	12	13,255,043,426.76	13,887,284,612.48	100	1,807,908,928.63	13	12,079,375,683.85

EOP accounts receivable with significant single amounts and individual bad debt reserves

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Accounts receivable (by unit)	Ending Balance			Beginning Balance			
	Accounts receivable	Bad-debt reserves	Provision proportion (%)	Accounts receivable	Bad-debt reserves	Provision proportion (%)	Reason
Accounts receivable with significant single amounts	2,688,930,783.43	81,967,556.08	3	1,924,539,201.60	57,717,392.72	3	Note 1
Receivables with relatively long age	1,379,599,930.77	1,379,599,930.77	100	1,375,807,185.22	1,375,807,185.22	100	Note 2
Total	4,068,530,714.20	1,461,567,486.85	/	3,300,346,386.82	1,433,524,577.94	/	/

Note 1: The Group independently performed impairment tests on accounts receivable with significant single amounts and did not make bad debt reserves for single accounts receivables at the end of this reporting period (nor did the Group make bad debt reserves for single accounts receivables at the end of 2017). So, bad debt reserves, RMB 81,967,556.08 (2017: RMB 57,717,392.72), was made by credit risk characteristic combination as per Note (III), 12.2.

Note 2: Bad debt reserves are made in full for accounts receivable with the account age over 3 years and minimum possibility of recovery.

Account ages of receivables are shown below:

Age	Ending balance				Beginning balance			
	Amount	Ratio(%)	Bad debt reserves	Book value	Amount	Ratio (%)	Bad debt reserves	Book value
Within 1 year	12,796,518,157.12	85	387,211,987.95	12,409,306,169.17	11,318,442,905.67	82	341,284,542.09	10,977,158,363.58
1-2 years	333,971,004.59	2	23,503,683.03	310,467,321.56	561,692,082.31	4	41,894,481.65	519,797,600.66
2-3 years	112,666,172.23	1	53,787,670.75	58,878,501.48	142,064,643.03	1	48,922,719.67	93,141,923.36
Over 3 years	1,855,991,365.32	12	1,379,599,930.77	476,391,434.55	1,865,084,981.47	13	1,375,807,185.22	489,277,796.25
Total	15,099,146,699.26	100	1,844,103,272.50	13,255,043,426.76	13,887,284,612.48	100	1,807,908,928.63	12,079,375,683.85

In the combination, accounts receivable to make bad debt reserves using account age analysis method:

Applicable Not applicable

Unit: Yuan Currency: RMB

Account age	Ending balance	Beginning balance
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	Accounts receivable	Bad debt reserves	Provision proportion %	Accounts receivable	Bad debt reserves	Provision proportion %
Within 1 year						
Where: sub-items within 1 year						
Within 1 year	10,610,848,550.38	305,244,431.87	3	9,393,903,704.07	283,567,149.37	3
Subtotal within 1 year	10,610,848,550.38	305,244,431.87	3	9,393,903,704.07	283,567,149.37	3
1-2 years	228,683,199.65	23,503,683.03	10	561,692,082.31	41,894,481.65	7
2-3 years	97,946,597.75	53,787,670.75	55	142,064,643.03	48,922,719.67	34
Over 3 years	93,137,637.28	-		489,277,796.25	-	
Total	11,030,615,985.06	382,535,785.65	3	10,586,938,225.66	374,384,350.69	4

(2) Bad Debt Reserves Provisioned, Recovered or Transferred-back in Current Period:

Total bad debt reserves provisioned in current period was 107,501,324.61 Yuan; and bad debt reserves recovered or transferred back was 74,576,092.30 Yuan. Bad debt reserves have decreased by RMB 3,269,111.56 due to the translation of foreign currency statement.

Important bad debt reserves recovered or transferred back at current period:

Applicable Not applicable

(3) Actual Written-off Accounts Receivable in Current Period

Applicable Not applicable

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

Applicable Not applicable

On June 30, 2018, for accounts receivable of the Group, total amount of top five units was RMB 2,688,930,783.43 accounting for 18% of the total amount of accounts receivable, with bad debts reserves provision of RMB 81,967,556.08.

(5) On June 30, 2018, the group received the short-term borrowing of RMB 5,131,972.15 (on December 31, 2017: RMB 36,560,834.94) through factoring business, i.e. the collateral of receivable at RMB 5,131,972.15 (on December 31, 2017: RMB 36,560,834.94).

(6) Derecognized Accounts Receivable due to the Transfer of Financial Assets:

Applicable Not applicable

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

Applicable Not applicable

(8) At the end of and the beginning of reporting period, for information on accounts receivable from shareholder unit holding 5% or more of the voting shares of the Company among the accounts receivable and information on accounts receivable of other related parties, please see note (XII), 6 (1), 2).

5. Advance Payments**(1) Advance Payments Presented by Age**

Applicable Not applicable

Unit: Yuan Currency: RMB

Age	Ending balance		Beginning balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	8,336,214,845.66	97	7,786,828,284.52	98
1-2 years	155,693,503.83	2	179,812,367.35	2
2-3 years	33,000,308.62	0	26,339,609.69	0
3 years or more	29,435,134.17	1	25,420,816.84	0
Total	8,554,343,792.28	100.00	8,018,401,078.40	100.00

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

On June 30, 2018, the large-amount advance payments by the Group with the age over one year were mainly available for the procurement of large-sized equipment for the construction in progress.

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

Applicable Not applicable

On June 30, 2018, the total amount of prepayments of top five units was 4,702,608,190.63 Yuan, accounting for 55% of the total prepayments.

(3) Refer to (XII), 6(1), 3) for information of prepayments from shareholder units holding 5% or more voting shares of the Company and other relating parties at the end of and the beginning of reporting period.

(4) Advance Payments by Customer Category:

Unit: Yuan Currency: RMB

Category	Ending balance	Beginning balance
Advance payments with significant single	4,702,608,190.63	4,013,741,862.55
Other advance payments with insignificant single	3,851,735,601.65	4,004,659,215.85
Total	8,554,343,792.28	8,018,401,078.40

6. Interest Receivable

(1) Interest Receivable Category

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Time deposit	12,268,153.50	5,918,528.54
Entrusted loans	19,355,940.18	5,791,279.44
Others	-	1,859,170.51
Total	31,624,093.68	13,568,978.49

(2) Important overdue interest

Applicable Not applicable

(3) At the end of and the beginning of reporting period, for interest receivable from related parties among interest receivable, please see Note (XII), 6 (1), 4).

7. Dividends Receivable

(1) Dividends Receivable

Applicable Not applicable

Unit: Yuan Currency: RMB

Item (Or Investee)	Ending balance	Beginning balance
CISDI Engineering Co., Ltd. (Note)	12,554,000.00	12,554,000.00
Taicang Wugang Terminal Co., Ltd.		26,464,682.63
Wuxi Baomit Steel Distribution CO.,LTD.		793,338.62

Nanjing Tiemei Transportation Trade Co., Ltd.	5,231,185.43	5,231,185.43
Total	17,785,185.43	45,043,206.68

Note: Dividend receivable from CISDI Engineering Co., Ltd. was RMB 12,554,000.00 on June 30, 2018, with the account aging 2-3 years, of the recovery risk considered by the Company management was under control.

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

Applicable Not applicable

8. Other Receivables

(1) Disclosure of Other Receivables by Category:

Applicable Not applicable

Unit: Yuan Currency: RMB

Category	Ending balance					Beginning balance				
	Book balance		Bad debt reserves		Book value	Book balance		Bad debt reserves		Book value
	Amount	Ratio (%)	Amount	Provision proportion (%)		Amount	Ratio (%)	Amount	Provision proportion (%)	
Other receivables with significant single amount and individual bad debt reserves	1,535,998,384.70	53	-	-	1,535,998,384.70	1,333,756,242.27	47	-	-	1,333,756,242.27
Other receivables with bad debt reserves according to credit risk characteristics combination	1,357,553,249.70	46	20,254,088.81	1	1,337,299,160.89	1,453,598,838.29	52	86,101,835.73	6	1,367,497,002.56
Other receivables for which independent bad debt provision is performed in spite of insignificant single amounts	35,605,776.76	1	35,605,776.76	100	-	35,895,810.37	1	35,895,810.37	100	-
Total	2,929,157,411.16	100	55,859,865.57		2,873,297,545.59	2,823,250,890.93	100	121,997,646.10	4	2,701,253,244.83

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

Applicable Not applicable

Unit: Yuan Currency: RMB

Other receivables (By units)	Ending balance			Beginning balance			
	Other receivables	Bad debt reserves	Provision proportion %	Other receivables	Bad debt reserves	Provision proportion %	Provision cause
Large other receivables	1,535,998,384.70	-	-	1,333,756,242.27	-	-	Note 1

Other receivables with long account age	35,605,776.76	35,605,776.76	100	35,895,810.37	35,895,810.37	100	Note 2
Total	1,571,604,161.46	35,605,776.76	/	1,369,652,052.64	35,895,810.37	/	/

Note 1: Large other receivables are mainly the electricity charge deposit, advances for project and other funds with lower recovery risk, and there was no bad debt reserves provision for receivables of related parties within the Group, so the book balance of other receivables of the Company was RMB 1,535,998,384.70 (December 31, 2017: RMB 1,333,756,242.27), and bad debt reserves was not for provision.

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

The account age of other receivables is shown below:

Age	Ending balance				Beginning balance			
	Amount	Proportion (%)	Bad debt reserves	Book value	Amount	Proportion (%)	Bad debt reserves	Book value
Within 1 year	2,447,377,753.66	84	10,894,066.50	2,436,483,687.16	2,290,259,072.30	81	12,485,683.32	2,277,773,388.98
1-2 years	63,232,919.79	2	2,603,491.52	60,629,428.27	65,054,358.78	2	3,283,888.58	61,770,470.20
2-3 years	257,910,846.30	9	6,756,530.79	251,154,315.51	310,603,502.97	11	70,332,263.83	240,271,239.14
3 years or more	160,635,891.41	5	35,605,776.76	125,030,114.65	157,333,956.88	6	35,895,810.37	121,438,146.51
Total	2,929,157,411.16	100	55,859,865.57	2,873,297,545.59	2,823,250,890.93	100	121,997,646.10	2,701,253,244.83

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

Applicable Not applicable

Unit: Yuan Currency: RMB

Account age	Ending balance			Beginning balance		
	Other receivables	Bad debt reserves	Provision proportion %	Other receivables	Bad debt reserves	Provision proportion %
Within 1 year						
Where: sub-items within 1 year						

Within 1 year	1,178,694,759.98	10,894,066.50	1	1,092,291,567.21	12,485,683.32	1
Subtotal of within 1 year	1,178,694,759.98	10,894,066.50	1	1,092,291,567.21	12,485,683.32	1
1-2 years	30,528,257.55	2,603,491.52	9	65,054,358.78	3,283,888.58	5
2-3 years	23,300,117.52	6,756,530.79	29	174,814,765.79	70,332,263.83	40
Over 3 years	125,030,114.65	-	-	121,438,146.51	-	-
Total	1,357,553,249.70	20,254,088.81	1	1,453,598,838.29	86,101,835.73	6

In the combination, the other receivables which adopt the percentage of receivables method to provision bad debt reserves:

Applicable Not applicable

In the combination, the other receivables which adopt other methods to provision bad debt reserves:

Applicable Not applicable

(2) Bad Debt Reserves Provisioned, Recovered or Transferred back in Current Period:

Bad debt reserves provisioned in the current period was RMB 7,677,301.86 Yuan; and bad debt reserves recovered or transferred back was RMB 73,830,523.26 Yuan.

Increased amount of bad debt reserves due to translation of foreign currency financial statements was RMB 15,440.87 Yuan.

Where, important bad debt reserves recovered or transferred back at current period:

Applicable Not applicable

(3) Actual Written-Off Other Receivables in Current Period

Applicable Not applicable

(4) Classification of Other Receivables according to Nature of Money

Applicable Not applicable

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

Applicable Not applicable

Unit: Yuan Currency: RMB

Name of unit	Nature	Ending balance	Account age	Proportion of total ending balance of other receivables (%)	Bad debt reserves Ending balance
Total amount of top five units	Other receivables	1,535,998,384.70		52	0
Total	/	1,535,998,384.70	/	52	0

(6) Receivables Involving in Government SubsidiesApplicable Not applicable**(7) Other Receivables under Derecognition due to the Transfer of Financial Assets:**Applicable Not applicable**(8) Amount of Assets and Liabilities Formed by Transfer of Other Receivables and Continuous Involvement:**Applicable Not applicable

(9) At the end of and the beginning of reporting period, for funds of unit of shareholders holding 5% (including 5%) voting shares of the Company or more among the other receivables and funds of other related parties receivable, please see note (XII), 6 (1), 5).

9. Inventory**(1) Classification of Inventories**Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance			Beginning balance		
	Book balance	Falling price reserve	Book value	Book balance	Falling price reserve	Book value
Raw materials	10,030,260,659.39	18,918,857.14	10,011,341,802.25	9,791,770,393.36	17,987,879.79	9,773,782,513.57
Work-in-progress	12,357,393,072.57	515,751,187.44	11,841,641,885.13	11,642,073,752.75	506,802,464.20	11,135,271,288.55
Stock	14,781,392,408.09	990,103,621.27	13,791,288,786.82	15,206,117,969.43	1,226,806,001.64	13,979,311,967.79
Spare parts and others	4,893,959,742.21	650,779,951.63	4,243,179,790.58	4,984,598,402.65	384,926,555.96	4,599,671,846.69
Total	42,063,005,882.26	2,175,553,617.48	39,887,452,264.78	41,624,560,518.19	2,136,522,901.59	39,488,037,616.60

(2) Falling Price Reserve of InventoriesApplicable Not applicable

Unit: Yuan Currency: RMB

Item	Beginning balance	Increased amount in the period		Decreased amount in the period		Ending balance
		Provision	Others	Write-back or Write-off	others	
Raw materials	17,987,879.79	4,419,881.48		3,488,904.13		18,918,857.14
Work-in-progress	506,802,464.20	162,655,334.11		153,683,517.10	23,093.77	515,751,187.44
Stock	1,226,806,001.64	153,211,659.84		388,236,387.46	1,677,652.75	990,103,621.27
Spare parts and others	384,926,555.96	424,243,621.83		158,390,226.16		650,779,951.63
Total	2,136,522,901.59	744,530,497.26		703,799,034.85	1,700,746.52	2,175,553,617.48

(3) Falling Price Reserve of Inventories

Item	Basis for inventory falling price reserve	Cause of reversing inventory falling price reserve in this period	Proportion of amount reversed in this period to EOP balance of this inventory
Raw materials	Book value of inventories higher than net realizable value	Rising market price or falling product cost	-
Work-in-progress	Book value of inventories higher than net realizable value	Rising market price or falling product cost	1%
Finished goods	Book value of inventories higher than net realizable value	Rising market price or falling product cost	3%
Spare parts and others	Book value of inventories higher than net realizable value	Rising market price or falling product cost	3%

10. Non-current Assets Due Within 1 Year

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Item	Ending Balance	Beginning Balance
Long-term receivables due within 1 year (Note)	49,040,909.50	47,982,220.29
Trust products		500,000,000.00
Total	49,040,909.50	547,982,220.29

Note: Long-term receivables due within 1 year are the after-sales equipment leaseback deposit (RMB 49,040,909.50) of WISCO, Ltd.

11. Other Current Assets

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Pending deduct VAT on purchase	2,655,565,168.16	4,554,429,294.19
Financial products (Note)	10,000,000,000.00	10,762,000,000.00
Others	169,814,401.83	58,045,511.13
Total	12,825,379,569.99	15,374,474,805.32

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

12. Loans and Advances to Customers

(1) Classification of Loans and Advances to Customers

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Loans	403,816,647.01	483,153,438.36
Discount	3,478,156,258.23	3,465,972,646.92
Provision for loan impairment	-2,343,995.27	-7,354,605.18
Total	3,879,628,909.97	3,941,771,480.10

(2) Provision for Loan Impairment

Unit: Yuan Currency: RMB

Item	Beginning balance	Provision amount in current period	Decrease in current period		Difference from foreign currency translation	Ending balance
			Reversed	Written-off		
Provision for loan	7,354,605.18		5,010,609.91			2,343,995.27

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

For particulars of loans and advance payments made to other related parties at the end of and the beginning of this reporting period, please refer to Note (XII), 6(1), 6).

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

Unit: Yuan Currency: RMB

Item	Ending balance			Beginning balance		
	Book balance	Impairment reserves	Book value	Book balance	Impairment reserves	Book value
Available-for-sale debt instruments:	2,247,413,452.20	50,240,011.70	2,197,173,440.50	2,168,550,310.20	50,240,011.70	2,118,310,298.50
Available-for-sale equity instruments:	11,397,569,121.18	702,524,660.88	10,695,044,460.30	11,600,694,410.84	702,232,589.48	10,898,461,821.36
Where: Measured at fair value	1,739,018,326.25	682,297,503.21	1,056,720,823.04	1,942,291,033.95	682,297,503.21	1,259,993,530.74
Measured at cost	9,658,550,794.93	20,227,157.67	9,638,323,637.26	9,658,403,376.89	19,935,086.27	9,638,468,290.62
Total	13,644,982,573.38	752,764,672.58	12,892,217,900.80	13,769,244,721.04	752,472,601.18	13,016,772,119.86

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

Unit: Yuan Currency: RMB

Available-for-sale financial assets category	Available-for-sale debt instruments	Available-for-sale equity instruments	Total
Cost of equity instruments/ amortized cost of debt instruments	2,235,185,978.37	1,476,770,239.84	3,711,956,218.21
Fair value	2,197,173,440.50	1,056,720,823.04	3,253,894,263.54
Change of fair value accumulatively included in other comprehensive income	12,227,473.83	262,248,086.41	274,475,560.24

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

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Invested unit	Book balance				Impairment reserves				Shareholding ratio in invested unit (%)	Current cash dividend
	Beginning of the period	Increase in current period	Decrease in current period	Ending of the period	Beginning of the period	Increase in current period	Decrease in current period	Ending of the period		
Shanghai LuoJing Ore Terminal Co., Ltd.	88,734,096.00			88,734,096.00					12.00	
Yangtze River Economic United Development (Group) Co., Ltd.	980,000.00			980,000.00					0.11	28,000.00
Guoqi (Beijing) Auto Lightweight Technology Research Institute Co., Ltd.	3,000,000.00			3,000,000.00					6.90	
Beijing Iron Ore Trading Center Corporation	5,000,000.00			5,000,000.00					6.25	
CNPC Pipeline Co., Ltd.	8,643,900,787.20			8,643,900,787.20					3.52	396,538,342.33
Baovale Mineracao S.A.	103,282,213.00			103,282,213.00					50.00	18,166,113.00
Henan Longyu Energy Company Limited	370,269,254.56			370,269,254.56					12.96	
Yongcheng Coal & Power (Group) Co., Ltd.	279,000,000.00			279,000,000.00					7.78	
Henan Zhenglong Coal Industry Co., Ltd.	45,569,714.27			45,569,714.27					4.91	
China Technology & Economy Investment Consulting Co., Ltd.	3,000,000.00			3,000,000.00	1,710,073.92			1,710,073.92	5.00	
Yantai Tiezhong Baosteel Steel	5,600,000.00			5,600,000.00					10.00	

Processing Co., Ltd.									
China Resources Land Limited (Beijing)	1,618,750.00			1,618,750.00					0.09
Anhui Huishang Company Limited	3,000,000.00			3,000,000.00	3,000,000.00			3,000,000.00	3.53
Hanyang Parts Co., Ltd.	3,311,720.00			3,311,720.00	3,311,720.00			3,311,720.00	20.00
Shanghai Huayi Information Technology Co., Ltd	3,000,000.00			3,000,000.00					15.00
Jinchuan Group Information & Automation Engineering Co., Ltd.	1,000,000.00			1,000,000.00					7.13
CISDI Engineering Co., Ltd.	9,508,999.34			9,508,999.34					6.28
Shanghai Baosteel Xinyue Human Resource Service Co., Ltd	1,500,000.00			1,500,000.00					15.00
Shanghai Baosight Digital Technology Co., Ltd	600,000.00			600,000.00	600,000.00			600,000.00	15.00
Shanghai Ouyeel Data Technology Co., Ltd.	17,386,503.26			17,386,503.26	4,005,183.07			4,005,183.07	49.00
Globalore Pte Ltd	16,089,737.40	451,762.60		16,541,500.00	3,426,457.80	292,071.40		3,718,529.20	14.29
Baometal S.r.L	15,746,601.86		304,344.56	15,442,257.30					10
Wuhan Huagong Venture Capital Co., Ltd.	12,300,000.00			12,300,000.00					9.88
Changxin Asset Management Co., Ltd.	25,005,000.00			25,005,000.00	3,881,651.48			3,881,651.48	15.15
Total	9,658,403,376.89	451,762.60	304,344.56	9,658,550,794.93	19,935,086.27	292,071.40		20,227,157.67	/ 414,732,455.33

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

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Available-for-sale financial assets category	Available-for-sale debt instruments	Available-for-sale equity instruments	Total
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Provisioned beginning impairment balance	50,240,011.70	702,232,589.48	752,472,601.18
Provision in current period		292,071.40	292,071.40
Where: Transferred-in from other comprehensive income			
Decrease in current period			
Where: Rise of fair value after the period		/	
Ending balance of provisioned impairment reserves	50,240,011.70	702,524,660.88	752,764,672.58

14. Long-term Receivables

(1) Long-term Receivables

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance			Beginning balance			Discount rate range
	Book balance	Bad debt reserves	Book value	Book balance	Bad debt reserves	Book value	
Financial leasing amount	49,040,909.50		49,040,909.50	47,982,220.29		47,982,220.29	
Where: Unrealized financial income	-959,090.50		-959,090.50	-2,017,779.71		-2,017,779.71	
Less: Financial leasing amount receivable due within 1 year	-49,040,909.50		-49,040,909.50	-47,982,220.29		-47,982,220.29	
Preferential borrowing for down payment of employees' first apartment (Note)	314,004,494.60		314,004,494.60	323,443,628.36		323,443,628.36	
Total	314,004,494.60		314,004,494.60	323,443,628.36		323,443,628.36	/

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

(2) Long-term Receivables under Derecognition due to Transfer of Financial Assets□ Applicable Not applicable**(3) Amount of Assets and Liabilities Formed by Transfer of Long-term Receivables and Continuous Involvement**□ Applicable Not applicable**(4) Neither at the end of this reporting period nor at the beginning of this reporting period did any long-term account receivable include investment by any shareholder holding shares representing 5% or more of the voting rights of the Company.****15. Long-term Equity Investment** Applicable □ Not applicable

Unit: Yuan Currency: RMB

Name of investee	Beginning balance	Current change								Ending balance	Ending balance of impairment reserves
		Added investment	Reduced investment	Investment gains and losses recognized under the Equity Method	Other comprehensive income adjustment	Other equity change	Cash dividend or profit declared to issue	Impairment reserves provision	Others		
I. Joint Ventures											
Baosteel-NSC/Arcelor Automotive Steel Sheets Co., Ltd.	1,958,806,392.36			102,130,875.03		-1,605,823.11				2,059,331,444.28	
BAO-ISLAND ENTERPRISES LIMITED	596,092,196.30			9,422,038.40	7,517,063.60					613,031,298.30	
Shandong Baohua Wear-resistant Steel Co., Ltd.	69,233,207.48			5,252,400.96		710,421.96				75,196,030.40	
Guangzhou JFE Steel Sheet Co., Ltd.	1,828,476,390.31			162,354,303.64						1,990,830,693.95	35,000,000.00
Hangzhou Baowei Auto Parts Co., Ltd.	192,924,103.27			7,584,373.68						200,508,476.95	
Changsha Baosheng Steel Processing and	2,032,926.39			-1,576,727.39						456,199.00	

Distribution Co., Ltd.											
Changshu Baosheng Fine Blanking Materials Co., Ltd	63,760,121.58			-2,102,173.62						61,657,947.96	
Wuhan Baozhang Automobile Steel Parts Co., Ltd	23,222,031.65			1,719,480.77						24,941,512.42	
Wuhan Pingmei Wugang Joint Coking Co., Ltd.	755,252,298.80			-2,266,415.41						752,985,883.39	
Changshu Weishike Daheng Metal Material Co., Ltd	23,876,891.97			335,034.85						24,211,926.82	
WISCO Zhejin Trade Co., Ltd	52,055,060.56		52,055,060.56								
Wuhan Iron & Steel Petrochemical Industrial Gas Co., Ltd	71,285,562.03			4,079,273.41						75,364,835.44	
Subtotal	5,637,017,182.70		52,055,060.56	286,932,464.32	7,517,063.60	-895,401.15				5,878,516,248.91	35,000,000.00
II. Associated enterprises											
Shanghai Baosteel & Arcelor Tailor Metal Co., Ltd.	128,088,008.57			13,259,497.84						141,347,506.41	
Shanghai Firsttech Co., Ltd.	3,596,543.38			256,330.28						3,852,873.66	
Henan Pingbao Coal Industry Co., Ltd.	662,807,448.59			32,458,628.88		31,526,715.33				726,792,792.80	
Wuxi Baomit Steel Distribution Co., Ltd.	68,724,168.60			-35,667.00						68,688,501.60	
Sichuan Daxing Baohua Chemical Co., Ltd.	26,960,691.91			1,750,418.49		612,437.63				29,323,548.03	
Baosteel Can Making (Vietnam) Co.,Ltd.	77,492,633.78							977,226.44		78,469,860.22	
Beijing Qingke	12,151,376.66			878,345.37						13,029,722.03	

Chuangtong Information Technology Co., Ltd.											
MIBao Metal Processing Zhengzhou Co., Ltd.	28,121,718.07			701,375.47						28,823,093.54	
Guangzhou Automobile Baoshang Steel Processing Co., Ltd.	65,206,988.27			17,570,286.28		-158,930.09				82,618,344.46	
Wuxi Summit-Bao Metal Products Co., Ltd.	26,637,368.75			281,077.64						26,918,446.39	
Guangzhou South China Gangbao Terminal Co., Ltd.	5,869,260.96			-218,229.31						5,651,031.65	
Tianjin Zhongzhi Tiancheng Technology Co., Ltd.	4,736,635.15			-786,141.65						3,950,493.50	
Shanghai Extracme Information Technology Co., Ltd.	10,380,316.79			-7,686,252.27						2,694,064.52	
Shanghai Runyi Incubator Management Co., Ltd.	3,006,868.34			-728,298.29						2,278,570.05	
Shanghai Baochixin Medical Technology Co., Ltd.	4,443,915.24	1,600,000.00		-1,640,000.00						4,403,915.24	
Guangdong Zhanjianggang Longteng Shipping Co., Ltd.	30,246,123.59			1,363,272.74						31,609,396.33	
Nanjing Tiemei Transportation Trade Co., Ltd.	2,026,085.82			575,043.54						2,601,129.36	
Shanghai Baoneng Information Technology Co., Ltd.	10,125,912.84			113,360.00						10,239,272.84	

Shanghai Ouyeel Logistics Co., Ltd.	125,722,095.60			-5,293,228.65						120,428,866.95	
Ouyeel Incorporation	1,340,383,130.85			-21,522,812.87	-2,268,213.50	-290,424.65				1,316,301,679.83	
Shanghai Ouyeel Financial Information Service Co., Ltd.	297,870,514.75			3,901,357.46	-4,899,213.00		1,380,765.56			295,491,893.65	
Wuhan Baohan Welding Equipment Co., Ltd.	3,835,956.57			292,837.76						4,128,794.33	
Shanghai Rural Commercial Bank	4,491,500,000.00			405,588,116.87		88,006,449.15	128,000,000.00			4,857,094,566.02	
Wuhan Steel Group Finance Co., Ltd	1,551,282,606.75			22,211,657.05						1,573,494,263.80	
China Pingmei Shenma Energy Chemical Group Co., Ltd	1,560,946,799.52			-33,360,997.01						1,527,585,802.51	
Dalian Jiexiang Technology Co., Ltd	41,784,097.24			1,596,447.14						43,380,544.38	
Hubei Pingwu Industry & Trade Co., Ltd	9,776,980.11									9,776,980.11	
Wuhan Ansheng Economic & Trade Co., Ltd.	3,994,876.13									3,994,876.13	
Taicang Wugang Terminal Co., Ltd.	307,141,436.84			10,828,281.68					-5,880,169.07	312,089,549.45	
Taicang WISCO Distribution Co., Ltd	25,559,718.54			-1,901,625.83					-494,436.72	23,163,655.99	
Wuhan WISCO Dansike Technology Magnetic Materials Co., Ltd.	14,969,099.37			1,451,050.23						16,420,149.60	
Wuhan WISCO Jinzi Steel Processing Co., Ltd.	11,480,001.06			-1,120,438.92						10,359,562.14	
TWB Company L.L.C.	709,102,461.15			27,478,019.97					-13,528,044.02	723,052,437.10	

Shanghai JinShang Network Technology Co.,Ltd.	8,866,092.01			5,811.59						8,871,903.60	
Wuhai Huanghe Yiteng Sesutanhei Co., Ltd.	1,657,890.66									1,657,890.66	
Transferred-in stock right separation regarding marketability from the original system	7,949,489.18									7,949,489.18	
Subtotal	11,684,445,311.64	1,600,000.00		468,267,524.48	-7,167,426.50	119,696,247.37	129,380,765.56	0.00	-18,925,423.37	12,118,535,468.06	
Total	17,321,462,494.34	1,600,000.00	52,055,060.56	755,199,988.80	349,637.10	118,800,846.22	129,380,765.56		-18,925,423.37	17,997,051,716.97	35,000,000.00

Other notes

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

16. Investment Property

Measurement mode of investment property

(1) Investment Property Measured at Cost

Unit: Yuan Currency: RMB

Item	Houses and buildings	Land use right	Total
I. Original book value			
1.Beginning balance	300,837,076.19	318,321,681.83	619,158,758.02
2. Increase in current period	560,073,127.39	-	560,073,127.39
(1) Purchase			
(2) Inventory/ fixed assets/ transferred-in from construction in progress	560,073,127.39		560,073,127.39
(3) Increase from corporate merge			
3. Decrease in current period	480,122.80	214,439,727.80	214,919,850.60
(1) Disposal			
(2) Other transferred-out	480,122.80	214,439,727.80	214,919,850.60
4.Ending balance	860,430,080.78	103,881,954.03	964,312,034.81
II. Accumulative depreciation and accumulative amortization			
1.Beginning balance	104,381,070.49	76,870,810.08	181,251,880.57
2. Increase in current period	339,128,738.54	3,027,636.05	342,156,374.59
(1) Provision or amortization	12,216,458.46	3,027,636.05	15,244,094.51
(2) Transfer-in of fixed assets	326,912,280.08		326,912,280.08
3. Decrease in current period	390,769.05	46,733,647.89	47,124,416.94
(1) Disposal			
(2) Other transferred-out	390,769.05	46,733,647.89	47,124,416.94
4.Ending balance	443,119,039.98	33,164,798.24	476,283,838.22
III. Impairment reserves			
1.Beginning balance			
2. Increase in current period			
(1) Provision			
3. Decrease in current period			
(1) Disposal			
(2) Other transferred-out			
4.Ending balance			
IV. Book value			
1. Ending book value	417,311,040.80	70,717,155.79	488,028,196.59
2. Beginning book value	196,456,005.70	241,450,871.75	437,906,877.45

(2) Investment Property Without Proper Certificate of Title:Applicable Not applicable

Other notes

Applicable Not applicable

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

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Item	Houses and buildings	Machinery equipment	Transportation tools	Office and other equipment	Total
I. Original book value					
1.Beginning 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
2. Increase in current period	379,086,026.30	5,156,831,576.63	1,491,132,286.97	1,171,926,456.71	8,198,976,346.61
(1) Purchase	5,510,058.14	83,477,261.10	6,412,694.13	126,053,225.10	221,453,238.47
(2) Transferred-in from construction in progress	373,095,845.36	5,073,354,315.53	1,484,719,592.84	1,045,873,231.61	7,977,042,985.34
(3) Business combination increase					
(4) Transferred-in from investment property	480,122.80				480,122.80
3. Decrease in current period	718,149,122.30	1,532,930,247.93	121,205,885.28	202,988,169.22	2,575,273,424.73
(1) Disposal or scrap	153,794,771.43	1,517,305,360.09	120,547,653.70	202,988,169.22	1,994,635,954.44
(2) Transferred-in from investment property	560,073,127.39				560,073,127.39
(3) Difference from foreign currency financial statement translation	4,281,223.48	15,624,887.84	658,231.58		20,564,342.90
4.Ending balance	82,560,963,656.05	273,056,428,965.08	23,801,642,648.67	25,058,503,201.32	404,477,538,471.12
II. Accumulative depreciation					
1.Beginning 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
2. Increase in current period	1,384,768,101.74	5,834,842,276.08	977,701,907.76	702,827,823.54	8,900,140,109.12
(1) Provision	1,384,377,332.69	5,834,842,276.08	977,701,907.76	702,827,823.54	8,899,749,340.07
(3) Transferred-in from investment property	390,769.05				390,769.05
3. Decrease in current period	451,773,306.60	1,359,076,612.98	114,332,785.85	190,561,173.19	2,115,743,878.62
(1) Disposal or scrap	123,490,637.35	1,345,977,365.33	113,640,126.90	190,561,173.19	1,773,669,302.77
(2) Transferred-in from investment property	326,912,280.08				326,912,280.08
(3) Difference from foreign currency financial statement translation	1,370,389.17	13,099,247.65	692,658.95		15,162,295.77
4.Ending balance	42,567,989,656.32	171,188,791,271.01	17,632,448,447.23	18,426,200,510.28	249,815,429,884.84
III. Impairment reserves					
1.Beginning balance	185,125,848.27	1,355,524,134.48	29,222,109.43	31,270,497.54	1,601,142,589.72
2. Increase in current period	30,046.18				30,046.18

(1) Provision	30,046.18				30,046.18
3. Decrease in current period	222,151.95	15,972,421.00		111,813.52	16,306,386.47
(1) Disposal or scrap	185,116.75	15,445,589.38		111,813.52	15,742,519.65
(2) Difference from foreign currency financial statement translation	37,035.20	526,831.62			563,866.82
4. Ending balance	184,933,742.50	1,339,551,713.48	29,222,109.43	31,158,684.02	1,584,866,249.43
IV. Book value					
1. Ending book value	39,808,040,257.23	100,528,085,980.59	6,139,972,092.01	6,601,144,007.02	153,077,242,336.85
2. Beginning book value	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) Temporarily Idle Fixed Assets□Applicable Not applicable**(3) Fixed Assets Acquired Through Finance Leasing**Applicable □Not applicable

Unit: Yuan Currency: RMB

Item	Original book value	Accumulated depreciation	Depreciation reserves	Book value
WISCO, Ltd. No.1, No.2 and No.3 silicon steel plants (note)	9,566,232,281.58	6,470,254,053.66		3,095,978,227.92

Note: In December 2015, WISCO, Ltd. and CNOOC International Financial Lease Company Limited signed the "Financial Lease Contract", which carries out the leaseback business for financial lease of the WISCO, Ltd. No. 1, No. 2 and No. 3 Silicon Steel Plants with the amount of RMB 5 billion. The financing period is 3 years, and the lease interest rate is 3.89% (excluding VAT). At the end of the lease, WISCO, Ltd. repurchased the leased equipment for RMB 1 yuan.

(4) Leased Fixed Assets through Operating LeasingApplicable □Not applicable

Unit: Yuan Currency: RMB

Item	Ending book value
Houses and buildings	1,282,276,397.84
Machinery equipment	189,688,567.41
Transportation tools	17,256,112.69
Office and other equipment	7,447,481.32
Total	1,496,668,559.26

(5) Fixed Assets without Proper Certificate of TitleApplicable □Not applicable

Unit: Yuan Currency: RMB

Item	Book value	Reason
Property ownership certificates of houses and buildings	2,591,263,614.68	In process

The Group has been attempting to acquire property ownership certificates of houses and buildings as of June 30, 2018, with the book value of RMB 2,591,263,614.68.

Other notes:

Applicable □Not applicable

On June 30, 2018, the Group obtained RMB 398,648,766.53 of long-term loan and RMB 103,906,515.56 of short-term loan by pledging fixed assets with net value of RMB 874,724,938.98 (December 31, 2017: RMB 546,513,885.89) and land use right with net book value of RMB 91,039,194.47 (December 31, 2017: RMB 93,944,620.66), with RMB 502,555,282.09 of total loans (December 31, 2017: RMB 368,717,805.45).

18. Construction in Progress

(1) Construction in Progress

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance			Beginning balance		
	Book balance	Depreciation reserve	Book value	Book balance	Depreciation reserve	Book value
Technical innovation and infrastructure construction projects	8,938,397,478.50	1,022,988,095.83	7,915,409,382.67	11,012,506,028.57	1,037,512,765.77	9,974,993,262.80
Total	8,938,397,478.50	1,022,988,095.83	7,915,409,382.67	11,012,506,028.57	1,037,512,765.77	9,974,993,262.80

(2) Significant Changes of Construction in Progress

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Item	Budget	Beginning balance	Increase for the current period	Transferred-in fixed assets	Other decrease in current period	Ending balance	Proportion of project investment in budget (%)	Construction progress	Accumulated amount of interest capitalization	Including: capitalized amount of interest for the current period	Capitalization rate of interest for the current period (%)	Source of capital
Technical innovation and infrastructure projects	28,979,637,089.88	11,012,506,028.57	6,110,614,244.97	7,977,042,985.34	207,679,809.70	8,938,397,478.50	30.84		278,471,883.95	19,638,433.39	1.452-4.275	
Total	28,979,637,089.88	11,012,506,028.57	6,110,614,244.97	7,977,042,985.34	207,679,809.70	8,938,397,478.50	/	/	278,471,883.95	19,638,433.39	1.452-4.275	/

(3) Current Depreciation Reserves Provision for Construction in Progress:

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Item	Beginning depreciation balance	Current provision amount	Current write-off amount	Ending depreciation balance	Reason
Baotong Steel	1,037,020,394.17		14,524,669.94	1,022,495,724.23	
Chemical Company	492,371.60			492,371.60	
Total	1,037,512,765.77		14,524,669.94	1,022,988,095.83	/

19. Engineering Materials

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Special materials	6,349.45	6,349.45
Special equipment	78,015,915.77	111,277,437.14
Others	8,788,605.44	8,788,605.44
Total	86,810,870.66	120,072,392.03

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

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Item	Land use right	Computer software	Ore mining rights	Others	Total
I. Original book value					
1.Beginning balance	13,257,785,312.27	677,553,619.82	796,016,818.39	301,366,280.61	15,032,722,031.09
2. Increase in current period	251,301,211.83	40,736,680.66		150,943.40	292,188,835.89
(1) Purchase		1,141,635.98		150,943.40	1,292,579.38
(2) Internal R&D					
(3) Increase due to company merger					
(4) Transferred-in from construction in progress	36,861,484.03	39,595,044.68			76,456,528.71
(5) Transferred-in from investment property	214,439,727.80				214,439,727.80
3. Decrease in current period	13,108,706.85	4,101,497.40	7,832,880.51		25,043,084.76
(1) Disposal	11,455,463.87				11,455,463.87
(2) Translation difference of foreign financial statements	1,653,242.98	4,101,497.40	7,832,880.51		13,587,620.89
4.Ending balance	13,495,977,817.25	714,188,803.08	788,183,937.88	301,517,224.01	15,299,867,782.22
II. Accumulative amortization					
1.Beginning balance	1,840,107,704.04	454,678,089.86	262,496,366.82	77,733,108.10	2,635,015,268.82
2.Increase in current period	207,815,728.49	40,889,048.98	44,651,022.25	61,666.12	293,417,465.84
(1) Provision	161,082,080.60	40,889,048.98	44,651,022.25	61,666.12	246,683,817.95
(2) Transferred-in from investment property	46,733,647.89				46,733,647.89
3.Decrease in current period	6,807,142.66	2,099,164.61	5,059,733.82		13,966,041.09

(1) Disposal	6,807,142.66				6,807,142.66
(2) Translation difference of foreign financial statements		2,099,164.61	5,059,733.82		7,158,898.43
4. Ending balance	2,041,116,289.87	493,467,974.23	302,087,655.25	77,794,774.22	2,914,466,693.57
III. Impairment Reserves					
1. Beginning balance		37,046.57		13,610,153.50	13,647,200.07
2. Increase in the current period					
(1) Provision					
3. Decrease in current period		1,422.98			1,422.98
(1) Disposal					
(2) Translation difference of foreign financial statements		1,422.98			1,422.98
4. Ending balance		35,623.59		13,610,153.50	13,645,777.09
IV. Book value					
1. Ending book value	11,454,861,527.38	220,685,205.26	486,096,282.63	210,112,296.29	12,371,755,311.56
2. Beginning book value	11,417,677,608.23	222,838,483.39	533,520,451.57	210,023,019.01	12,384,059,562.20

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

Applicable Not applicable

Other notes:

Applicable Not applicable

On June 30, 2018, the Group obtained RMB 398,648,766.53 of long-term loan and RMB 103,906,515.56 of short-term loan by pledging fixed assets with net value of RMB 874,724,938.98 (December 31, 2017: RMB 546,513,885.89) and land use right with net book value of RMB 91,039,194.47 (December 31, 2017: RMB 93,944,620.66), with RMB 502,555,282.09 of total loans (December 31, 2017: RMB 368,717,805.45).

21. Goodwill

(1) Original book value of goodwill

Applicable Not applicable

Unit: Yuan Currency: RMB

Name of investee or items causing goodwill	Beginning balance	Increase in current period	Decrease in current period		Ending balance
		Caused by enterprise merger	Disposal	Translation difference of foreign financial statements	
M&A of Thyssenkrupp Laser &	520,886,853.98			9,937,323.14	510,949,530.84

Welding business					
Total	520,886,853.98			9,937,323.14	510,949,530.84

(2) Provision for Goodwill Impairments

Applicable Not applicable

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

Applicable Not applicable

Other Notes

Applicable Not applicable

22. Long-term Unamortized Expenses

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Item	Beginning balance	Amount added in the period	Amortization amount in the period	Other reduced amount	Ending balance
Decoration expenses	504,831,243.12	133,175,412.17	38,706,051.36		599,300,603.93
Rental expenses	54,616.10	25,773.66	53,560.50	1,055.60	25,773.66
Relocation payment for environmental protection of coke oven of Meishan Steel (Note)	754,662,915.96		12,683,410.38		741,979,505.58
Expenditure on HV power supply of Huangshi Cold Rolling Phase II	147,856.50		147,856.50		-
Upfront expense of ore extraction	36,168,431.50	16,325,996.16	20,948,880.80	1,975,293.27	29,570,253.59
Others	34,785,620.61	12,052,781.96	5,247,219.21	3,993.06	41,587,190.30
Total	1,330,650,683.79	161,579,963.95	77,786,978.75	1,980,341.93	1,412,463,327.06

Note: In accordance with “Agreement on relocating residents in health protection area of Shanghai Meishan Iron & Steel Co., Ltd. in the 11th 5-year period” (hereinafter referred to as the “Agreement”) jointly signed by and among Shanghai Meishan Iron & Steel Co., Ltd. (hereinafter referred to as the “Meishan Steel”), Nanjing Yuhuatai Banqiao Sub-district Office and Nanjing Yuhua Administration Committee of ETDZ on October 16, 2012, the relocation compensation shall be made for the residential areas at a protection distance of 1km from the coke oven construction project of the Meishan Steel. Therefore, Meishan Steel shall bear the relocation expenses of RMB 880,000,000.00, including the expenses of RMB 750,000,000.00 which must be paid to the Nanjing Yuhuatai Banqiao Sub-district Office, and the expenses of RMB 130,000,000.00 which must be paid to the Nanjing Yuhua Administration Committee of ETDZ. Pursuant to this Agreement, Meishan Steel paid RMB 120,000,000.00 in 2012, RMB 510,000,000.00 in 2013 and RMB 110,000,000.00 in 2014. RMB 70,000,000.00 has been paid in 2015, RMB 30,000,000.00 has been paid in 2016, RMB 20,000,000.00 has been paid in 2018, and RMB 20,000,000.00 remains outstanding which shall be included in non-current liabilities due within 1 year. The aforesaid relocation compensation borne by Meishan Steel shall be amortized according to the remaining service life of the main assets.

23. Deferred Income Tax Assets/Deferred Income Tax Liabilities**(1) Deferred Income Tax Assets Which Have Not Been Offset**

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance		Beginning balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Depreciation reserves of assets	3,429,094,362.24	857,273,590.56	3,906,802,492.21	977,344,783.17
Unrealized profits of internal purchase and sale	673,296,232.92	168,324,058.23	341,961,203.72	85,490,300.93
Deductible losses	19,017,798.36	4,754,449.59	20,399,624.20	5,099,906.05
Depreciation and amortization differences of fixed assets and intangible assets	1,084,119,855.92	271,029,963.98	1,069,255,308.16	267,313,827.04
Salary and dismissal welfare	1,548,455,984.24	387,113,996.06	1,110,983,781.19	276,876,743.09
Losses on variation in fair values	832,739,161.12	208,184,790.28	582,841,122.54	145,109,503.17
Others	2,650,577,111.00	662,644,277.75	2,681,518,624.48	656,748,120.33
Total	10,237,300,505.80	2,559,325,126.45	9,713,762,156.50	2,413,983,183.78

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

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance		Beginning balance	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Increased tax of investment income	3,262,438,372.17	602,359,049.18	3,003,933,527.95	554,630,107.08
Changes in fair value	518,910,237.76	129,727,559.44	472,120,345.08	118,030,086.27
Added value of assets in the merge of enterprises under different controls	88,648,326.04	22,162,081.51	99,825,892.04	24,956,473.01
Ore mining rights	5,968,544.33	1,790,563.30	57,278,538.24	14,319,634.56
Others	833,811,770.72	208,452,942.68	11,084,985.72	2,842,946.82
Total	4,709,777,251.02	964,492,196.11	3,644,243,289.03	714,779,247.74

(3) Deferred Income Tax Assets or Liabilities Presented in Net Amount after Offset

□Applicable √Not applicable

(4) Details of Unrecognised Deferred Income Tax Assets

Applicable Not applicable

(5) Expiry of Deductible Losses of Unrecognised Deferred Income Tax Assets in the Following Period

Applicable Not applicable

24. Other Non-current Assets

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Prepaid engineering equipment cost	162,225,955.24	84,152,724.31
Borrowings due from Bao-Island	117,905,780.14	117,905,780.14
Amount for trust and financing products	650,000,000.00	150,000,000.00
Luojing fixed assets to be disposed	176,311,254.81	176,311,254.81
Tinplate factory assets to be disposed	403,192,752.61	403,277,606.35
Others	99,795,888.52	37,712,917.79
Total	1,609,431,631.32	969,360,283.40

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

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Pledged borrowings	5,131,972.15	36,560,834.94
Mortgage borrowings	103,906,515.56	305,548,500.57
Secured borrowings	12,000,000.00	12,000,000.00
Credit borrowings	62,674,879,552.31	59,928,336,815.51
Total	62,795,918,040.02	60,282,446,151.02

Note 1: The balance at the end and the beginning of this reporting period is a loan made from accounts receivable as a pledge, as shown in Note (VII), 4 (5).

Note 2: The mortgage loans are detailed in Note (VII), 17 (5), and Note (VII), 20 (2).

On the balance sheet date, the group's RMB short-term borrowing annual interest rate ranged from 3.350% to 4.785% (2017: 3.350% to 4.785%); the USD borrowing annual interest rate ranged from LIBOR+0.4% for one month to LIBOR+2.45% for three months (2017: LIBOR+0.4% for one month to LIBOR+2.45% for three months); and the EURO borrowing annual interest rate ranged from 0% to 2% for Euros (2017: 0.05% to 1.10%).

(2) Bank Loan Credit Lines

As of June 30, 2018, the total amount of bank loan credit lines unused by the Group was about RMB 121.413 billion. In the opinion of the management of the Group, considering the aforesaid bank loan credit lines and the cash flows from operating activities, the Group will have sufficient funds to pay off various current liabilities which will become due within the next year.

(3) Outstanding short-term loans that have been overdue

□Applicable √Not applicable

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

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Current deposits	488,770,885.58	2,040,333,953.49
Fixed deposits	4,840,891,789.28	6,430,687,001.92
Total	5,329,662,674.86	8,471,020,955.41

For particulars about the deposits received by the end of this reporting period from shareholders each holding shares representing 5% or more of the voting rights of the Company and from other related parties, please refer to Note (XII), 6(2), 1).

27. Borrowing funds

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Borrowing funds from domestic banks	500,000,000.00	400,000,000.00

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

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Derivatives	69,880,377.65	371,853,492.51
Total	69,880,377.65	371,853,492.51

29. Notes Payable

Applicable Not applicable

Unit: Yuan Currency: RMB

Category	Ending balance	Beginning balance
Trade acceptance	12,138,748,548.69	10,060,327,304.34
Bank acceptance	1,112,012,263.48	456,736,492.13
Total	13,250,760,812.17	10,517,063,796.47

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

Above notes payable will be due in 2018.

At the end of and the beginning of this reporting period, see Note (XII), 6(2), 2) for shareholders or other affiliates who hold more than 5% (including 5%) shares of the Company with voting rights in the notes payable.

30. Accounts Payable

(1) Accounts Payable Statement

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Accounts payable for equipment procurement	7,159,333,406.61	9,652,838,209.98
Accounts payable for procurement of raw materials	24,336,540,719.08	19,503,439,435.19

Total	31,495,874,125.69	29,156,277,645.17
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As of the end of and the beginning of this reporting period, please see note (XII), 6 (2), 3) for shareholder entities or associated parties who hold more than 5% (including 5%) shares of the Company with voting rights in accounts payable.

(2) Significant Amount Payable of Age Over 1 Year

Applicable Not applicable

31. Advance Receipts

(1) Advance Receipts Statement

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Advance receipts	22,495,824,887.08	23,744,883,795.03
Total	22,495,824,887.08	23,744,883,795.03

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

Applicable Not applicable

(3) At the end of and the beginning of this reporting period, see Note (XII), 6(2), 4) for shareholders or other affiliated parties who hold more than 5% (including 5%) shares of the Company with voting rights in advance receipts.

32. Employee Benefits Payable

(1) Employee Benefits Payable Statement:

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in current period	Decrease in current period	Ending balance
I. Short-term benefits	2,080,411,790.06	6,408,083,308.87	5,452,754,501.43	3,035,740,597.50
II. Benefits post resignation-defined contribution plan	364,918.61	820,466,022.01	820,335,161.23	495,779.39
III. Dismissal welfare	284,832,240.48	149,415,305.46	262,160,143.76	172,087,402.18
IV. Other benefits due within in 1 year				
Total	2,365,608,949.15	7,377,964,636.34	6,535,249,806.42	3,208,323,779.07

(2) Short-term Benefits Statement:

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in current period	Decrease in current period	Ending balance
I. Wages, bonuses, allowances and subsidies	1,632,548,309.60	4,984,364,356.88	4,236,932,733.80	2,379,979,932.68
II. Employees' welfare expenses		204,670,374.17	204,670,374.17	
III. Social insurance charges	832,730.58	430,801,387.82	428,948,625.29	2,685,493.11
Including: Medical insurance	124,428.46	312,889,803.23	312,875,269.26	138,962.43
Work-related injury insurance	7,205.25	32,227,637.85	32,217,570.62	17,272.48
Maternity insurance	8,957.29	30,969,971.87	30,966,616.94	12,312.22
Employment fee for the injured	181,727.77	3,049,436.37	714,218.16	2,516,945.98
Others	510,411.81	51,664,538.50	52,174,950.31	
IV. Housing accumulation funds	62,483.34	405,251,049.16	405,313,532.50	
V. Labor union expenditures and personnel education funds	307,229,912.53	164,863,155.91	80,450,140.28	391,642,928.16
VI. Short-term paid absence		67,430,076.09	67,430,076.09	
VII. Short-term profit share plan				
VIII. Others	139,738,354.01	150,702,908.84	29,009,019.30	261,432,243.55
Total	2,080,411,790.06	6,408,083,308.87	5,452,754,501.43	3,035,740,597.50

As of June 30, 2018, the group's payroll payable (including unpaid performance pay) balance is RMB 947,040,898.48 (on December 31, 2017: RMB 947,040,898.48). There are no non-arrears and non-monetary benefits in payroll payable.

(3) Defined Contribution Plan Statement

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in current period	Decrease in current period	Ending balance
1. Basic pension insurance	232,387.25	695,245,466.45	695,133,547.93	344,305.77
2. Unemployment insurance	9,635.80	17,525,349.96	17,524,874.13	10,111.63
3. Enterprise annuity	122,895.56	107,695,205.60	107,676,739.17	141,361.99
Total	364,918.61	820,466,022.01	820,335,161.23	495,779.39

Other notes:

Applicable Not applicable

The group participates in pension and unemployment insurance schemes set up by government agencies and pays monthly to such schemes. In addition to the above monthly paid fees, the group no longer assumes further payment obligations. The corresponding payment is included in the current profit or loss or related assets cost.

The group shall pay RMB 695,245,466.45 and RMB 17,525,349.96 for pension insurance and unemployment insurance respectively in the current period (previous period: RMB 702,701,660.25 and RMB 29,203,450.30). On

June 30, 2018, the group still has RMB 344,305.77 and RMB 10,111.63 (on December 31, 2017: RMB 232,387.25 and RMB 9,635.80) to be paid to the pension and unemployment insurance schemes at the end of this reporting period. The related payable has been paid after the reporting period.

33. Taxes Payable

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
VAT	1,515,113,961.42	2,292,161,243.72
Enterprise income tax	1,287,122,723.71	1,510,450,971.68
Individual income tax	54,548,000.42	181,209,490.05
Urban maintenance and construction tax	93,397,925.90	158,008,337.79
Property tax	68,067,902.96	98,333,715.00
Others	486,903,844.32	459,066,998.70
Total	3,505,154,358.73	4,699,230,756.94

34. Interest Payable

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Interest payable for medium-term notes	132,049,863.01	230,653,698.62
Interest payable for corporate bonds issued by Wu-Steel Enterprises	-	153,300,000.00
Interest payable for borrowings	231,410,546.81	137,562,539.28
Interest payable for corporate bonds issued by Bao-Trans Enterprises	6,203,062.50	60,142,034.37
Interest payable for Baosight convertible bonds	435,076.25	400,000.00
Total	370,098,548.57	582,058,272.27

For interest payable at the end of and the beginning of this reporting period to shareholders each holding shares representing 5% or more of the voting rights of the Company and to other related parties, please see Note (XII), 6(2), 5).

Significant outstanding interest overdue:

Applicable Not applicable

Other notes:

Applicable Not applicable

35. Dividends Payable

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Ordinary stock dividend		
Wuhan Iron & Steel Group Assets Management Co., Ltd.	34,547.92	43,797,939.11
Mitsui & Co., Ltd.	25,824,285.19	5,619,417.93
Sumitomo Corporation	21,723,549.52	
Toyota Tsusho Corporation	320,852.20	
Mitsui Tokyo Co., Ltd.	1,516,708.03	
Mitsui & Co. (China) Ltd.	337,046.23	
Guangzhou Nansha Hi-tech Development Corporation	337,046.23	
Sumitomo Corporation (China) Holding Ltd.	2,647,453.96	
Van Shung Chong Holdings Limited	849,356.50	
WISDRI Wuhan Iron & Steel Design & Research Institute		631,162.72
Guizhou Aluminum Factory	603,743.23	603,743.23
Shanghai Xiba Technology Co., Ltd.	339,094.01	
Others	22,022.21	22,022.21
Total	54,555,705.23	50,674,285.20

36. Other Accounts Payable

(1) Other payables presented by account nature

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Security deposits and cash pledges	755,576,476.51	766,588,407.51
Advances	51,084,556.37	255,733,038.76
Transportation and port fees	201,330,768.28	138,319,752.53
Project funds payable	552,879,834.67	628,124,391.32
Safe production risk funds	13,254,288.84	23,643,443.20
Commission charges	12,263,865.37	8,857,884.50
Others	1,739,017,328.44	153,502,132.17
Total	3,325,407,118.48	1,974,769,049.99

(2) Significant other accounts payable with account age over 1 year

Applicable Not applicable

Other notes

Applicable Not applicable

(3) For other accounts payable at the end of and the beginning of this reporting period to shareholders each holding shares representing 5% or more of the voting rights of the Company and to other related

parties, please see Note (XII), 6(2), 6).

37. Non-current Liabilities Due Within One Year

√Applicable □Not applicable

(1) Details about the Non-current Liabilities Due within One Year are Listed as Follows:

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Long-term borrowings due within 1 year	126,786,786.20	229,136,603.63
Long-term accounts payable due within 1 year	3,765,550,761.09	4,026,599,010.15
Bonds payable due within 1 year	10,303,626,425.26	16,151,545,772.29
Total	14,195,963,972.55	20,407,281,386.07

(2) Long-term Borrowings Due Within 1 Year

On June 30, 2018, the Group's long-term loan amount due within one year is RMB 126,786,786.20 (December 31, 2017: RMB 229,136,603.63). For details on mortgage loan of long-term loan please see note (VII), 17 (5) and (VII), 20 (2).

(3) Long-term Accounts Payable Due Within One Year

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Compensation funds payable for relocation	20,000,000.00	40,000,000.00
Financial lease payable	3,745,550,761.09	3,986,599,010.15
Total	3,765,550,761.09	4,026,599,010.15

(4) Long-term bonds payable matured within one year

Bond name	Book value	Issuing date	Maturity of bond	Issuing value	Beginning balance	Interest payable at beginning	Accrual of interest by book value	Amortization of discount and premium and exchange gain or loss	Interest payable at ending	Repayment for the current period	Ending balance
Bao-trans company bonds (notes 1)	USD 500,000,000.00	December 5, 2013	5 years	USD 500,000,000.00	3,257,448,492.68	6,125,812.50	62,030,625.00	46,255,182.58	6,203,062.50	62,030,625.00	3,303,626,425.26
Bao-trans company bonds (notes 2)	Euro 500,000,000.00	February 22, 2015	3 years	Euro 500,000,000.00	3,902,392,104.71	54,016,221.87	9,223,842.73	15,004,700.75	-	3,980,636,870.06	-
14 WISCO bonds (notes 3)	7,000,000,000.00	July 1, 2015	3 years	RMB 7,000,000,000.00	6,991,705,174.90	153,300,000.00	153,300,000.00	8,294,825.10	-	7,306,600,000.00	-
Subtotal	/	/	/	/	14,151,545,772.29	213,442,034.37	224,554,467.73	69,554,708.43	6,203,062.50	11,349,267,495.06	3,303,626,425.26
Bond name	Book value	Issuing date	Maturity of bond	Issuing value	Beginning balance	Interest payable at beginning	Accrual of interest by book value	Amortization of discount and premium and exchange gain or loss	Interest payable at ending	Repayment for the current period	Ending balance
Medium term note (15 Baosteel MTN001) (notes 4)	100	October 26, 2015	3 years	RMB 2,000,000,000.00	2,000,000,000.00	13,308,493.15	36,497,534.25	-	49,806,027.40	-	2,000,000,000.00
Medium term note (16 Baosteel MTN001) (notes 5)	100	March 22, 2016	3 years	RMB 5,000,000,000.00	-	122,158,904.11	77,854,794.52	-	43,013,698.63	157,000,000.00	5,000,000,000.00
Subtotal	/	/	/	/	2,000,000,000.00	135,467,397.26	114,352,328.77	-	92,819,726.03	157,000,000.00	7,000,000,000.00
Total	/	/	/	/	16,151,545,772.29	348,909,431.63	338,906,796.50	69,554,708.43	99,022,788.53	11,506,267,495.06	10,303,626,425.26

Note 1: On December 2013, according to the “Proposal on Direct Financing” passed by the company at the 2012 annual shareholders’ meeting held on April 26, 2013, Bao-Trans Enterprises Limited (the “Bao-Trans Company”), a subsidiary of the Group, was approved to issue bonds with a registered value of US \$500 million in Hong Kong, China. The duration is 5 years. On December 5, 2013, Bao-Trans issued this US dollar bonds at a discount of 99.199% of the principal. The amount of the bonds was US \$500 million. The interest rate was fixed interest rate with a coupon rate of 3.75%. The bonds were repaid through one-time principal-interest payment on June 12 and December 12 respectively. The bond will expire on December 12, 2018.

Note 2: According to the “Proposal on Direct Financing in Domestic and Foreign Markets” passed by the 2015 first interim shareholders’ meeting held on January 26, 2015, the Company approved the Bao-Trans Company, a subsidiary of the Group, to issue Euro bonds of less than 1 billion (inclusive) overseas. Bao-Trans issued the Euro bonds at a discount of 99.713% of its principal on February 23, 2015. The amount of the bond was Euro 500 million. The interest rate was fixed interest rate with a coupon rate of 1.625%. The Euro bonds were repaid through one-time principal-interest repayment on February 23 each. The bond was due in February 23, 2018.

Note 3: With the approval of Securities Regulatory Commission of China [2015] No. 418, the company is allowed to issue bonds with a face value of no more than 7 billion yuan to the public. The actual issuance of Wuhan Iron & Steel Company Limited’s 2015 company bonds (the “14 WISCO Bonds”) was RMB 7 billion yuan with a price of 100 yuan per bond. The duration is 3 years and the coupon rate was 4.38%. The issuance of 14 WISCO Bonds were guaranteed by the WISCO and Baosteel with full, unconditional and irrevocable joint and several liability guarantees. The bonds were due in June 30, 2018.

Note 4: Baosteel held the 2015 first interim shareholders' meeting on January 26, 2015. The meeting considered and passed the "Proposal on Direct Financing in Domestic and Foreign Markets", and agreed that the company intends to apply for registration of the issuing MTN with principal of not more than 20 billion yuan (inclusive) in the National Association of Financial Market Institutional Investors (NAFMII). The principal of the issued MTN was 2 billion yuan, issued at a par value of 100 yuan with a coupon rate of 3.68%. The duration is 3 years. The interest is paid annually and the principal is repaid in one-time. The starting date was October 26, 2015, and the repayment date is October 26, 2018.

Note 5: On March 22, 2016, the company issued the first 2016 MTN. The principal of the current issuance of MTN was 5 billion yuan, and issued at par value of 100 yuan with the coupon rate of 3.14%. The duration is 3 years. The interest is paid annually and the principal is repaid in one-time. The starting date was March 22, 2016, and the repayment date is March 22, 2019.

38. Other Current Liabilities

Other Current Liabilities

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Short-term bonds payable	4,010,876,712.33	-
Others	66,627,603.87	52,914,690.00
Total	4,077,504,316.20	52,914,690.00

Change in short-term bonds payable:

Applicable Not applicable

Unit: Yuan Currency: RMB

Name	Par value	Issuing date	Term	Issue value	Beginning balance	Issuance in the period	Provisioned interests per par value	Amortization of premium and discount	Repayment in the period	Ending balance
Bonds payable-short-SCP	100	May 4, 2018	50 days	2,000,000,000.00	-	2,000,000,000.00	10,684,931.51		2,010,684,931.51	-

Bonds payable-short-SCP	100	May 18, 2018	90 days	2,000,000,000.00	-	2,000,000,000.00	8,953,424.66	-	2,008,953,424.66
Bonds payable-short-SCP	100	June 21, 2018	64 days	2,000,000,000.00	-	2,000,000,000.00	1,923,287.67	-	2,001,923,287.67
Total	/	/	/	6,000,000,000.00	-	6,000,000,000.00	21,561,643.84	2,010,684,931.51	4,010,876,712.33

Note: According to the "Proposal on Application for DFI Registration of Issuance and Increase of the Company Bonds" passed by the company's 2016 annual shareholders' meeting held on May 23, 2017, it is agreed to apply to NAFMII for Qualifications of DFI Issuance Registration. On January 4, 2018, the company received the Notice of Acceptance of Registration issued by NAFMII [(2017)DFI No.33], which agreed to accept the registration of the company's debt financing instruments. The duration of the registration will be valid for 2 years from the date of the notice. On May 4, 2018, the company has issued the first phase of 2018 ultra-short-term financing bonds, with a total issuance of 2 billion yuan, a 50-day period, a unit par value of 100 yuan and a coupon rate of 3.9%. This ultra-short-term financing bonds were due in June 23, 2018. On May 18, 2018, the company issued the second phase of 2018 ultra-short-term financing bonds, with a total issuance of 2 billion yuan, a 90-day period, a unit par value of 100 yuan, and a coupon rate of 3.8%. On June 21, 2018, the company issued the third phase of 2018 ultra-short-term financing bonds, with a total issuance of 2 billion yuan, a 64-day period, a unit par value of 100 yuan and a coupon rate of 3.9%.

39. Long-term Borrowings

(1) Classification of Long-term Borrowings

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Credit borrowings	2,289,276,561.51	185,919,340.00
Mortgaged borrowings	398,648,766.53	23,927,888.37
Guaranteed borrowing	180,327,201.25	203,520,775.91
Total	2,868,252,529.29	413,368,004.28

Note: For details of mortgage loan please see note (VII), 17(5) and note (VII), 20(2).

Other notes, including interest rate range:

Applicable Not applicable

Among the above loan, annual interest rate of USD loan ranges is 1.55%-3.083%; JPY is 1.00%; KRW loan is 2.847%; and RMB loan is from 4.275%-5.39%.

(2) Long-term Borrowings with Its Amount among Top 5

Long-term borrowings with the amount among Top 5 across the Group were RMB 1,485,253,953.25 equivalent on June 30, 2018 (December 31, 2017: RMB 371,260,224.31).

40. Bonds Payable**(1) Bonds Payable**

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
Bao-Trans Corporate Bond	204,272,326.90	553,245,927.39
Medium-term note	3,000,000,000.00	8,000,000,000.00
Total	3,204,272,326.90	8,553,245,927.39

(2) Bond Payable Change:

Applicable Not applicable

Unit: Yuan Currency: RMB

Name	Par value	Issuing date	Term	Issue value	Beginning balance	Issuance in the period	Increase in the period	Provisioned interests per par value	Amortization of premium and discount	Repayment in the period	Share transfer in the period	Ending balance
Baosight convertible bonds (Note 1)	100	Nov.23, 2017	6 ye ars	712,000,000.00	553,245,927.39		716,850,738.76	1,724,307.50	-138,126,827.53		927,697,511.72	204,272,326.90
Total	/	/	/	712,000,000.00	553,245,927.39		716,850,738.76	1,724,307.50	-138,126,827.53		927,697,511.72	204,272,326.90

Note 1: With the "Approval by CSRC of the Issuance of Convertible Corporate Bonds by Shanghai Baosight Software Co., Ltd" (CSRC License [2017] No. 1707) issued by the China Securities Regulatory Commission, the Shanghai Baosight Software Co., Ltd (the "Baosight Software"), a subsidiary of the Company issued 712 million yuan of convertible bonds with put-back conditions to the public on November 23, 2017, at a face value of 100 yuan per bond and a total of 7.12 million bonds. The

coupon rate is 0.3% in the first year, 0.5% in the second year, 1.0% in the third year, 1.3% in the fourth year, 1.5% in the fifth year and 1.8% in the sixth year. The annual interest payable date is the first day of the issue of convertible bonds, and the principal is repaid in one off at maturity. The bond-stock conversion duration is from the first trading day after six months since the end of the issue of convertible bonds, to the maturity of the convertible bonds. The underlying stock is a common Renminbi stock (A share) that has been issued by Baosight Software on the Shanghai Stock Exchange, with the initial conversion price of 18.46 yuan per share.

Put-back clause: (1) Conditional put-back clause: In the last two interest-bearing years of convertible bonds, the holder of convertible bonds is entitled to sell back all or part of the convertible bonds held by the holder at the face value plus the current accrued interest to Baosight Software, if the closing price of Baosight Software's share in any of the 30 consecutive trading days is lower than 70% of the current convertible price. If the stock price is adjusted within the above 30 trading days, the trading day before the adjustment is calculated according to the conversion price and closing price before the adjustment, and the trading day after the adjustment is calculated according to the conversion price and closing price after the adjustment. If a downward correction occurs, the above 30 consecutive trading days shall be recalculated from the first trading day after the downward correction of the convertible price. In the last two interest-bearing years of convertible bonds, the holder of convertible bonds may exercise the right of put-back once a year after the conditions for the first put-back of the convertible bonds have been met. If the conditions for the first put-back are met and the holder of the convertible bonds has not declared and implemented the put-back within the put-back period announced by the Company, the holder shall not exercise the right of put-back again in the interest-bearing year. The holder cannot exercise the put-back right of convertible bonds repeatedly. (2) Additional put-back clauses, if the implementation of the convertible bond fund-raising investment project of Baosight Software in this issuance changes significantly compared with the company's commitment in the prospectus, and the purpose of the fund-raising is deemed to change in accordance with the CSRC regulation, or the purpose of the fund-raising is deemed to change in the CSRC's view, the holders of convertible bonds enjoy a one-off put-back right. The holder of convertible bonds is entitled to sell back all or part of the convertible bonds held by the holder at the face value plus the current accrued interest to the Company. The holder may sell back within the Baosight Software's declaration period after the additional put-back conditions are satisfied; if no put-back is excised during the declaration period, the holder shall not exercise the additional put-back right any more.

As of June 30, 2018, a cumulative 927,697,511.72 yuan of convertible bonds issued by Baosight has been converted into the A share of Baosight Software with total 63,295,456 shares. Of which 888,000,000.00 Yuan of Baosight's convertible bonds subscribed by Baosteel, 161,150,310.41 yuan has been converted into Baosight Software's A shares, with total of 10,995,052 shares converted; and a total of 688,000,000.00 yuan has been traded with a transaction value of 971,530,304.52 yuan.

On the issue date, the market interest rate of similar bonds without warrants is used to estimate the fair value of the debt portion of such bonds. The difference between the issue price of convertible bonds and the fair value of the debt portion is treated as the value of the conversion option that is included in other equity instruments.

Unit: Yuan Currency: RMB

Name	Par value	Issuing date	Term	Issue value	Beginning balance	Issuance in the period	Interest payable at the beginning of the year	Provisioned interests per par value	Transferred- in of non-current assets sue within 1 year	Repayment in the period	Interest payable at the end of the period	Ending balance
Medium-term notes(16 Baosteel MMT001)(Note 2)	100	March 22,2016	3years	5,000,000,000.00	5,000,000,000.00		122,158,904.11	77,854,794.52	5,000,000,000.00	157,000,000.00	43,013,698.63	

Medium-term notes(17 Baosteel MMT001)(Note 3)	100	February 21,2017	3years	3,000,000,000.00	3,000,000,000.00		95,186,301.36	55,043,835.62		111,000,000.00	39,230,136.98	3,000,000,000.00
Total	/	/	/	8,000,000,000.00	8,000,000,000.00		217,345,205.47	132,898,630.14	5,000,000,000.00	268,000,000.00	82,243,835.61	3,000,000,000.00

Note 2: On March 22, 2016, the Company issued the first phase of 2016 MTN. The principal of the current issuance of MTN was 5 billion yuan, and issued at par value of 100 yuan with the coupon rate of 3.14%. The duration is 3 years. The interest is paid annually and the principal is repaid in one-time. The starting date was March 22, 2016, and the repayment date is March 22, 2019. It was transferred into the Due within One Year in 2018.

Note 3: On February 20, 2017, the company issued the first phase of 2017 MTN. The principal of the current issuance of MTN was 3 billion yuan, and issued at par value of 100 yuan with the coupon rate of 3.70%. The duration is 3 years. The interest is paid annually and the principal is repaid in one-time. The starting date was February 21, 2017, and the repayment date is February 22, 2020.

(3) The Conversion Condition and Time of the Convertible Bonds:

Applicable Not applicable

See Note (VII), 40(2), note 1.

41. Long-term Payables**(1) Long-term payables listed according to the nature of money:**

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Item	Beginning balance	Ending balance
Accrued financial lease outlay (Note 1)	4,199,455,427.15	3,826,868,021.82
Less: Unrecognized financial charges	212,856,417.00	81,317,260.73
Less: Accrued financial lease outlay due within one year	3,986,599,010.15	3,745,550,761.09
Relocation compensation payable for environmental protection project of Meishan Steel coke oven	40,000,000.00	20,000,000.00
Less: Long-term payable due within one year	40,000,000.00	20,000,000.00
Less: Long-term payable due within one year (Note 2)	712,416,884.50	665,644,518.00
Total	712,416,884.50	665,644,518.00

Note 1: On December 10, 2015, the original WISCO, Ltd. of the Sixth Session of the Board of Directors at the 30th meeting considered and signed a “financial lease contract” with the CNOOC International Finance Leasing Co., Ltd., and No.1, No.2 and No.3 Silicon Steel Plants conduct sale back lease financing leasing transactions with it. The financing term is RMB 5 billion, the financing term is 3 years and the rental interest rate is 3.89% (excluding VAT). The lease term expires and the Company repurchases the leasing equipment with RMB 1. As at June 30, 2018, the principal amount of the payables involved in the financing and leasing business of WISCO, Ltd. was RMB 3,826,868,021.82 and the unrecognized financing expense balance was RMB 81,317,260.73 (which has been reclassified into non-current assets due within 1 year at the end of this period).

Note 2: On June 30, 2018, amount of liabilities recognized by the repurchase obligation under restricted stock incentive plan of the Company was RMB 665,644,518.00 Yuan. For details please see the note (XIII), 1.

Other notes:

□ Applicable √Not applicable

42. Long-term Employee Benefits Payable

√Applicable □Not applicable

(1) Statement of Long-term Employee Benefits Payable

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
I. Benefits after resignation-net liabilities of defined benefit plans	141,388,208.47	141,462,620.89
II. Dismissal benefits	1,275,800,834.67	626,923,137.75
III. Other long-term benefits	12,787,006.22	12,664,048.36
Total	1,429,976,049.36	781,049,807.00

43. Special Payables

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in current period	Decrease in current period	Ending balance	Cause
Government grants	261,860,000.00	27,250,000.00	-	289,110,000.00	
Total	261,860,000.00	27,250,000.00	-	289,110,000.00	/

44. Estimated Liabilities

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Item	Beginning balance	Ending balance	Cause
Others	1,989,562.11	1,996,714.87	
Total	1,989,562.11	1,996,714.87	/

45. Deferred Income

Situation of deferred income

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in current period	Decrease in current period	Ending balance	Cause
Government grants	1,116,879,279.02	364,119,733.94	177,966,420.90	1,303,032,592.06	
Total	1,116,879,279.02	364,119,733.94	177,966,420.90	1,303,032,592.06	/

Items related to government subsidies:

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Liability item	Beginning balance	New current subsidiary amount	Current amount included in non-operating income	Other income include in current period	Other changes	Ending balance	Related to assets/income
Major industries revitalization and overall technical innovation projects	776,417,829.45	48,628,303.79		41,413,691.44		783,632,441.80	Related to assets
Tied loan	110,500,670.29	47,500,000.00			118,937,642.72	39,063,027.57	Relate

with discounted interest							d to assets/income
Demolition subsidies	83,231,314.38					83,231,314.38	Related to assets/income
Infrastructure subsidies	127,265,462.96	110,500,670.29		8,992,991.48		228,773,141.77	Related to assets
High-tech subsidies	19,464,001.94	807,925.86		8,622,095.26		11,649,832.54	Related to income
Others	-	156,682,834.00				156,682,834.00	Related to assets/income
Total	1,116,879,279.02	364,119,733.94		59,028,778.18	118,937,642.72	1,303,032,592.06	/

46. Share Capital

√Applicable □Not applicable

Unit: Yuan Currency: RMB

	Beginning balance	Current change (+,-)					Ending balance
		New issue of shares	Share dividend	Capitalization of accumulation funds	Others	Subtotal	
Total shares	22,268,111,875.00		-	-	-196,750.00	-196,750.00	22,267,915,125.00

Other notes:

As of December 31, 2017, the Company's share capital was 22,268,111,875.00 yuan. There are 22,089,726,225 shares that are not the restricted shares, of which, Baowu Group holds 11,523,385,833 shares and WISCO Group holds 2,982,172,472 shares. Thus, Baowu Group holds 14,505,558,305 shares directly or indirectly, accounting for 65.14% of the total share capital.

According to "The Announcement of Unlocking the Third Unlocking Period of Baosteel's First Restricted Shares Plan and Share Exchange Listing"(Tentative No. 2018-034), the number of total unlocked shares is 11,360,700.

By the end of reporting period, the Company's registered capital and share capital have reached 22,267,915,125.00 Yuan. Among which, there are RMB 22,101,086,925.00 common shares without restricted conditions for sale, and Baowu Group holds 11,300,148,999 shares, WISCO Group holds 2,982,172,472 shares, and Baowu Group holds 14,282,321,471 shares in total, accounting for 64.1% of total share capital.

47. Other Equity Instruments

(1) Basic information of other financial instruments such as preferred stock and perpetual bonds issued at the end of the period

Applicable Not applicable

(2) Changes of financial instruments such as preferred stock and perpetual bonds issued at the end of the term

Applicable Not applicable

Notes to changes of other equity instruments in current period and reason for changes, and basis of relevant accounting treatments:

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending Balance	Beginning Balance
The equity components of convertible bonds (Note (VII), 40(2) note 1)	24,906,415.83	77,717,323.62

Other notes:

Applicable Not applicable

48. Capital Reserves

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in current period	Decrease in current period	Ending balance
Capital premium (share capital premium)	46,466,661,784.11	297,514,555.14		46,764,176,339.25
Others capital reserves	2,247,897,434.29	242,077,691.01	179,042.50	2,489,796,082.80
Total	48,714,559,218.40	539,592,246.15	179,042.50	49,253,972,422.05

49. Treasury Stock

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in current period	Decrease in current period	Ending balance
Treasury stock	712,416,884.50		46,772,366.50	665,644,518.00
Total	712,416,884.50		46,772,366.50	665,644,518.00

Other notes, including changes in the current period, and the reasons for changes

According to the resolution of the 24th meeting of the company's sixth board of directors, two comrades, Huang Jianguo and Chen Xiaodan withdrew from the Company's first A-share restricted stock plan. The treasury stock is reduced by 375,792.50 yuan,

According to "The Announcement of Unlocking the Third Unlocking Period of Baosteel's First Restricted Shares Plan and Share Exchange Listing"(Tentative No.2018-034), the Company's initial stock ownership incentive is completed and a total of 46,396,574.00 yuan of treasury stock is wrote down.

50. Other Comprehensive Income

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Item	Beginning balance	Amount in the period					Ending balance
		Amount before income tax in the period	Less: currently transferred-in gains and losses previously included in other comprehensive income	Less: income tax expense	Amount after tax attributable to the parent company	Amount after tax attributable to minority	
I. Other comprehensive income that can't be reclassified in gains and losses in the following period	-24,010,952.94	-	-	-	-	-	-24,010,952.94
Where: Changes in net liabilities and net assets resulting from re-measuring defined benefit plan	-24,580,952.94						-24,580,952.94
Proportion held in the invested entities' other comprehensive incomes that will not be reclassified into profit or loss under the Equity Method							
Others	570,000.00						570,000.00
II. Other comprehensive income that will be reclassified in gains and losses in the following period	-277,392,594.63	-180,481,247.52	510,555.00	-43,734,048.13	-135,553,040.18	-1,704,714.21	-412,945,634.81
Where: Proportion held in the invested entities' other comprehensive incomes that will be reclassified into profit or loss under the Equity Method	-59,976,756.56	349,637.10			349,637.10		-59,627,119.46
Gains and losses from change of fair value of available-for-sale financial assets	334,466,045.54	-174,936,192.51	510,555.00	-43,734,048.13	-130,081,562.59	-1,631,136.79	204,384,482.95
Gains and losses from available-for-sale financial assets reclassified from held-to-maturity investment							
Valid part of gains and losses from cash flow hedge							
Translation difference arising from translation of financial statements denominated in foreign currencies	-551,881,883.61	-5,894,692.11			-5,821,114.69	-73,577.42	-557,702,998.30
Total other comprehensive income	-301,403,547.57	-180,481,247.52	510,555.00	-43,734,048.13	-135,553,040.18	-1,704,714.21	-436,956,587.75

51. Special Reserves

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in current period	Decrease in current period	Ending balance
Safe production expenses	41,582,048.73	195,181,039.34	171,703,595.26	65,059,492.81
Total	41,582,048.73	195,181,039.34	171,703,595.26	65,059,492.81

Other notes, including changes in current period and the reason for changes:

The special reserves prepared by the Group according to the Administrative Measures on the Extraction and Use of Enterprise Safety Production Costs (Caiqi [2012] No. 16) are used for safety production expenses.

52. Surplus Reserves

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in current period	Decrease in current period	Ending balance
Statutory surplus reserves	13,251,634,361.11			13,251,634,361.11
Arbitrary surplus reserves	16,523,086,700.89			16,523,086,700.89
Total	29,774,721,062.00			29,774,721,062.00

53. Undistributed Profits

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Item	Current period	Last period
Previous ending undistributed profit before adjustment	64,569,632,340.12	43,236,393,452.96
Total number of adjusting beginning undistributed profits (more+, less-)		8,684,695,948.69
Beginning undistributed profits after adjustment	64,569,632,340.12	51,921,089,401.65
Plus: Net profit attributable to owners of parent company in the period	10,009,204,831.14	6,169,575,197.07
Less: Provisions for statutory surplus reserves		
Provisions for mandatory surplus reserves		
Common stock dividends payable	10,020,561,806.25	4,641,557,954.25
Ending undistributed profits	64,558,275,365.01	53,449,106,644.47

Note: In accordance with the resolution of the company's 2017 annual general meeting of shareholders held on May 25, 2018, the total dividend paid by the company to all shareholders on the date of registration confirmed in the dividend announcement is 10,020,561,806.25 Yuan(including tax), which was implemented on June 8, 2018.

54. Operating Incomes and Operating Costs

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Item	Amount in the period		Amount in last period	
	Revenue	Cost	Revenue	Cost
Principal business	147,455,216,572.37	125,367,238,136.68	144,832,560,850.95	127,673,640,884.07
Other business	1,078,873,568.71	907,980,427.21	540,786,577.49	556,164,634.62
Total	148,534,090,141.08	126,275,218,563.89	145,373,347,428.44	128,229,805,518.69

55. Business Tax and Surcharges

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Item	Amount in the period	Amount in last period
Urban construction and maintenance tax	239,362,845.77	250,211,861.52
Education surcharge	185,704,794.83	196,892,867.70
Stamp duty, such as four small tax and others	424,299,350.91	487,366,887.53
Total	849,366,991.51	934,471,616.75

Note: For the business tax payment criterion, see Note (VI).

56. Sales Expense

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Item	Amount in the period	Amount in last period
Transportation and storage charge	962,283,600.31	823,552,062.81
Employee benefits	420,549,166.52	442,671,703.62
Depreciation and amortization	21,992,541.98	46,057,861.12
Others	231,118,746.83	278,222,644.63
Total	1,635,944,055.64	1,590,504,272.18

57. Administrative Expense

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Item	Amount in current period	Amount in last period
Technical development expense	2,756,440,393.72	1,885,616,184.77
Employee benefits	2,103,621,605.89	1,612,847,440.73
Depreciation and amortization	370,764,250.85	322,552,996.32
Inventory gains and losses of current assets	32,990,770.63	101,132,077.08
Others	435,430,290.72	633,878,601.75
Total	5,699,247,311.81	4,556,027,300.65

58. Financial Expense

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Item	Amount in current period	Amount in last period
Interest expense	1,617,497,880.07	1,969,529,909.29
Less: capitalized interest costs	-19,638,433.39	-51,899,873.58
Less: interest incomes	-67,567,164.27	-97,811,919.86
Exchange losses (gains)	598,758,270.01	133,007,825.21
Others	37,291,591.60	37,079,309.02
Total	2,166,342,144.02	1,989,905,250.08

59. Loss on Assets Impairment

√Applicable □Not applicable

(1) Loss on assets impairment

Unit: Yuan Currency: RMB

Item	Amount in current period	Amount in last period
I. Loss on bad debts	-33,227,989.09	135,915,385.36
II. Loss on inventory falling price	40,731,462.41	591,631,343.00
III. Impairment loss of available-for-sale financial assets		
IV. Impairment loss of held-to-maturity investment		
V. Impairment loss of long-term equity investment		
VI. Impairment loss of investment property		
VII. Impairment loss of fixed assets	30,046.18	30,046.17
VIII. Impairment loss of engineering materials		
IX. Impairment loss of construction in progress		
X. Impairment loss of productive biological assets		
XI. Impairment loss of oil and gas assets		
XII. Impairment loss of intangible assets		
XIII. Impairment loss of goodwill		
XIV. Others	-5,010,609.91	-28,020,400.31
Total	2,522,909.59	699,556,374.22

(2) Assets impairment reserve

Unit: Yuan Currency: RMB

Item	Beginning balance	Increase in current period		Decrease in current period				Translation difference	Ending balance
		Provisi	Other	Switchba	Dispos	Write-o	Other		

		on	increas es	ck	al	ff	decreas es	e of foreign currency	
I. Bad debt reserves	1,929,906,574.73	115,178,626.47		148,406,615.56				-3,284,552.43	1,899,963,138.07
II. Inventory falling price reserves	2,136,522,901.59	744,530,497.26		703,799,034.85				1,700,746.52	2,175,553,617.48
III. Impairment reserves of available-for-sale financial assets	752,472,601.18							-292,071.40	752,764,672.58
IV. Impairment reserves of long-term equity investment	35,000,000.00								35,000,000.00
V. Impairment reserves of fixed assets	1,601,142,589.72	30,046.18				15,742,519.65		563,866.82	1,584,866,249.43
VI. Impairment reserves of engineering materials	280,136.39								280,136.39
VII. Impairment reserves of construction in progress	1,037,512,765.77					14,524,669.94			1,022,988,095.83
VIII. Loan loss reserves	7,354,605.18			5,010,609.91					2,343,995.27
IX. Impairment reserves of intangible assets	13,647,200.07							1,422.98	13,645,777.09
X. Impairment reserves of other non-current assets	9,210,177.38								9,210,177.38

Total	7,523,049,552.01	859,739,169.91	-	857,216,260.32	-	30,267,189.59	-	-1,310,587.51	7,496,615,859.52
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60. Gains from Changes in Fair Values√Applicable Not applicable

Unit: Yuan Currency: RMB

Source of gains from changes in fair values	Amount in current period	Amount in last period
Financial assets measured at fair value and the change included in current gains and losses	291,779,399.51	15,071,831.89
Where: Gains from change in fair value of derivative financial instruments		
Financial liabilities measured at fair value and the change included in current gains and losses	34,175,437.63	-22,620,045.28
Investment property measured at fair value		
Total	325,954,837.14	-7,548,213.39

61. Investment Income√Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount in current period	Amount in last period
Long-term equity investment incomes calculated using the equity method	755,199,988.80	415,778,663.50
Investment income from available-for-sale financial assets	414,732,455.33	501,746,288.43
Share investment income /(Loss)	2,848,222.25	-468,666.54
Bond investment income /(Loss)	354,165,843.14	9,613,580.63
Fund investment income /(Loss)	11,609,434.51	11,610,861.95
Income /(Loss) arising from disposal of derivative financial instruments (Note)	-249,755,935.09	33,952,305.61
Income from investments made by other financial products	407,435,214.00	423,535,263.10
Total	1,696,235,222.94	1,395,768,296.68

Note: It mainly refers to disposal loss of forward exchange transaction.

62. Other Income√Applicable Not applicable

Unit: Yuan Currency: RMB

Subsidiary item	Amount in current period	Amount in last period
Transferred-in government subsidies related to technical innovation assets in previous	41,413,691.44	18,465,315.95

years		
Special subsidiary fund for hi-tech	8,622,095.26	30,880,442.82
Local government financial subsidies	39,344,180.12	3,006,979.28
Tax refund	7,635,558.35	3,680,855.33
Relocation compensation		2,970,635.94
Other financial subsidies	70,007,962.78	28,891,219.07
Total	167,023,487.95	87,895,448.39

Other notes:

Applicable Not applicable

63. Non-operating Revenue

Situation of non-operating revenue

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount in current period	Amount in last period	Non-recurring gains and losses calculated in the period
Total gains from disposal of non-current assets	44,172,653.09	119,538,432.35	44,172,653.09
Including: Gains from disposal of fixed assets	44,172,653.09	119,538,432.35	44,172,653.09
Compensation incomes	31,947,943.29	17,563,272.40	31,947,943.29
Others	14,394,142.25	15,005,067.06	14,394,142.25
Total	90,514,738.63	152,106,771.81	90,514,738.63

64. Non-operating Expenditures

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount in current period	Amount in last period	Non-recurring gains and losses calculated in current period
Total loss from disposal of non-current assets	207,954,083.60	559,350,613.74	207,954,083.60
Including: Loss from disposal of fixed assets	207,954,083.60	559,350,613.74	207,954,083.60
Donations	47,621.47	4,600,000.00	47,621.47
Others	10,138,856.19	45,832,450.92	10,138,856.19
Total	218,140,561.26	609,783,064.66	218,140,561.26

65. Income Tax Expenses

(1) Statement of Income Tax Expense

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount in current period	Amount in last period
Current income tax expenses	3,623,390,119.86	1,892,926,861.39
Deferred income tax expenses	-444,973,796.61	-118,048,670.26
Total	3,178,416,323.25	1,774,878,191.13

(2) Adjustment process of accounting profit and income tax expense

Applicable Not applicable

Other notes:

Applicable Not applicable

66. Other Comprehensive Income

Applicable Not applicable

Please see note (VII) 50.

67. Items of Cash Flow Statement**(1) Other Cash Receipts Related to Operating Activities**

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount in current period	Amount in last period
Non-operating incomes, government subsidies and other incomes	904,190,354.75	1,183,898,994.73
Total	904,190,354.75	1,183,898,994.73

(2) Other Cash Payments Related to Operating Activities

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount in current period	Amount in last period
Sales expenses	572,561,635.16	534,456,138.86
Administrative expenses	1,322,456,232.87	1,163,447,271.79
Others	459,112,209.19	1,795,170,291.80
Total	2,354,130,077.22	3,493,073,702.45

(3) Other Cash Receipts Related to Investment Activities

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount in current period	Amount in last period
Proceeds from disposal of Wusong Lot		4,675,813,655.96
Interest incomes	67,567,164.27	53,888,837.65
Other	9,423,508.76	2,132,500.00

Total	76,990,673.03	4,731,834,993.61
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(4) Other Cash Payments Related to Investment Activities√Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount in current period	Amount in last period
Cash paid for settlement of derivative instruments	457,859,295.34	
Other		81,860,000.00
Total	457,859,295.34	81,860,000.00

(5) Other Cash Receipts Related to Fund-raising Activities√Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount in current period	Amount in last period
Incentive object self-financing funds of Baosight Software equity incentive plan	66,822,000.00	
Total	66,822,000.00	

(6) Other Cash Payments Related to Fund-raising Activities√Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Amount in current period	Amount in last period
Repayment of financial leasing of WISCO	250,000,000.00	250,000,000.00
Restricted shares that buy-back cannot meet the circulation conditions	375,792.50	
Settlement amount of subsidiaries' shareholders	55,348,067.88	
Total	305,723,860.38	250,000,000.00

68. Supplementary Data for Cash Flow Statement**(1) Supplementary Data for Cash Flow Statement**√Applicable Not applicable

Unit: Yuan Currency: RMB

Supplementary data	Amount in current period	Amount in last period
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	10,901,132,343.00	6,739,088,170.83
Plus: Provision for impairment losses of assets	2,522,909.59	699,556,374.22

Fixed assets depreciation, oil and gas assets depletion and productive biological assets depreciation	8,914,993,434.58	8,887,612,701.26
Amortization of intangible assets	246,683,817.95	241,967,619.02
Amortization of long-term deferred expenses	77,786,978.75	51,421,080.68
Losses on disposal of fixed, intangible and other long-term assets (with "-" for gains)	163,781,430.51	439,812,181.39
Scrap loss of fixed assets (With "-" for gains)		
Losses on the changes in fair value (with "-" for gains)	-325,954,837.14	7,548,213.39
Financial expenses (with "-" for gains)	2,129,681,978.55	1,950,854,661.60
Investment losses (with "-" for gains)	-1,696,235,222.94	-1,395,768,296.68
Decrease in deferred tax assets (with "-" for increase)	-143,596,563.94	-95,489,208.44
Increase in deferred tax liabilities (with "-" for decrease)	289,660,203.17	-22,559,461.82
Decrease in inventory (with "-" for increase)	-440,146,110.59	2,885,193,802.79
Decrease in receivables from operating activities (with "-" for increase)	-1,449,398,223.70	-4,687,448,344.24
Increase in payables for operating activities (with "-" for decrease)	798,489,706.86	-9,160,398,925.12
Others		
Net cash flow from operating activities	19,469,401,844.65	6,541,390,568.88
2. Investing and financing activities that do not involve in cash receipts and payments		
Debt capitalization		
Convertible corporate bond due within 1 year		
Fixed assets acquired under finance leases		
3. Net changes in cash and cash equivalents:		
EOP balance of cash	24,204,060,682.01	17,624,738,656.91
Less: BOP balance of cash	16,328,390,189.73	12,931,144,089.49
Plus: EOP balance of cash equivalents		
Less: BOP balance of cash equivalents	3,583,919,000.00	
Net increase in cash and cash equivalents	4,291,751,492.28	4,693,594,567.42

(2) Net cash payable for acquisitions of subsidiaries in current period

Applicable Not applicable

(3) Net cash received for the disposal of subsidiaries in current period

Applicable Not applicable

(4) Constitution of Cash and Cash Equivalents

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance	Beginning balance
I. Cash	24,204,060,682.01	16,328,390,189.73
Including: cash on hand	663,915.67	686,037.28
Bank deposits available for payment at any time	24,056,579,666.30	16,273,258,182.23
Other monetary funds available for payment at any time	146,817,100.04	54,445,970.22
II. Cash equivalents		3,583,919,000.00
III. EOP balance of cash and cash equivalents	24,204,060,682.01	19,912,309,189.73

Cash and cash equivalents exclude such cash and cash equivalents which the parent company or the subsidiaries within the group are restricted to use.

Other notes

Applicable Not applicable

69. Assets Whose Ownership or Use Right is Restricted

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending book value	Reason
Monetary fund	1,298,341,315.56	Legal required reserve the Finance Co. deposits in the central bank
Notes receivable	5,131,972.15	Group obtains the short-term borrowing of RMB 5,131,972.15 by pledging the notes receivable of RMB 5,131,972.15 through factoring business
Fixed assets	3,970,703,166.90	Fixed assets by finance leased and pledged borrowing
Intangible assets	91,039,194.47	Pledged borrowings
Total	5,365,215,649.08	/

70. Foreign Monetary Items

(1). Foreign Monetary Items:

Applicable Not applicable

Unit: Yuan currency: RMB

Item	Ending balance of foreign currency	Translation exchange rate	Ending balance of translated RMB
Monetary fund			
Where: USD	515,546,523.74	6.6166	3,411,165,128.99
JPA	10,792,379,614.61	0.059914	646,614,632.23
EUR	120,749,927.51	7.6515	923,918,070.34
HKD	7,714,937.77	0.8431	6,504,464.03
RMB			
Accounts receivable			
Where: USD	195,698,448.82	6.6166	1,294,858,356.47
JPA	1,239,399,698.07	0.059914	74,257,393.51
EUR	178,810,499.97	7.6515	1,368,168,540.52
KRW	12,115,052,219.21	0.005903	71,515,153.25
RMB		-	5,179,241.26

Long-term borrowing			
Where: USD	53,865,709.41	6.6166	356,407,852.90
JPA	7,727,999.97	0.059914	463,015.39
EUR	171,828,661.64	7.6515	1,314,747,004.54
KRW	1,908,970,000.00	0.005903	11,268,649.91
Foreign currency accounting - Short-term borrowing			
USD	3,685,746,297.67	6.6166	24,387,108,953.15
EUR	383,735,495.90	7.6515	2,936,152,146.91
HKD	5,288,162.75	0.8431	4,458,450.01
KRW	9,000,000,000.00	0.005903	53,127,000.00
Foreign currency accounting - Bonds payable			
USD	499,293,659.17	6.6166	3,303,626,425.26

(2) The description of an overseas operating entity, including the major overseas operating entity, shall disclose its main place of business, the book-keeping standard currency and the basis for its selection, and the reasons for the change in the book-keeping standard currency shall also be disclosed.

Applicable Not applicable

71. Government Subsidies

(1) Basic situation of government subsidies

Applicable Not applicable

Unit: Yuan Currency: RMB

Type	Amount	Listed item	Amount included in the current profits and losses
Government subsidies pertinent to assets	50,406,682.92	Deferred income	50,406,682.92
Government subsidies pertinent to incomes	116,616,805.03	Deferred income, other income	116,616,805.03
Total	167,023,487.95		167,023,487.95

(2) Return of government subsidies

Applicable Not applicable

72. Calculation Process of Basic Earnings per Share and Diluted Earnings per Share

In calculating the basic earnings per share, the current net profit attributable to common shareholders:

Unit: Yuan Currency: RMB

	Amount in current period	Amount in last period
Current net profit attributable to common shareholders	10,009,204,831.14	6,169,575,197.07
Including: Net profit attributable to continuing operations	10,009,204,831.14	6,169,575,197.07

Unit: share

	Amount in current period	Amount in last period
Number of common shares issued at the beginning of the period	22,089,726,225.00	22,076,795,525.00
Plus: Weighted number of common shares exercised in the current period		
Number of common shares issued at the ending of the period	22,089,726,225.00	22,076,795,525.00

Earnings per share

Unit: Yuan/share Currency: RMB

	Amount in current	Amount in last period
Calculation according to the net profit attributable to shareholders of parent company:		
Basic earnings per share	0.45	0.28
Diluted earnings per share	0.45	0.28
Calculation according to the net profit of continuing operations attributable to shareholders of parent company:		
Basic earnings per share	0.45	0.28
Diluted earnings per share	0.45	0.28

VIII. Consolidated Scope Change**1. Merge Under Different Controls** Applicable Not applicable**2. Merge Under the Same Control** Applicable Not applicable**3. Consolidated scope change due to other reasons**

Consolidated scope change (such as new subsidiary and liquidation of subsidiary) due to other reasons and related conditions:

 Applicable Not applicable

IX. Equity in Other Entities**1. Equity in Subsidiaries****(1) Constitution of the Enterprise Group**

√Applicable □Not applicable

Subsidiaries name	Principal business territory	Registration address	Business nature	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
Yantai Lubao Steel Pipe Co., Ltd. (“Lubao Steel Pipe”)	China	Yantai	Manufacturing	100.00		Merge under the same control
Baosteel Huangshi Coated & Galvanized Sheets Co., Ltd. (Huangshi Coated & Galvanized)	China	Huangshi	Manufacturing	50.63		Merge under the same control
Shanghai Baosteel International Economic & Trading Co., Ltd. (“Baosteel International”)	China	Shanghai	Iron and steel trading	100.00		Merge under the same control
Shanghai Meishan Iron & Steel Co., Ltd. (“Meishan Steel”)	China	Nanjing	Manufacturing	77.04		Merge under the same control
Shanghai Baosight Software Co., Ltd. (“Baosight Software”)	China	Shanghai	Information technology	51.51		Merge under the same control
Baosteel America Inc. (“Baosteel America”)	USA	Texas, USA	Iron and steel trading	100.00		Merge under the same control
Howa Trading Co., Ltd. (“Howa Trading”)	Japan	Tokyo, Japan	Iron and steel trading	100.00		Merge under the same control
Baosteel Europe GmbH (“Baosteel Europe”)	Germany	Hamburg, Germany	Iron and steel trading	100.00		Merge under the same control
Baosteel Singapore PTE Ltd. (“Baosteel Singapore”)	Singapore	Singapore	Iron and steel trading	100.00		Merge under the same control
Bao-Trans Enterprises Ltd. (Bao-Trans Enterprises)	China Hong Kong	China Hong Kong	Iron and steel trading	100.00		Merge under the same control
Shanghai Baosteel Chemical Co., Ltd. (“Baosteel Chemical”)	China	Shanghai	Manufacturing	100.00		Merge under the same control
Baosteel Group Finance Co., Ltd. (“Finance Co.”)	China	Shanghai	Finance	62.10		Merge under the same control
Baosteel Zhanjiang Iron & Steel Co., Ltd. (“Zhanjiang Steel”)	China	Zhanjiang	Manufacturing	90.00		Merge under the same control
Xinjiang Karamay Steel Pipe Ltd. (Baoma Tube)	China	Karamay	Production and sale of steel pipes	75.00		Establishment, investment and others
Boly Pipe (Thailand) Co., Ltd. (Boly Pipe)	Thailand	Thailand	Processing of steel pipes		51.00	Establishment, investment and others
BGM Co., Ltd. (BGM) (Note 1)	South Korea	Gyeonggi-do, Korea	processing and sale of iron and steel products		50.00	Establishment, investment and others
Wuhan Iron and Steel Co., Ltd (“WISCO., Ltd.”)	China	Wuhan	Production and sale of steel pipes	100.00		Merge under the same control
Nantong Baosteel Iron & Steel Co., Ltd. (“Baotong Steel”)	China	Nantong	Manufacturing		95.82	Merge under the same control
Shanghai Baosteel Asset Management Co., Ltd. (“Baosteel	China	Shanghai	Asset management	100.00		Establishment, investment and others

Assets")					
WISCO International Tailored Blanks GMBH ("Tailored Blanks")(Note 2)	Germany	Germany	Manufacturing	100.00	Merge under the same control

Note 1: On the balance sheet date, the Group's proportion of investment in BGM was 50%, but the Group held more than half of majority vote in the Board of Directors. Therefore, the Group included BGM into the consolidated statement scope for accounting by taking it as the subsidiary.

Note 2: According to the "Agreement on Share Assignment of WISCO International Tailored Blanks GMBH" signed by and between the Company and WISCO International Economic and Trade Co., Ltd., the Company completed the assignment reception of 100% of the WISCO International Tailored Blanks GMBH's shares in January 2018.

(2) Important Non-wholly-owned Subsidiaries

Applicable Not applicable

The Company will disclose the invested unit with the ending balance of more than 5 billion yuan of the long-term equity investment, and the financial companies of the group's financial branch as the important non-wholly-owned subsidiary companies.

Unit: Thousand Yuan Currency: RMB

Subsidiaries name	Shareholding ratio of minority	Current gains and losses attributable to minority	Current dividend declared to issue to minority	Ending equity balance of minority
Meishan Steel	22.96	357,841	47,969	3,081,460
Zhanjiang Steel	10.00	227,281		2,339,311
Finance Co.	37.90	48,881		838,605

Description of shareholding ratio of subsidiary minority which differs from voting right ratio:

Applicable Not applicable

Other notes:

Applicable Not applicable

(3) Main Financial Data of Important Non-wholly-owned Subsidiaries

Applicable Not applicable

Unit: Thousand Yuan Currency: RMB

Subsidiaries	Ending balance	Beginning balance
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name	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Meishan Steel	5,619,100	22,080,471	27,699,571	14,032,913	245,667	14,278,580	6,320,862	22,005,123	28,325,985	16,037,207	226,385	16,263,592
Zhanjiang Steel	11,870,817	48,670,615	60,541,432	35,598,110	2,521,130	38,119,240	11,254,000	49,054,564	60,308,564	37,787,922	2,325,968	40,113,890
Finance Co.	8,101,216	9,159,307	17,260,523	15,044,065	3,780	15,047,845	11,216,969	8,995,359	20,212,328	18,123,772	2,642	18,126,414

Subsidiaries name	Amount in current period				Amount in last period			
	Operating revenue	Net profit	Total comprehensive income	Cash flow from operating activities	Operating revenue	Net profit	Total comprehensive income	Cash flow from operating activities
Meishan Steel	15,443,392	1,558,540	1,558,540	3,807,522	13,571,456	835,692	835,692	-6,460,738
Zhanjiang Steel	19,594,236	2,227,517	2,227,517	5,150,182	16,394,232	1,346,002	1,346,002	2,025,637
Finance Co.	280,623	128,974	126,737	-2,957,678	301,410	107,869	94,775	1,633,971

Other notes:

The above subsidiaries have no major restrictions in using the enterprise Group assets and repayment enterprise Group debts.

(4) Major Restrictions in Using the Enterprise Group Assets and Repayment Enterprise Group Debts:

Applicable Not applicable

2. Changes of the Owner's Equity in the Subsidiary and Transactions That Still Controls the Subsidiary

Applicable Not applicable

3. Equity in the Joint Venture or Associated Enterprise

Applicable Not applicable

(1) Important Joint Venture or Associated Enterprise

Applicable Not applicable

Unit: Yuan Currency: RMB

JVs and associated enterprises name	Principal	Registrati	Business nature	Shareholding ratio	Accounting treatment method
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	business territory	on address		(%)		for investment in JVs and associated enterprises
				Direct	Indirect	
I. JVs						
Baosteel-NSC/Arcelor Automotive Steel Sheets Co., Ltd. ("BNA")	China	Shanghai	Manufacturing	50		Equity Method accounting
BAO-ISLAND ENTERPRISES LIMITED ("BAO-ISLAND")	China	Hong Kong	Ship leasing	50		Equity Method accounting
Guangzhou JFE Steel Sheet Co., Ltd. (Guangzhou JFE)	China	Guangzhou	Production of iron and steel		50	Equity Method accounting
Wuhan Pingmei Wugang Joint Coking Co., Ltd. ("Pingmei Coking")	China	Wuhan	Production and sale of Coke and other products		50	Equity Method accounting
II. Associated enterprises	China					
Henan Pingbao Coal Industry Co., Ltd. ("Henan Pingbao")	China	Xuchang	Mining		40	Equity Method accounting
Wuhan Iron and Steel Group Finance Co., Ltd. ("Wuhan Finance Co.")	China	Wuhan	Finance		28.65	Equity Method accounting
China Pingmei Shenma Energy & Chemical Group Co., Ltd. ("Pingmei Shenma")	China	Pingdingshan	Coal mining and sales, etc.		11.62	Equity Method accounting
TWB Company ("TWB")	USA	USA	Auto parts and fittings		45	Equity Method accounting
Ouyeel Incorporation ("Ouyeel Incorporation")	China	Shanghai	E-commerce	6.24	30.48	Equity Method accounting
Shanghai Rural Commercial Bank ("SRCB")	China	Shanghai	Finance	10		Equity Method accounting

(2) Main Financial Data of Important JVs

√Applicable □Not applicable

Unit: Thousand Yuan Currency: RMB

	Ending balance/Amount in current period				Beginning balance/Amount in last period			
	BNA	BAO-ISLAND	Guangzhou JFE	Pingmei Coking	BNA	BAO-ISLAND	Guangzhou JFE	Pingmei Coking
Current assets	3,611,017	556,747	2,594,190	1,073,176	3,329,460	513,562	2,082,326	847,722
Including: Cash and cash equivalent	1,134,283	457,928	960,389	188,545	1,072,886	454,120	634,661	12,598

Non-current assets	1,763,072	1,223,972	3,358,702	4,123,829	1,757,929	1,232,402	3,486,488	4,393,526
Total assets	5,374,089	1,780,719	5,952,892	5,197,005	5,087,389	1,745,964	5,568,814	5,241,248
Current liabilities	1,236,677	244,153	2,151,082	3,460,113	1,149,526	235,512	2,164,405	3,504,458
Non-current liabilities	18,750	310,504	295,215	7,309	20,250	318,268	261,919	7,310
Total liabilities	1,255,427	554,657	2,446,297	3,467,422	1,169,776	553,780	2,426,324	3,511,768
Minority equity				1,665	-	-	-	2,556
Shareholders' equity attributable to the parent company	4,118,662	1,226,062	3,506,595	1,727,918	3,917,613	1,192,184	3,142,490	1,726,924
Net asset amount calculated by shareholding ratio	2,059,331	613,031	1,753,298	863,959	1,958,806	596,092	1,571,245	863,462
Adjusting events			202,533	-110,973			222,231	-108,210
--Goodwill								
--Unrealized profits of internal transactions				-110,973				-108,210
--Others			202,533				222,231	
Book value of equity investment in JVs	2,059,331	613,031	1,955,831	752,986	1,958,806	596,092	1,793,476	755,252
Operating revenue	6,870,481	272,961	3,953,282	6,462,914	7,439,728	270,881	3,816,692	4,364,449
Financial expense	-16,374	1,833	30,133	-430	-14,476	3,658	34,281	-35
Income tax expense	61,620	437	62,299		51,076	488	82,832	
Net profit	204,262	18,844	353,029	-5,424	165,269	13,548	248,497	12,656
Net profit of discontinued operation								
Other comprehensive income								
Total comprehensive income	204,262	18,844	353,029	-5,424	165,269	13,548	248,497	12,656
Dividend from associated enterprises in the year								

(3) Main Financial Data of Important Associated Enterprises

√Applicable □Not applicable

Unit: Thousand Yuan Currency: RMB

	Ending balance/Amount in current period						Beginning balance/Amount in last period					
	Henan Pingbao	Ouyeel Incorporation	Wuhan Finance Co.	Pingmei Shenma	SRCB	TWB	Henan Pingbao	Ouyeel Incorporation	Wuhan Finance Co.	Pingmei Shenma	SRCB	TWB
Current assets	385,718	11,449,797	33,639,606	80,407,061	761,538,620	835,988	124,314	14,054,625	31,551,989	78,833,225	743,227,793	752,064

Non-current assets	1,951,159	458,533	8,163,997	83,165,082	40,539,286	502,084	1,919,486	557,864	9,279,409	77,336,890	33,029,776	520,528
Total assets	2,336,877	11,908,330	41,803,603	163,572,143	802,077,906	1,338,072	2,043,800	14,612,489	40,831,398	156,170,115	776,257,569	1,272,592
Current liabilities	519,895	8,673,257	36,333,643	92,872,040	736,193,532	513,661	386,781	11,600,455	35,438,745	87,422,147	713,298,571	483,030
Non-current liabilities		334,486		38,661,491	11,140,634	-130,829	-	25,755	-	41,116,609	11,871,204	-89,966
Total liabilities	519,895	9,007,743	36,333,643	131,533,531	747,334,166	382,832	386,781	11,626,210	35,438,745	128,538,756	725,169,775	393,064
Minority equity		1,161,382		19,785,509				1,176,440	-	15,030,380	-	-
Shareholders' equity attributable to the parent company	1,816,982	1,739,205	5,469,960	12,253,103	54,743,740	955,240	1,657,019	1,809,839	5,392,653	12,600,979	51,087,794	879,528
Net asset amount calculated by shareholding ratio	726,793	638,678	1,567,144	1,423,811	5,474,374	429,858	662,807	664,573	1,544,995	1,464,234	5,108,779	395,788
Adjusting events		677,624	6,350	103,775	-617,279	293,194		675,810	6,288	96,713	-617,279	313,315
--Goodwill												
--Unrealized profits of internal transactions		675,810										
--Others		1,814	6,350	103,775	-617,279	293,194		675,810	6,288	96,713	-617,279	313,315
Book value of equity investment in associated enterprises	726,793	1,316,302	1,573,494	1,527,586	4,857,095	723,052	662,807	1,340,383	1,551,283	1,560,947	4,491,500	709,103
Fair value of												

equity investment in associated enterprises with public offerings												
Operating revenue	516,665	3,545,096	222,378	43,363,527	7,443,365	1,226,147	691,673		245,566	49,180,048		1,003,255
Net profit	81,147	-58,613	77,528	-287,100	4,055,881	61,062	226,855		94,075	224,543		62,312
Net profit of discontinued operation												
Other comprehensive income		-6,177							-10,105			
Total comprehensive income	81,147	-64,790	77,528	-287,100	4,055,881	61,062	226,855		83,970	224,543		62,312
Dividend from associated enterprises in the year												

(4) Summary Financial Data of Non-important JVs and Associated Enterprises

√Applicable □Not applicable

Unit: Thousand Yuan Currency: RMB

	Ending balance/Amount in current period	Beginning balance/Amount in last period
JVs:		
Total book value of investment	462,337	498,390
Total number of following items calculated based on shareholding proportions		
--Net profit	15,292	12,322

--Other comprehensive income		
-- Total comprehensive income	15,292	12,322
Associated enterprises:		
Total book value of investment	1,386,264	1,360,473
Total number of following items calculated based on shareholding proportions		
--Net profit	35,415	29,073
--Other comprehensive income	454	-9,992
-- Total comprehensive income	35,869	19,081

(5) Explanation about Major Restrictions on the Ability of Joint Venture or Associated Enterprise Transferring Funds to the Company:

Applicable Not applicable

When equity method is used for accounting, accounting policies between the Group and all joint ventures and associated companies of the Group have no significant difference, and there are no major restrictions on the investment realization of such long-term investment and repatriation of investment income.

(6) Excess Loss of Joint Venture or Associated Enterprise

Applicable Not applicable

(7) Unconfirmed Commitments Related to Investment of Joint Venture

Applicable Not applicable

(8) Contingent Liabilities Related to Investment of Joint Venture or Associated Enterprise

Applicable Not applicable

4. Important Joint Operation

Applicable Not applicable

5. Equity of Structured Entity not Included in the Scope of Consolidated Financial Statement

Relevant notes of structured entity not included in the scope of consolidated financial statement:

Applicable Not applicable

6. Others

Applicable Not applicable

X. Risks Associated with Financial Instruments

√Applicable Not applicable

The Group's major financial instruments include the monetary funds, financial asset measured at fair value and the change included in the current profits and losses, notes receivable, accounts receivable, interest receivable, dividends receivable, other receivables, redemptory monetary capital for sale, non-current assets due within a year, finance management products in other current assets, loan granted and advances, available-for-sale financial assets, long-term receivables, short-term loans, borrowings from the central bank, deposits from customers and interbank, borrowing funds, financial liabilities measured at fair value with change included in current gains and losses, notes payable, accounts payable, financial assets sold for repurchase, interests payable, dividends payable, other payables, non-current liabilities due within one year, other current liabilities, long-term loans, bonds payable, etc. For details of all the financial instruments please see note (VII). Risks associated with these financial instruments as well as risk management policy taken by the group for reducing these risks are as described below. The Group management personnel conduct the management and monitoring of these risk exposure in order to ensure the above risks are controlled within the limited scope.

The Group conducts the analysis on the possible impact of the reasonable and possible change of risk variables upon the current profits and losses and shareholders' equity with the sensitivity analysis technique. Because any risk variables rarely change separately, and the correlation among variables will have a significant effect upon the eventual impact amount of a risk variable, the following content is given under the assumption that the change of each variable is independent.

1. Risk Management Objectives and Policies

The objective of the Group engaging in the risk management is to achieve the right balance between the risks and benefits, reduce the negative impact on the Group's business performance to the lowest level, and maximize the interests of shareholders and other equity investors. Based on the risk management objectives, the basic strategy of the Group's risk management is to determine and analyze all kinds of risks faced by the Group, set up the appropriate bottom line of risk exposure, conduct the risk management, and supervise various risks timely and reliably, controlling the risk within the limited scope.

1.1 Market Risk

Market risk refers to the change of fair value of financial instruments being sensitive to market risk caused by the change of foreign currency exchange rate (foreign exchange risk), market price (price risk), market interest rate (interest rate risk) or other factors. Such change is caused by the effect on the single financial instrument or issuer, or financial instruments of all transaction of the whole market.

1.1.1 Foreign Exchange Risk

Foreign exchange risk refers to the risk of losses arising from change in exchange rate. The foreign exchange risk borne by the Group is mainly associated with the business activities of the Group (when the income and expenses are settled with the foreign currency which is different from the recording currency of the Group).

The Group has the large-scale procurement demand for imported iron ore and needs to settle in dollars, also income and expenses in dollars have big deficit. For the dollar gap, the Company takes the most favorable RMB financing cost ratio obtained in the current period as the comparison basis, and makes the superior selection out of dollar or RMB financing. Meanwhile, the Company closely follows the trend of exchange rate of RMB against dollar, and conducts the dynamic assessment on the exchange rate risk of dollar debts. Under the market environment that the two-way fluctuation of exchange rate of RMB against dollar is aggravated, the Group avoids the fluctuation risk of exchange rate by carrying out the supporting forward foreign exchange purchase business of dollar financing or converting financing currencies.

Based on the control idea of interest rate controlling objective, comprehensive financing cost level within the duration of loan is determined at the beginning of the Company borrowing the loan, namely, consolidate the net profit or loss for the interest expense from dollar financing and delivery profit and loss of supporting forward foreign exchange purchase transaction. Within the duration of loan, the business has no substantial effect upon the Group's operation, but there will be impact due to the revaluation on exchange rate change at the end of different reporting periods.

1.1.2. Interest Rate Risk

Interest rate risk refers to the risk that fair value of financial instruments or future cash flow will fluctuate due to the change of market interest rate. The risk from the fluctuation of market interest rate faced by the Group is mainly associated with the liabilities with interest calculated by floating interest rate. The Group conducts the management of interest cost by maintaining proper fixed interest debt and variable rate debt portfolio.

Risk of the change of fair value of financial instruments caused by the change of interest rate is mainly associated with the available-for-sale bond investment. Risk of changes in future cash flow of financial instruments of the Group due to change in interest rate is mainly associated with loans and long-term receivables.

The table below is the interest rate risk of financial instruments listed by the due date and actual interest rate:

Unit: Yuan Currency: RMB

	June 30, 2018	December 31, 2017
	Available-for-sale financial assets	Available-for-sale financial assets
Over 1 year	2,247,413,452.20	2,168,550,310.20
Actual rate (Annual interest rate)	2.50%-5.90%	2.50%-6.00%

Unit: Yuan Currency: RMB

	June 30, 2018			December 31, 2017		
	Buying back the sale of financial assets	Loan granted	Long-term receivables (including within 1 year)	Buying back the sale of financial assets	Loan granted	Long-term receivables (including within 1 year)
Within 1 year		3,881,972,905.24		3,583,919,000.00	3,949,126,085.28	-
Over 1 year			314,004,494.60	-	-	323,443,628.36
Total		3,881,972,905.24	314,004,494.60	3,583,919,000.00	3,949,126,085.28	323,443,628.36
Actual rate (Annual interest rate)		3.5%-7.6%	1.63%	3.49%-15%	3.915%-7.6%	1.63%

Unit: Yuan Currency: RMB

	June 30, 2018						
	Short-term financing debt	Borrowing	Borrowings from bank or other financial institutions	Deposit taking	Bonds payable	Sales of repurchased financial assets	Long-term payables (including within 1 year)
Within 1 year	4,010,876,712.33	62,922,704,826.22	500,000,000.00	5,329,662,674.86	10,323,626,425.26	108,647,724.88	3,765,550,761.09

Over 1 year		2,868,252,529.29			3,204,272,326.90		665,644,518.00
Total	4,010,876,712.33	65,790,957,355.51	500,000,000.00	5,329,662,674.86	13,527,898,752.16	108,647,724.88	4,431,195,279.09
Actual rate (Annual interest rate)	3.80%-3.90%	0.3%-5.39%	2.6%-3.6%	0.05%-3.3%	0.3%-3.7%	2.26%-2.2679%	0-3.89%

	December 31,, 2017						
	Short-term financing debt	Borrowing	Borrowings from bank or other financial institutions	Deposit taking	Bonds payable	Sales of repurchased financial assets	Long-term payables (including 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
Over 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
Actual rate (Annual interest rate)	-	1.55%-5.39%	3.6%-5.9%	1.69%-3.4%	0.3%-4.38%	3.25%-3.5%	0-3.89%

1.1.3. Other Price Risks

Investment of available-for-sale financial assets and trading financial assets held by the Group are measured with fair value on the balance sheet date. Therefore, the Group assumes the risk of the change of financial market. The Group holds various equity security portfolios to reduce the price risk of equity securities investment.

Equity instrument investment price risk

Equity instrument investment price risk refers to the risk that the fair value of the equity securities will fluctuate due to the change of stock index level and value of individual securities. On June 30, 2018, the Group was exposed to the equity instrument investment price risk caused by the individual equity instrument investment which is classified as trading equity instrument investment (Note VII, 2) and available-for-sale equity instrument investment (Note VII, 14). The listed equity instrument investment held by the Group is listed in Shanghai Stock Exchange and Shenzhen Stock Exchange, and is measured on the balance sheet date with quoted market price. Market stock index of following stock exchanges when the market closed on the trading day which is the most close to the balance sheet date this year, as well as their respective highest and the lowest closing price this year are as follows:

	The first half of 2018	High/low	2017	High/low
	June 30	The first half of 2018	December 31	2017
Shanghai - Shanghai	2,847	3587/2782	3,293	3448/3053

securities composite index				
Shenzhen – Shenzhen securities composite index	9,379	11633/9065	10,971	11695/9713
Hong Kong – Hang Seng index	28,955	33484/28169	29,919	30003/22134

The table below reflects the sensibility of pre-tax profit and equity to each 5% of change of fair value of equity instruments (based on the book value on the balance sheet date) in the case of keeping all other variables same and before any taxation impact. In terms of sensitivity analysis, for available-for-sale equity instrument investment, such impact is deemed as the impact upon the change of fair value of available-for-sale equity instrument investment, regardless of factors affecting the impairment of the income statement.

Unit: Yuan Currency: RMB

The first half of 2018	Book amount of equity investment	Increase/decrease of pre-tax profit	Increase/decrease of other comprehensive income
Investment listed in the following stock exchange			
Shanghai - Available-for-sale investment	243,963		12,198
Shenzhen - Available-for-sale investment	320,364		16,018
Hong Kong - Available-for-sale investment	191,849		9,592

Unit: Yuan Currency: RMB

2017	Book amount of equity investment	Increase/decrease of pre-tax profit	Increase/decrease of other comprehensive income
Investment listed in the following stock exchange			
Shanghai - Available-for-sale investment	292,804	-	14,640
Shenzhen - Available-for-sale investment	432,555	-	21,628
Hong Kong - Available-for-sale investment	128,444	-	6,422

1.2 Credit Risk

Credit risk refers to the risk that brings financial loss to the party when the other party of financial instruments fails to perform its obligation. For fixed income investment, credit risk refers to the economic loss risk because the Group's debtor fails to pay the principal or interest when it is due. For equity investment, credit risk refers to the loss risk resulting from operation failure of the invested Group.

The Group's credit risk mainly comes from all kinds of receivables, as well as loans granted and advances.

The Group controls the credit risk by conducting the transaction with the authorized and reputable third party. According to the policy of this Group, the Group shall conduct the credit check of all the customers who require conducting the transaction with the form of credit. In addition, the Group shall conduct the continuous monitoring on balances receivable in order to ensure that the Group will not face the significant risk of bad debts. In the relevant sales trade settlement, the way of picking up goods with full advances received or earnest money and loan is used for settlement. In settlement of relevant trade selling, the Group only conducts the credit assessment on a small number of strategic customers and then determines the credit line and period, and conducts the settlement through the bank acceptance as far as possible. In the settlement of relevant purchase trade, the way of cash on delivery or payment with letter of credit is used for settlement. The Group only gives certain advance payment to the project contractors, some equipment suppliers with long construction cycle and suppliers with shortage of resources through the credit line and period.

All the Group's loans granted and advances is the main business of financial Company, the debtor is only limited to the member unit of Baowu Group with good credit assessment, and credit risk is controlled in the appropriate level.

The credit risk of other financial assets and liabilities of the Group comes from the risk of the other party's breach of contract. In the absence of available guaranty or other credit enhancement, the Group's largest exposure to risk is equal to the book value of these financial instruments. The Group does not provide any other guarantee which may make the Group suffer from the credit risk. 18% of accounts receivable of the Group on June 30, 2018 is the account receivable of top five big customers.

1.3. Liquidity Risk

Liquidity risk refers to the risk that the enterprise suffers from the shortage of funds when performing the obligations associated with financial liabilities. The Group keeps the balance between financing persistence and flexibility with the trade financing, convertible bonds, medium-term notes, short - and long-term loans and other interest-bearing loans, and get the credit with full specified amount from major financial institutions to meet the short-term and long-term capital requirements. The Group conducts the real-time monitoring of short-term and long-term capital requirements to ensure and maintain enough cash reserves and negotiable securities for realization at any time. On June 30, 2018, the Group's current liabilities were 28.061 billion Yuan more than total amount of current assets. The Group can take the bank loan as the capital source of the difference between current liabilities and current assets. On June 30, 2018, the Group's credit line having not been used was 121.413 billion Yuan. Therefore, the Company management holds the opinion that there is no major liquidity risk.

XI. Disclosure of the Fair Value

Fair value refers to the price received by the market participants through selling an asset or paid for transferring a liability in the orderly transaction occurring on the measurement date. Whether fair value is observable or is estimated by adopting the valuation technique, fair value measured and/or disclosed in the financial statements has been determined on this basis.

Fair value of financial assets and financial liabilities of the Group shall be determined in accordance with the following methods: fair value of financial assets and financial liabilities having standard terms and conditions and existing in the active market shall be determined by referring to the corresponding current bid and the current offer of active market; fair value of other financial assets and financial liabilities (excluding derivatives) shall be determined with the common pricing model based on the future cash flow discount method or determined according to the observable current market transaction price; and fair value of derivative instruments shall be determined with the public offer of active market. If there is no public offer, fair value of derivative tools without option shall be estimated and determined with the future cash flow discount method on the basis of the applicable yield curve, and fair value of derivatives with option shall be determined with

the option pricing model (such as binomial model).

For financial assets and financial liabilities measured with the fair value, the Group shall divide the fair value of such financial instruments into three different levels according to the observable degree of input value of fair value and the importance of input value to overall fair value measurement. The details are as follows:

1. Assets measured by fair value and fair value of liability at the end of the period

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Item	Ending fair value			
	Fair value measurement at first level	Fair value measurement at second level	Fair value measurement at third level	Total
I. Continuous fair value measurement				
(I) Financial asset measured at fair value and the change included in the current profits and losses	396,787,928.40	207,524,244.50		604,312,172.90
1. Trading financial assets	396,787,928.40	207,524,244.50		604,312,172.90
(1) Debt instruments investment	395,959,650.00			395,959,650.00
(2) Equity instruments investment	828,278.40			828,278.40
(3) Derivative financial assets		207,524,244.50		207,524,244.50
2. Financial asset designatedly measured at fair value and the change included in the current profits and losses				
(1) Debt instruments investment				
(2) Equity instruments investment				
(II) Available-for-sale financial assets	3,253,894,263.54			3,253,894,263.54
(1) Debt instruments investment	2,197,173,440.50			2,197,173,440.50
(2) Equity instruments investment	1,056,720,823.04			1,056,720,823.04
(3) Others				
(III) Investment real estate				
1. Land use right for rental				
2. Building for rental				
3. Land use right held and ready to be sold after appreciation				
(IV) Biological assets				
1. Consumptive biological assets				
2. Productive biological assets				
Total assets measured at fair value continuously	3,650,682,191.94	207,524,244.50		3,858,206,436.44
(V) Trading financial liabilities		69,880,377.65		69,880,377.65
Among them: issued trading bonds				

Derivative financial liabilities		69,880,377.65		69,880,377.65
Others				
(VI) Financial liabilities designatedly measured at fair value and the change included in the current profits and losses				
Total liabilities continuously measured at fair value		69,880,377.65		69,880,377.65
II. Non-sustainable fair value measurement				
(I) Assets available for sale				
Total assets discontinuously measured at fair value				
Total liabilities discontinuously measured at fair value				

2. Determination Basis of the Market Value of Continuous and Discontinuous First Level Fair Value Measurement Items

Applicable Not applicable

First level fair value measurement basis is based on the unadjusted quotation of the same assets or liability in an active market on the measuring day, mainly including tradeable equity instruments (stock, funds), listed bonds of the exchange, etc.

3. Continuous and Discontinuous Second Level Fair Value Measurement Item, Valuation Technique Adopted and Narrative and Quantitative Information of Important Parameters

Applicable Not applicable

Second level fair value measurement basis refers to the input value of relevant assets or liabilities which can be directly or indirectly observed, excluding the first level input value, mainly including OTC derivative financial instruments.

4. Continuous and Discontinuous Third Level Fair Value Measurement Item, Valuation Technique Adopted and Narrative and Quantitative Information of Important Parameters

Applicable Not applicable

5. Continuous Third Level Fair Value Measurement, Adjustment Information of beginning and Ending Book Value and Sensitivity Analysis of Nonobservable Parameters

Applicable Not applicable

6. Continuous Fair Value Measurement Item, Current Conversion between All Levels, Reason of Conversion and Policy for Determining Conversion Time Point

Applicable Not applicable

7. Valuation Technique Change in Current Period and Change Reason

Applicable Not applicable

8. Financial assets not measured by fair value and fair value of financial liabilities

Applicable Not applicable

XII. Related Parties and Connected Transactions

1. Particulars about the Parent Company of the Company

√Applicable □Not applicable

Unit: 10,000 Yuan Currency: RMB

Name of parent company	Registration place	Nature of business	Registered capital	Shareholding ratio of parent company in the Company (%)	Voting right ratio of parent company in the Company (%)
China Baowu Steel Group Co., Ltd.	Shanghai	Iron & Steel smelting and processing	5,279,110.10	64.1	64.1

Condition of parent company of the Company:

The parent company of the Company was originally Baosteel Group Co., Ltd. On September 22, 2016, the State-owned Assets Supervision and Administration Commission of the State Council issued the “Notice on the Restructuring of Baosteel Group Co., Ltd. and Wuhan Iron and Steel (Group) Corporation”. It is agreed to the joint restructuring of Baosteel Group Co., Ltd. and Wuhan Iron and Steel (Group) Corporation. After the reorganization, Baosteel Group Co., Ltd. was renamed as China Baowu Steel Group Corporation Limited. Wuhan Iron and Steel (Group) Corporation (WISCO) has become a wholly-owned subsidiary of the new company as a whole. The registered capital and capital stock of the Company are 22,267,915,125 yuan. There are 22,101,086,925 shares that are not the restricted shares. Among them, Baowu Group holds 11,300,148,999 shares, WISCO holds 2,982,172,472 shares and Baowu Group holds 14,282,321,471 shares directly and indirectly, accounting for 64.14% of the total capital stock.

The final controlling party of the Company is State-owned Assets Supervision and Administration Commission of the State Council.

2. Particulars about the Subsidiaries of the Company

For particulars about the subsidiaries of the Company, please refer to the note.

√Applicable □Not applicable

For particulars about the subsidiaries of the Company, please refer to Note (IX).

3. Particulars about Joint Ventures and Associated Enterprises of the Company

For particulars about important joint ventures and associated enterprises, please refer to the note.

√Applicable □Not applicable

For particulars about important joint ventures and associated enterprises, please refer to the Note (IX).

Information about other joint ventures and associated enterprises that have related-party transactions with the Company during this period or that had related-party transactions with the Company in previous periods that generated balance.

√Applicable □Not applicable

Name of joint ventures and associated enterprises	Relationship with the Company
Wuxi Bao-Mit Steel Distribution Co., Ltd. (“Wuxi Bao-Mit”)	associated company
Tianjin Baosteel Chuling Materials Distribution Co., Ltd. (“Tianjin Chuling”)	associated company
Shanghai Firsttech Co., Ltd. (“Firsttech”)	associated company

Beijing Qingke Chuangtong Information Technology Co., Ltd. (“Beijing Qingke”)	associated company
Hangzhou Baowei Auto Parts Co., Ltd. (“Hangzhou Baowei”)	joint venture
Shandong Baohua Wear-resistant Steel Co., Ltd. (“Shandong Baohua”)	associated company
Wuhan Baozhang Auto Steel Parts Co., Ltd. (“Wuhan Baozhang”)	joint venture
Wuxi Summit-Bao Metal Products Co., Ltd. (“Wuxi Summit-Bao”)	associated company
Shanghai Baosteel & Arcelor Tailor Metal Co., Ltd. (“Welding Company”)	associated company
Guangzhou Automobile Baoshang Steel Processing Co., Ltd. (“Guangzhou Automobile Baoshang ”)	associated company
Changshu Baosheng Fine Blanking Materials Co., Ltd. (“Changshu Baosheng”)	joint venture
MIBao Metal Processing Zhengzhou Co., Ltd. (“Zhengzhou MiBao”)	associated company
Henan Pingbao Coal Industry Co., Ltd. (“Henan Pingbao”)	associated company
Wuhan Baohan Welding Equipment Co., Ltd. (“Wuhan Baohan”)	associated company
Wuhan Zhejin Trade Co., Ltd. (“Zhejin Trade”)	joint venture
Wuhan Pingmei Wugang Joint Coking Co., Ltd. (“Pingmei Coking”)	joint venture
Wuhan WISCO Dansike Technology Magnetic Materials Co., Ltd. (“Dansike Magnetic Materials”)	associated company

Other notes

Applicable Not applicable

4. Particulars about Other Related Parties

Applicable Not applicable

Name of other related parties	Relationship of other related parties with the Company
Baosteel Resources (International) Co., Ltd. (“Baosteel Resources (International) and its subsidiaries”)	Brother corporation
Baosteel Metal Co., Ltd. and its subsidiaries (“Baosteel Metal and its subsidiaries”)	Brother corporation
Shanghai Baosteel Engineering & Technology Group Co., Ltd. and its subsidiaries (“Engineering & Technology Co. and its subsidiaries”)	Brother corporation
Hwabao Trust Co., Ltd. (“Hwabao Trust”)	Brother corporation
Hwabao Investment Co., Ltd. (“Hwabao Investment”)	Brother corporation
Baosteel Group Shanghai Baoshan Hotel Co., Ltd. (“Baoshan Hotel”)	Brother corporation
Baoshan Development Co., Ltd. And its subsidiaries (“Baosteel Development” and its subsidiaries”)	Brother corporation
Baosteel Group Shanghai No. 1 Iron & Steel Co., Ltd. and its subsidiaries (“No. 1 Iron & Steel Co., Ltd. and its subsidiaries”)	Brother corporation
Baosteel Group Shanghai Meishan Co., Ltd. and its subsidiaries (“Meishan Company and its subsidiaries”)	Brother corporation
Baosteel Group Shanghai Pudong Iron & Steel Co., Ltd. and its subsidiaries (“Pudong Steel and its subsidiaries”)	Brother corporation
Baosteel Group Shanghai No. 5 Co., Ltd and its subsidiaries (“No. 5 Steel Company and its subsidiaries”)	Brother corporation
Baosteel Group Xinjiang Bayi Iron & Steel Co., Ltd. and its subsidiaries (“Xinjiang Bayi and its subsidiaries”)	Brother corporation
Baosteel Resources Co., Ltd. and its subsidiaries (“Baosteel Resources and its	Brother corporation

subsidiaries”)	
Baosteel Desheng Stainless Steel Co., Ltd. (“Baosteel Desheng”)	Brother corporation
Guangdong Baosteel Properties Co., Ltd. (“Guangdong Properties”)	Brother corporation
Baowu Group Guangdong Shaoguan Iron & Steel Group Co., Ltd. (“Guangdong Shaoguan Steel and its subsidiaries”)	Brother corporation
Shanghai Baosteel Stainless Steel Co., Ltd. (“Shanghai Stainless”)	Brother corporation
Baosteel Stainless Steel Co., Ltd. (“Baosteel Stainless”)	Brother corporation
Baosteel Special Steel Co., Ltd. (“Baosteel Special Steel and its subsidiaries”)	Brother corporation
Shanghai Baohua International Tendering Co., Ltd. (“Baohua Tendering”)	Brother corporation
Beijing Huili Property Development Co., Ltd. (“Beijing Huili”)	Brother corporation
Baosteel (Australia) Mining Co., Ltd. (“Baosteel Australia Mining”)	Brother corporation
Ningbo Baoxin Stainless Steel Co., Ltd. (“Ningbo Baoxin and its subsidiaries”)	Brother corporation
Baosteel Group (Shanghai) Properties Co., Ltd. (“Baosteel Properties (Shanghai) ”)	Brother corporation
Fujian Baosteel Properties Co., Ltd. (“Fujian Properties”)	Brother corporation
Baosteel Hong Kong Investment Co., Ltd. (“Baosteel Hong Kong”)	Brother corporation
Shanghai Baoland Co, Ltd. (“Baoland”)	Brother corporation
Shanghai Baosteel Aeronautical Materials Co., Ltd (Aeronautical Materials)	Brother corporation
Shanghai Iron & Steel Research Institute (“Iron & Steel Research Institute”)	Brother corporation
Baowu Group Environment Resources Science & Technology Co., Ltd. and its subsidiaries (“Baowu Environment Technology and its subsidiaries”)	Brother corporation
Wuhan Iron & Steel (Group) Corporation and its subsidiaries (“WISCO and its subsidiaries”)	Brother corporation
Shanghai Baosteel Xinyue Human Resources Service Co., Ltd (“Baosteel Xinyue”)	Brother corporation
Shanghai Wusongkou Innovation Park Co., Ltd. (“Wusongkou”)	Brother corporation
Ouyeel Incorporation (“Ouyeel Incorporation and its subsidiaries”)	Brother corporation

5. Particulars about Connected Transactions

(1) Connected Transactions of Purchases and Sales of Commodities and Provisions and Acceptance of Labor Services

Purchases of Commodities/Acceptance of Labor Services

√Applicable □Not applicable

1) Purchases of Commodities

Unit: Thousand Yuan Currency: RMB

Related party	Details of connected transaction	Amount in current period	Amount in last period
Xinjiang Bayi and its subsidiaries	Iron & steel products, etc.	598,085	209,935
Baosteel Development and its subsidiaries	Iron & steel products, auxiliary materials, etc.	500,342	466,643
Engineering & Technology Co. and its subsidiaries	Equipment, etc.	749,809	701,221
Baosteel Metal and its subsidiaries	Auxiliary materials, etc.	30,545	28,815
Meishan Company and its subsidiaries	Raw materials, auxiliary materials, etc.	271,910	317,127
Baosteel Resources and its subsidiaries	Raw materials	3,655,207	3,285,685

Baosteel Resources (International)	Raw materials	536,132	218,371
Baosteel Stainless	Iron & steel products, etc.	1,743,040	3,061,462
Baosteel Special Steel and its subsidiaries	Iron & steel products	3,047,823	2,870,585
Baosteel Desheng	Iron & steel products	669,871	399,515
Ningbo Baoxin	Iron & steel products	3,111,239	2,947,841
WISCO and its subsidiaries	Raw materials, auxiliary materials, etc.	2,666,378	3,666,538
Ouyeel Incorporation and its subsidiaries	Iron & steel products, etc.	895,082	
BNA	Iron & steel products, etc.	6,639,344	6,761,841
Guangzhou JFE	Iron & steel products, etc.	551,689	780,901
Wugang Joint Coking	Raw materials, etc.	5,172,850	5,885,912
Guangdong Shaoguan and its subsidiaries	Iron & steel products, etc.	737,989	1,038,028
Others	Auxiliary materials, energy, etc.	16,545	12,816
Total		31,593,880	32,653,236

2) Acceptance of Labor Services

Unit: Thousand Yuan Currency: RMB

Related party	Details of connected transaction	Amount in the period	Amount in last period
Baosteel Development and its subsidiaries	Comprehensive logistics, engineering, transportation, maintenance service, etc.	451,730	474,829
Engineering & Technology Co. and its subsidiaries	Engineering, maintenance, detection service, etc.	952,296	815,785
Meishan Group and its subsidiaries	Comprehensive logistics, engineering, transportation, maintenance service, etc.	444,976	408,452
Baosteel Resources and its subsidiaries	Transportation service	345,514	311,640
Baosteel Resource (International)	Transportation service	64,958	24,618
Baowu Environment Technology and its subsidiaries	Waste disposal service	127,086	55,846
Bao-Island Co.	Transportation service		108,110
BNA	Processing, etc.	94,977	51,433
Baowu Group and its subsidiaries	Education, training, etc.	24,853	3,325
Baosteel Special Steel and its subsidiaries	Processing service, etc.	12,343	1,943
WISCO and its subsidiaries	Maintenance, processing, transportation, maintenance service, etc.	324,178	501,583
Ouyeel Incorporation and its subsidiaries	Warehousing and transportation service	85,588	
Others	Transportation service, etc.	49,655	38,119
Total		2,978,154	2,795,785

Sales of Commodities/Provisions and Acceptance of Labor Services

√Applicable □Not applicable

3) Sales of Commodities

Unit: Thousand Yuan Currency: RMB

Related party	Details of connected transaction	Amount in current period	Amount in last period
Baowu Group	Energy, auxiliary materials	1,914	4,358
Xinjiang Bayi and its subsidiaries	Auxiliary materials, etc.	10,644	1,873
Baosteel Development and its subsidiaries	Iron and steel products, auxiliary materials, energy, etc.	188,945	293,331
Engineering & Technology Co. and its subsidiaries	Iron and steel products, energy, auxiliary materials, etc.	237,506	80,189
Baosteel Metal and its subsidiaries	Iron and steel products, energy, etc.	865,847	1,104,996
Meishan Company and its subsidiaries	Iron and steel products, energy and auxiliary materials	478,170	332,350
Baosteel Resources and its subsidiaries	Raw materials	217,309	302,789
Baosteel Resources (International)	Raw materials	806,064	479,135
Baosteel Stainless	Raw materials, auxiliary materials, energy, etc.	324,271	251,201
Baosteel Special Steel and its subsidiaries	Raw materials, auxiliary materials, energy, etc.	1,411,730	921,920
Ouyeel Incorporation and its subsidiaries	Iron and steel products, etc.	8,026,134	
Ningbo Baoxin	Iron and steel products, etc.	25,346	184,810
Guangdong Shaoguan Steel and its subsidiaries	Raw materials, etc.	27,632	176,354
WISCO and its subsidiaries	Iron and steel products, raw and auxiliary materials, energy, etc.	471,931	3,089,366
Baowu Environment Technology and its subsidiaries	Iron and steel by-product	586,570	185,304
BNA	Iron and steel products, energy and auxiliary materials	5,705,171	6,313,521
Wugang Joint Coking	Energy and raw material		5,715,008
Welding Co.	Iron and steel products, etc.	202,423	175,442
Guangzhou JFE	Iron and steel products, etc.	393,430	810,789
Others	Auxiliary materials, etc.	53,210	90,525
Total		20,034,249	20,513,265

4) Provision of Labor Services

Unit: Thousand Yuan Currency: RMB

Related party	Details of connected transaction	Amount in current period	Amount in last period
Baosteel Resources and its subsidiaries	Transportation and technical services, etc.	34,559	36,786

Engineering & Technology Co. and its subsidiaries	Technical services	13,065	35,082
Meishan Company and its subsidiaries	Transportation and technical services	15,281	24,181
Baosteel Special Steel and its subsidiaries	Transportation and technical services	37,332	52,185
Baosteel Stainless	Transportation and technical services	16,894	18,821
Baosteel Desheng		54,350	
Baosteel Development and its subsidiaries	Technical services	868	2,870
Baowu Group	Technical services	11,637	11,017
Baowu Environment Technology and its subsidiaries	Transportation and technical services	21,848	
Baosteel Resources (International) and its subsidiaries	Transportation and technical services	11,364	6,940
WISCO and its subsidiaries	Transportation and technical services	55,678	
Ouyeel Incorporation and its subsidiaries	Technical services, etc.	19,692	
Ningbo Baoxin	Technical services	5,688	6,948
Xinjiang Bayi and its subsidiaries	Technical services	16,435	19,075
Guangdong Shaoguan and its subsidiaries	Transportation and technical services	20,243	17,769
Bao-Island Co.	Transportation service	84,981	
BNA	Transportation and technical services	167,069	71,661
Guangzhou JFE	Transportation and technical service	11,110	3,280
Others	Transportation and technical services	37,572	50,226
Total		635,666	356,841

Notes to connected transactions of purchases and sales of commodities and provisions and acceptance of labor services

Applicable Not applicable

(2) Related Commissioned Management/Contracting and Entrusted Management/Contract Awarding

The Company's commissioned management/contracting:

Applicable Not applicable

Unit: Yuan Currency: RMB

Name of	Name of	Type of	Commission	Commission	Trustee fee	Income
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commissioning party	commissioned party	commissioned assets	start date	expiry date	pricing basis	achieved in this reporting period
Baosteel Special Steel, SGIS Songshan Co., Ltd. (hereinafter referred to as "SGIS Songshan")	Baosteel	Baosteel Special Steel Changcai Co., Ltd. (Baosteel Special Steel Changcai) and Baosteel Special Steel Shaoguan Co., Ltd. (Baosteel Special Steel Shaoguan)	July 2017	December 31, 2019	Entrusted management fees are charged at a certain percentage of the audited annual net profit attributable to Baosteel Special Steel Changcai and EVA added value	-

Related trusteeship/contracting

Applicable Not applicable

The Company's entrusted management/contracting awarding:

Applicable Not applicable

Unit: Thousand Yuan Currency: RMB

Name of commissioning party	Name of commissioned party	Type of commissioned assets	Amount of commissioned management assets at the end of the reporting period	Amount of accumulative commissioned management assets at the end of the reporting period	Income achieved in this reporting period
Baoshan Iron & Steel Co., Ltd.	Hwabao Trust	Funds and trust financial management products	1,650,000	750,000	45,404
Baoshan Iron & Steel Co., Ltd.	Hwabao Investment	Funds and trust financial management products	300,000		

Related Commissioned Management/contract awarding:

Applicable Not applicable

(3) Connected Guarantee

The Company as the guarantor

Applicable Not applicable

The Company as the secured party

Applicable Not applicable

Unit: Thousand Yuan Currency: RMB

Guarantor	Guarantee amount	Guarantee start date	Guarantee expiry date	Whether the guarantee is performed
WISCO	323,269	November 10, 2014	November 10, 2024	No

Description of connected guarantee

Applicable Not applicable**(4) Assets Transfer and Debt Reorganization of Related Parties**Applicable Not applicable**(5) Other Connected Transactions**Applicable Not applicable

Unit: Thousand Yuan Currency: RMB

Category of connected transaction	Note	Amount in current period	Amount in the same period last year
Payment for land use rights and leasing of houses, vehicles	Note 1	301,100	282,252
Revenues from leasing of houses, vehicles and equipment	Note 1	42,083	7,474
Financial service revenues	Note 2	22,575	13,516
Financial service expenditures	Note 3	46,569	80,485
Interest revenues	Note 4	322	3,272
Interest expenditures	Note 4	437	2,129

Note 1: Upon the establishment of the Company, a 20-year Lease Agreement was entered into by and between Baowu Group and the Company, whereby Baowu Group will rent out the plant land to the Company. In September 2001, Baowu Group signed another 20-year Lease Agreement with the Company for the plant land under the phase-III assets acquisition project. In November 2002, Baowu Group signed another 20-year Lease Agreement with the Company for the plant land of some newly-acquired assets under custody. In November 2010, due to the increase in the tenure tax, the Supplementary Agreement on Tenure Lease was signed by and between Baowu Group and the Company, whereby the land-use fees of the Company have been increased.

The Group rents houses from Baowu Group, Baosteel-NSC/Arcelor Automotive Steel Sheets Co., Ltd. and Baosteel Metal Co., Ltd., rents automobile from Baosteel Development Co., Ltd. and its subsidiaries as well as Baosteel Metal Co., Ltd. and its subsidiaries. Meanwhile, Baosteel Resources Limited and its subsidiaries, Baosteel-NSC/Arcelor Automotive Steel Sheets Co., Ltd. rent the house from the Group, Shanghai Meishan Iron & Steel Co., Ltd. and WISCO rents land use right from the Group, and Baosteel Special Steel rents the equipment from the Group.

Note 2: The Group, through the Finance Co., a subsidiary of the Company, provides Baowu Group and its subsidiaries with financial services (loans, discounting, entrusted loans, etc.), and as a result receives interest incomes from loans, discount interest incomes, entrusted loan handling charges, etc.

Note 3: The Group takes the deposits from Baowu Group and its subsidiaries and pays them the interest thereon. The RMB deposit interest rates are subject to the interest rates specified by the People's Bank of China.

Note 4: WISCO, Ltd., a subsidiary of the Group, deposits money in WISCO Finance Co., Ltd, a subsidiary of WISCO and obtains interest revenues. It receives loans from WISCO Finance Co., Ltd and paid interest. The RMB deposit and loan interest rates are subject to the interest rates specified by the People's Bank of

China. This business exists.

6. Accounts Receivable and Payable of Related Parties

(1) Items Receivable

√Applicable □Not applicable

1) Notes Receivable

Unit: Thousand Yuan Currency: RMB

Item	Related party	Ending balance		Beginning balance	
		Book balance	Bad debt reserves	Book balance	Bad debt reserves
Notes receivable	WISCO and its subsidiaries	1,622,287		477,560	
Notes receivable	BNA	977,402		433,180	
Notes receivable	Pingmei Coking	711,010			
Notes receivable	Baosteel Special Steel and its subsidiaries	377,341		326,698	
Notes receivable	Meishan Company and its subsidiaries	333,621		65,098	
Notes receivable	Baosteel Metal and its subsidiaries	221,101		168,941	
Notes receivable	Baowu Environment Technology and its subsidiaries	104,982		165,280	
Notes receivable	Guangzhou JFE	90,627		1,155	
Notes receivable	Ouyeel Incorporation and its subsidiaries	88,294		15,904	
Notes receivable	Engineering & Technology Co. and its subsidiaries	23,320		15,229	
Notes receivable	Henan Pingbao	15,000		829	
Notes receivable	Guangdong Shaoguan Steel and its subsidiaries	11,061		41,250	
Notes receivable	Xinjiang Bayi and its subsidiaries	7,985		30,220	
Notes receivable	Changshu Baosheng			19,976	
Notes receivable	Shandong Baohua			4,000	
Notes receivable	Ningbo Baoxin and its subsidiaries			3,501	
Notes receivable	Other	28,753		1,558	
	Total	4,612,784		1,770,379	

2) Accounts Receivable

Unit: Thousand Yuan Currency: RMB

Item	Related party	Ending balance		Beginning balance	
		Book balance	Bad debt reserves	Book balance	Bad debt reserves
Accounts receivable	WISCO and its subsidiaries	986,011		990,527	
Accounts receivable	Pingmei Coking	651,308		413,074	

Accounts receivable	Meishan Company and its subsidiaries	543,913		347,970	
Accounts receivable	Baosteel Special Steel and its subsidiaries	445,462		539,868	
Accounts receivable	Baosteel Stainless	236,495		183,445	
Accounts receivable	Baowu Environment Technology and its subsidiaries	183,317		74,213	
Accounts receivable	Xinjiang Bayi and its subsidiaries	112,475		84,844	
Accounts receivable	Engineering & Technology Co. and its subsidiaries	96,610		102,601	
Accounts receivable	Baosteel Resources and its subsidiaries	50,743		147,106	
Accounts receivable	Baosteel Desheng	44,342		6,597	
Accounts receivable	Baosteel Resources(International) and its subsidiaries	31,035		95,468	
Accounts receivable	Baosteel Development and its subsidiaries	22,336		18,181	
Accounts receivable	Baosteel Metal and its subsidiaries	20,758		12,454	
Accounts receivable	Guangdong Shaoguan Steel and its subsidiaries	17,270		13,613	
Accounts receivable	Dansike Magnetic Materials	13,768		19,895	
Accounts receivable	Jinzi Steel Processing	12,281		13,256	
Accounts receivable	BNA	11,898		138,624	
Accounts receivable	Wuhan Baohan	11,295		11,295	
Accounts receivable	Ningbo Baoxin and its subsidiaries	11,259		10,998	
Accounts receivable	Baowu Group	5,987		5,008	
Accounts receivable	Hwabao Investment	5,206		5,462	
Accounts receivable	Ouyeel Incorporation and its subsidiaries	4,909		393,409	
Accounts receivable	Hwabao Trust	4,334		655	
Accounts receivable	Guangzhou JFE	4,010		11,928	
Accounts receivable	Baoland	3,580		3,250	
Accounts receivable	Beijing Qingke	3,302		6,606	
Accounts receivable	Welding Co.	720		1,285	
Accounts receivable	Others	8,288		524,211	
	Total	3,542,912		4,175,843	

3) Prepayment

Unit: Thousand Yuan Currency: RMB

Item	Related party	Ending balance		Beginning balance	
		Book balance	Bad debt reserves	Book balance	Bad debt reserves
Prepayment	Pingmei Coking	3,207,884		2,532,387	

Prepayment	Baosteel Resources and its subsidiaries	590,180		138,614	
Prepayment	BNA	327,271		272,314	
Prepayment	WISCO and its subsidiaries	254,825		243,982	
Prepayment	Guangdong Shaoguan Steel and its subsidiaries	180,451		23,616	
Prepayment	Xinjiang Bayi and its subsidiaries	60,438		120,603	
Prepayment	Ouyeel Incorporation and its subsidiaries	58,642		384,855	
Prepayment	Engineering & Technology Co. and its subsidiaries	54,481		166,503	
Prepayment	Guangzhou JFE	30,633		43,095	
Prepayment	Hangzhou Baowei	7,757		8,131	
Prepayment	Guangzhou Automobile Baoshang	7,059		1,076	
Prepayment	Baosteel Stainless	4,678		21,049	
Prepayment	Firsttech	2,660		1,980	
Prepayment	Baosteel Development” and its subsidiaries	1,751		1	
Prepayment	Meishan Company and its subsidiaries	1,194		1,194	
Prepayment	Ningbo Baoxin and its subsidiaries	522		1,501	
Prepayment	Baosteel Metal and its subsidiaries	10		43	
Prepayment	Wuhan Baohan			1,773	
Prepayment	Baosteel Desheng			548	
Prepayment	Others	123,053		84,960	
	Total	4,913,489		4,048,225	

4) Interest Receivable

Unit: Thousand Yuan Currency: RMB

Item	Related party	Ending balance		Beginning balance	
		Book balance	Bad debt reserves	Book balance	Bad debt reserves
Interest Receivable	Engineering & Technology Co. and its subsidiaries	242		266	
Interest Receivable	Ouyeel Incorporation and its subsidiaries	345		256	
	Baosteel Metal and its subsidiaries	108			
Interest Receivable	Others			60	
	Total	695		582	

5) Other Accounts Receivable

Unit: Thousand Yuan Currency: RMB

Item	Related party	Ending balance		Beginning balance	
		Book balance	Bad debt reserves	Book balance	Bad debt reserves
Other Accounts Receivable	WISCO and its subsidiaries	1,105,465		978,750	
Other Accounts Receivable	Meishan Company and its subsidiaries	13,843		12,833	
Other Accounts Receivable	Baosteel Development and its subsidiaries	9,966		9,389	
Other Accounts Receivable	BNA	4,260		1,169	
Other Accounts Receivable	Hwabao Trust	3,554		3,021	
Other Accounts Receivable	Guangdong Shaoguan Steel and its subsidiaries	3,011		1,425	
Other Accounts Receivable	Beijing Huili	2,628		2,628	
Other Accounts Receivable	Xinjiang Bayi and its subsidiaries	2,122		2,176	
Other Accounts Receivable	Welding Co.	2,069		1,028	
Other Accounts Receivable	Baosteel Bidding	1,968		2,257	
Other Accounts Receivable	Baosteel Special Steel and its subsidiaries	737		49	
Other Accounts Receivable	Ningbo Baoxin and its subsidiaries	130		126	
Other Accounts Receivable	Hwabao Investment	7		7	
Other Accounts Receivable	Baosteel Stainless	4		2	
Other Accounts Receivable	Baowu Group			120,187	
Other Accounts Receivable	Others	6,239		1,749	
	Total	1,156,003		1,136,796	

6) Loans and Advances to Customers

Unit: Thousand Yuan Currency: RMB

Item	Related party	Ending balance		Beginning balance	
		Book balance	Bad debt reserves	Book balance	Bad debt reserves
Loan and discount	Baosteel Resources and its subsidiaries	215,478		290,503	
Loan and	Engineering & Technology Co.	196,868		199,582	

discount	and its subsidiaries				
Loan and discount	Baosteel Metal and its subsidiaries	103,472		11,087	
Loan and discount	Ouyeel Incorporation	96,800		158,957	
	Total	612,618		660,129	

(2.) Items Payable

√Applicable □Not applicable

1) Deposits and Due to Banks

Unit: Thousand Yuan Currency: RMB

Item	Related party	Ending book balance	Beginning book balance
Deposits and Due to Banks	Baowu Group	4,239,485	5,690,540
Deposits and Due to Banks	Hwabao Trust	464,260	531,185
Deposits and Due to Banks	Baosteel Development and its subsidiaries	100,948	122,547
Deposits and Due to Banks	Ouyeel Incorporation and its subsidiaries	83,437	672,326
Deposits and Due to Banks	Baosteel Resources and its subsidiaries	32,692	82,217
Deposits and Due to Banks	Engineering & Technology Co. and its subsidiaries	2,238	16,556
Deposits and Due to Banks	Xinjiang Bayi and its subsidiaries	512	324,674
Deposits and Due to Banks	Guangdong Shaoguan Steel and its subsidiaries	437	256,539
Deposits and Due to Banks	Baosteel Desheng	8	142,369
Deposits and Due to Banks	Hwabao Investment		176
Deposits and Due to Banks	Others	1,454	7,703
	Total	4,925,471	7,846,832

2) Notes Payable

Unit: Thousand Yuan Currency: RMB

Item	Related party	Ending book balance	Beginning book balance
Notes Payable	WISCO and its subsidiaries	3,062,481	1,964,101
Notes Payable	BNA	1,601,465	1,287,777
Notes Payable	Baosteel Resources and its subsidiaries	1,187,744	885,225
Notes Payable	Ningbo Baoxin and its subsidiaries	148,650	103,849
Notes Payable	Engineering & Technology Co. and its subsidiaries	108,059	92,443
Notes Payable	Baosteel Desheng Stainless Steel Co., Ltd.	60,851	

Notes Payable	Baosteel Development and its subsidiaries	57,056	90,768
Notes Payable	Baosteel Special Steel and its subsidiaries	24,879	24,530
Notes Payable	Baosteel Stainless	18,644	38,904
Notes Payable	Meishan Company and its subsidiaries	17,039	12,915
Notes Payable	Ouyeel Incorporation and its subsidiaries		1,419
Notes Payable	Others	829	
	Total	6,287,697	4,501,931

3) Accounts Payable

Unit: Thousand Yuan Currency: RMB

Item	Related party	Ending book balance	Beginning book balance
Accounts Payable	WISCO and its subsidiaries	1,059,825	1,358,132
Accounts Payable	Meishan Company and its subsidiaries	1,002,737	718,649
Accounts Payable	Baosteel Resources and its subsidiaries	885,159	645,640
Accounts Payable	Engineering & Technology Co. and its subsidiaries	850,963	980,143
Accounts Payable	Pingmei Coking	481,377	129,774
Accounts Payable	Baosteel Development and its subsidiaries	395,321	395,846
Accounts Payable	Baosteel Desheng	277,178	1,408
Accounts Payable	Baosteel Special Steel and its subsidiaries	269,527	348,469
Accounts Payable	BNA	238,224	197,904
Accounts Payable	Ningbo Baoxin and its subsidiaries	193,462	152,190
Accounts Payable	Baowu Environment Technology and its subsidiaries	139,624	67,137
Accounts Payable	Baosteel Stainless	101,170	214,185
Accounts Payable	Baowu Group	83,116	33,705
Accounts Payable	Guangdong Shaoguan Steel and its subsidiaries	74,742	22,660
Accounts Payable	Baosteel Resources(International) and its subsidiaries	72,608	13,595
Accounts Payable	Ouyeel Incorporation and its subsidiaries	49,472	164,390
Accounts Payable	Taicang Wugang Port	23,403	
Accounts Payable	Xinjiang Bayi and its subsidiaries	14,146	15,280
Accounts Payable	Firsttech	10,041	1,525
Accounts Payable	Wuhan Baohan	8,739	6,676
Accounts Payable	Wuhan Baozhang	6,302	609
Accounts Payable	Baosteel Metal and its subsidiaries	5,854	14,382

Accounts Payable	Guangzhou JFE	3,225	67,517
Accounts Payable	Welding Co.	1,870	2,025
Accounts Payable	Changshu Baosheng	1,129	1,343
Accounts Payable	Others	13,976	432,313
	Total	6,263,190	5,985,497

4) Advance Receipts

Unit: Thousand Yuan Currency: RMB

Item	Related party	Ending book balance	Beginning book balance
Advance Receipts	Baosteel Metal and its subsidiaries	158,245	369,146
Advance Receipts	Ouyeel Incorporation and its subsidiaries	236,459	235,104
Advance Receipts	Pingmei Coking	49	200,000
Advance Receipts	WISCO and its subsidiaries	197,288	141,936
Advance Receipts	Baowu Environment Technology and its subsidiaries	92,362	113,317
Advance Receipts	Engineering & Technology Co. and its subsidiaries	15,611	97,117
Advance Receipts	Guangzhou JFE	98,093	76,007
Advance Receipts	Zhengzhou MIBao	54,934	46,223
Advance Receipts	Wuxi Bao-Mit	10,529	26,769
Advance Receipts	Meishan Company and its subsidiaries	30,861	23,697
Advance Receipts	Hangzhou Baowei	71,770	22,158
Advance Receipts	Baosteel Development and its subsidiaries	17,794	15,814
Advance Receipts	Baosteel Desheng	517	14,784
Advance Receipts	Welding Co.	34,091	14,342
Advance Receipts	Shandong Baohua	15,865	12,530
Advance Receipts	BNA	114,946	9,102
Advance Receipts	Baosteel Resources and its subsidiaries	2,704	8,321
Advance Receipts	Baosteel Special Steel and its subsidiaries	6,608	7,281
Advance Receipts	Xinjiang Bayi and its subsidiaries	7,632	6,867
Advance Receipts	Baosteel Stainless	6,076	5,480
Advance Receipts	Baowu Group	9,308	4,500
Advance Receipts	Ningbo Baoxin and its subsidiaries	3,979	4,194
Advance Receipts	Ergang Co. and its subsidiaries		200
Advance Receipts	Pudong Steel Co. and its subsidiaries		153
Advance Receipts	Guangdong Shaoguan Steel and its subsidiaries	116	
Advance Receipts	Wuxi Summit-Bao	3,613	3,613
Advance Receipts	Others	2,021	7,283
	Total	1,191,471	1,465,938

5) Interests payable

Unit: Thousand Yuan Currency: RMB

Item	Related party	Ending book balance	Beginning book balance
Interests payable	Baowu Group	22,167	7,464
Interests payable	Hwabao Trust	12,270	601
Interests payable	Baosteel Resources and its subsidiaries	211	148
Interests payable	Ouyeel Incorporation and its subsidiaries	93	212
Interests payable	Others	52	169
	Total	34,793	8,594

6) Other accounts payable

Unit: Thousand Yuan Currency: RMB

Item	Related party	Ending book balance	Beginning book balance
Other accounts payable	WISCO and its subsidiaries	1,376,142	37,394
Other accounts payable	Ouyeel Incorporation and its subsidiaries	46,982	16,370
Other accounts payable	Xinjiang Bayi and its subsidiaries	3,355	804
Other accounts payable	Baosteel Resources and its subsidiaries	3,303	3,303
Other accounts payable	Meishan Company and its subsidiaries	2,516	1,929
Other accounts payable	Engineering Technology Co. and its subsidiaries	1,904	1,919
Other accounts payable	Hwabao Trust	1,003	1,003
Other accounts payable	Baosteel Metals and its subsidiaries	509	605
Other accounts payable	Baosteel Development and its subsidiaries	139	162
Other accounts payable	Baowu Environment Technology and its subsidiaries	122	122
Other accounts payable	Baowu Group	28	1,941
Other accounts payable	Zhejin Trade		30,000
Other accounts payable	Others	137	31,874
	Total	1,436,140	127,426

XIII. Share-based Payment**1. Summary of share-based payments**

√Applicable □Not applicable

Plan of phase I A-share restricted stock

On May 20, 2014, the Group's first temporary general meeting of shareholders in Year 2014 reviewed and approved *Baoshan Iron & Steel Co., Ltd. Restricted Stock Ownership Incentive Plan; Baoshan Iron&Steel Co. Ltd Restricted Stock Ownership Incentive Plan Phase I Grant Program* and relevant administrative rules. On May 22, 2014, the 15th meeting of the 5th Board of Directors of the Group reviewed and approved *Proposal for Determination of the*

Incentive Targets and Respective Grant Quantities of A-share Restricted Stock Ownership Incentive Plan and Proposal for the Implementation of Phase I Program of the A-share Restricted Stock Ownership Incentive Plan. According to the incentive target list and grant quantities, starting from May 23, 2014, the Group repurchased A-share stock from Shanghai Stock Exchange through open market as the source of the restricted stock granted to the incentive targets. The lock-up period will be the subsequent two years from the grant date. During the lock-up period, the restricted stock granted will be prohibited from trading. The vesting period will be the subsequent three years from the end of lock-up period. During any year of the vesting period, the incentive target can apply for a proportionate vesting (i.e. vest one third of the restricted stock each year during the vesting period) of the restricted stock once the vesting conditions are met. For unvested restricted stock, the Group will repurchase it at the grant price.

As of Jun. 11, 2014, the stock repurchase of the incentive plan has been completed. The Group repurchased a total of 47,446,100 shares of stock at a total cost of RMB 187,734,750.08. The repurchased stock was recognized as treasury stock.

There are a total of 136 persons qualified as the incentive targets of this stock incentive plan and a total of 47,446,100 shares of stock are granted. The grant price is RMB 1.91 per share. The incentive targets have paid RMB 90,622,051.00 to subscribe the restricted stock. The Group has recognized the obligation to repurchase the restricted stock as a liability and treated it as treasury stock repurchase. By June 24, 2014, the 47,446,100 shares of stock granted in Phase I plan had changed from tradable shares to shares subject to conditional sale, for which all the transfer procedures had been completed.

On December 16, 2014, the Group repurchased and terminated 434,400 shares of stock held by Zhang Yong; 264,500 shares of stock held by Zhang Xiaobo respectively as the vesting conditions are not met. The repurchase cost is RMB 1,334,899.00. The above 698,900 shares of stock have been transferred to the special securities account established for the repurchase and canceled on Dec. 16, 2014. At the same time, the Company's capital stock and capital reserve are decreased by RMB 698,900 and RMB 635,999 respectively, with the capital stock decreased by RMB 1,334,899.

In 2015, Baosteel conducted the repurchase and cancellation of restricted stocks not meeting the unlocking conditions in the initial granting scheme of the above restricted stock plan for the incentive objects, such as Li Shiping, Fu Jianguo, Hu Yuliang, Jia Yiyun, Pei Shibing, Sun Dale, Lu Yunyong, Guo Bin and Hou Angui, respectively holding stocks of 488,700, 434,400, 434,400, 380,100, 264,500, 264,500, 264,500, 488,700 and 488,700 based on the granting price. The above restricted stocks in 3,508,500 in total have been transferred to the special repurchase security account opened by the company, and have been cancelled in 2015. At the same time, the decreased capital stock is RMB 3,508,500 and the registered capital after decrease is RMB 16,467,517,524.

In 2016, Baosteel conducted the repurchase and cancellation of restricted stocks not meeting the unlocking conditions in the initial granting scheme of the above restricted stock plan for the incentive objects, such as Jiang Laizhu (holding 325,800 stocks), Huang Aijun (holding 264,500 stocks), Zhao Zhouli and other two persons (totaling 1,592,800 stocks), as well as Wei Chengwen, Zhu Jianchun and Wang Huaqiang (totaling 724,000 stocks) based on the granting price. In addition, on Apr. 28, 2016, the Seventh meeting of the 6th Board of Directors of the company was convened to have passed the *Proposal on Initial Repurchase of Restricted Stocks Not Meeting the Unlocking Conditions* upon the approval, to cancel the initially repurchased stocks of Baosteel, namely, 14,216,800 stocks not meeting the unlocking conditions. The above restricted stocks, namely, 17,123,900 stocks have been transferred to the special repurchase security account opened by the company, and have been canceled in 2016. Therefore, the decreased capital stock is RMB 17,123,900.00 and the registered capital after decrease is RMB 16,450,393,624.

In 2016, at the 14th meeting of the 6th board of directors of the company, the Company considered and approved the "Proposal on Adjusting the Incentive Objects of Restricted Stock Plan". The Company bought back and wrote off the 253,400 restricted stocks held by Zhu Hanming, the incentive object in the First-issue Award Scheme of A-share Restricted Stock Plan, at the awarded price. All 253,400 of these restricted shares have been transferred to

the designated put-back securities accounts opened by the Company and wrote off on February 7, 2017. The "Proposal on Adjusting the Incentive Objects of Restricted Stock Plan" was considered and passed by the 20th meeting of the 6th board of directors of the Company. The Company bought back and wrote off the 1,373,250 restricted stocks held by Ye Meng and other 11 persons, the incentive object in the first-issue Award Scheme of A-share Restricted Stock Plan, at the awarded price. All 1,373,250 of these restricted shares have been transferred to the designated put-back securities accounts opened by the Company and written on December 12, 2017.

On May 23, 2017, at the 18th meeting of the 6th board of directors of the Company, the Company considered and approved the "Proposal on Unlocking the Second Unlocking Period of Baosteel's Restricted Shares Plan", in order to agree the unlocking. It is agreed that Baosteel will handle the unlocking procedure for the 12,930,700 restricted shares from 114 incentive objects during the Second Unlocking Period.

On December 8, 2017, at the 24th meeting of the 6th board of directors of the Company, the Company considered and approved the "Proposal on Adjusting the Incentive Objects of the First-Issue Restricted Stock Plan". The company bought back and wrote off the 196,750 restricted stocks held by Huang Jianguo and Chen Xiaodan, the incentive objects in the first-issue Award Scheme of A-share Restricted Stock Plan, at the awarded price. All these restricted shares have been transferred to the designated put-back securities accounts opened by the company and written off on March 12, 2018.

On June 8, 2018, at the 1st meeting of the 7th board of directors of the Company, the Company considered and approved the "Proposal on Unlocking the Third Unlocking Period of the First-Issue Restricted Shares Plan", in order to agree the unlocking. It is agreed that Baosteel will handle the unlocking procedure for the 11,360,700 restricted shares from 100 incentive objects during the Third Unlocking Period.

Second-issue of A share restricted stock plan

In the 25th meeting of the 6th board of directors on held on December 22, 2017, the Company considered and approved the "Granting the Second-issue of the A-share Restricted Stock Plan of the Company", to determine the granting date is December 22, 2017. Independent directors of the Company expressed their consent to the proposal, and the board of supervisors issued verification and consent on matters related to the granting of restricted shares. Shanghai Fangda Law Firm issued the "Legal Opinion on First Granting the Second-issue of the A-share Restricted Stock Plan of Baoshan Iron and Steel Co., Ltd". On December 25, 2017, Deloitte Touche Tohmatsu (Special General Partnership) issued the "Capital Verification Report of Baoshan Iron and Steel Co., Ltd"(Deloitte Firm 17, No. 00590), verifying that as of December 22, 2017, the Company's designated account had received 665,644,518 yuan from 1,067 equity incentives for the subscription of the 166,828,200 shares. Of the 665,644,518 yuan, 166,828,200 yuan is included in capital stock, and 498,816,318 yuan is included in capital reserve (stock premium). The 166,828,200 restricted shares granted by the Company have been registered in China Securities Depository and Clearing Co., Ltd Shanghai Branch on January 16, 2018, and the Certificate of Securities Change Registration is obtained.

Unit: Share Currency: RMB

Total amount of all equity instruments granted for the company in current period	
Total amount of all equity instruments exercised for the company in current period	11,360,700
Total amount of all equity instruments invalid for the company in current period	196,750
Scope of exercise price of outstanding stock option at the end of period and remaining contract term	
Scope of exercise price of other outstanding equity instruments at the end of period and remaining contract term	

2. Conditions of equity-settled share-based payment

Applicable Not applicable

Unit: Share Currency: RMB

Determination method for the fair value of the equity instrument on the grant date	Make the estimation based on the market value of the company's stocks on the grant date by adopting the B-S option pricing model and combining with the terms and conditions of the granted share option.
Determination basis of vesting equity instrument quantity	Estimate and determine according to the performance conditions in each unlocking period as regulated in the restricted stock plan
Reasons for the significant difference between estimation in current period and estimation in previous period	
Accumulated amount of including into the capital reserves with the method of equity-settled share-based payment	183,421,076.42
Total expenses confirmed by equity-settled share-based payment method in current period	147,959,579.79

3. Determining method of the fair value of equity instruments on the granting day

The fair value of the equity instruments issued by the Company on the granting day is based on the market value of the shares granted on the granting day. B-S Formula Blake-Scholes option pricing model is used in combination with the terms and conditions of granting stock options to estimate the fair value. The following table shows the input variables of the model used:

Unit: Yuan Currency: RMB

	First-issue	Second-issue
Expected volatility (%)	18.3-22.9	33.48-44.35
Risk-free interest rate (%)	2.7-2.9	3.79-3.81
Expected unlocking period (year)	2-5	2-4
Share price on the granting day (yuan/share)	3.86	8.43

The volatility is the volatility of a company's historical stock price. The expected unlocking period is based on the annual transfer ratio of the shares held by the incentive object, but not necessarily the actual result.

The fair value of restricted shares on the granting day is shown in the table below:

	First-issue	Second-issue
Restricted share that can be unlocked within the first year after the expiration of the ban.	3.59 yuan/share	6.17 yuan/share
Restricted share that can be unlocked within the second year after the expiration of the ban.	3.51 yuan/share	6.49 yuan/share
Restricted share that can be unlocked within the third year after the expiration of the ban.	3.36 yuan/share	6.49 yuan/share

XIV. Commitments and Contingencies

1. Important commitment matters

Applicable Not applicable

Existing external important commitment, nature and amount on the balance sheet date

(1) Capital commitment

Unit: Thousand Yuan Currency: RMB

	Ending balance	Beginning balance
Have been signed but not be recognized in the financial statement:		
Have been signed but not be appropriated	9,105,459	10,723,938
Have been approved by the Board of Directors but have not been signed	6,277,950	2,041,935
Total	15,383,409	12,765,873

(2) Operating lease commitment

As of the balance sheet date, the conditions for the irrevocable operating lease contract externally signed by the group are as follows:

Unit: Thousand Yuan Currency: RMB

	Ending balance	Beginning balance
Minimum leasing payment amount of the irrevocable operating lease:		
First year after balance sheet date	323,169	313,736
Second year after balance sheet date	197,710	309,705
Third year after balance sheet date	140,802	172,546
Future years	286,471	351,552
Total	948,152	1,147,539

2. Contingencies**(1) Existing important contingencies on the balance sheet date**

Applicable Not applicable

(2) Instructions for the important contingencies to be not disclosed by the company:

Applicable Not applicable

XV. Matters after Balance Sheet Date**1. Important Non-adjusting Matters**

Applicable Not applicable

2. Conditions of profit distribution

Applicable Not applicable

XVI. Other Significant Events**1. Annuity Plan**

Applicable Not applicable

In accordance with the Reply to Trial Implementation of Enterprise Annuity System by Baosteel Group (GZFP [2008] No. 1268) issued by the State-owned Assets Supervision and Administration Commission of the State

Council and the Notification on Clarifying Relevant Issues on Ratio of Enterprise Annuity Payment Made by Enterprise issued by the HR Dept. of Baosteel Group, since January 1, 2008, the Company has implemented the enterprise annuity plan. Wherein, the portions paid by enterprises shall be accrued by 4% of the base of payment made by employees in person (wage incomes in the previous year subject to capping and minimum guarantee); the portions paid by employees in person shall be paid by 1%-7% (basic payment proportion of 1% and the maximum additional payment proportion of 6%) of the basis of payment made by employees in person and for the account of employees in person. Since 2009, Hwabao Trust Co., Ltd., a subsidiary of Baosteel Group, has been authorized to conduct management for the aforesaid enterprises' annuities.

2. Segments

(1) Determination Basis and Accounting Policy of Reporting Segments

Applicable Not applicable

According to the internal organizational structure, management requirement and internal reporting system of the Group, the operating business is classified into three operating segments, whose operating results are regularly evaluated by the management personnel of the Group to determine the allocated resources and business performance. Three reporting segments are determined based on operating segments, including the iron & steel manufacturing segment, processing and distribution segment, and other segments. The day-to-day activities of Finance Co. are of a financial nature, so the operating revenue of each segment includes investment incomes of the Finance Co. These reporting segments are determined based on the business structure of the Group.

Segments are summarized as follows:

Operating segments include the following subsidiaries

- (1) Iron & steel manufacturing subsidiaries: the Company, WISCO., Ltd., Zhanjiang Steel, Meishan Steel, Lubao Steel Tube, Huangshi Coated & Galvanized, Baoma Steel Pipe, Boly Pipe and so on;
- (2) Processing & distribution subsidiaries: Baosteel International, Baosteel America, Baosteel Europe, Baosteel Singapore, Howa Trading, Bao-Trans Enterprise, Tailored Blanks, BGM and other trading subsidiaries under WISCO., Ltd.;
- (3) Other: Baosight Software, Baosteel Chemical and Finance Co.

For the disclosure of the operating information of the Group, the revenues shall be disclosed by the regions where the customers are located; the assets shall be disclosed by the regions where assets are located.

The operating profit of each segment does not include financial costs, assets impairment losses, changes in fair value recognized in profit or loss, investment incomes (other than the Finance Co.) and other income incurred by each segment. The assets of each segment do not include deferred income tax assets. The liabilities of each segment do not include short-term borrowings, non-current liabilities due within one year, long-term borrowings, long-term accounts payable, bonds payable and deferred income tax liabilities.

The information contained in the segmental report shall be disclosed according to the accounting policies and measuring criterion with which each segment reports to the management. The measuring basis remains identical with the accounting and measuring basis for the compilation of the financial statements.

The sales to individual customer of the Group has not accounted for more than 10% of the total revenue.

(2) Financial Information of Reporting Segments

√Applicable □Not applicable

Unit: Thousand Yuan Currency: RMB

Item (Current period)	Iron and steel manufacture	Processing and distribution	Other	Inter-segment offset	Total
Operating revenues					
Revenues from transactions with external parties	19,068,226	125,676,365	4,026,738	-	148,771,329
Revenues from inter-segment transactions	94,917,603	23,430,233	2,074,202	120,422,038	-
Total operating revenue of segments	113,985,829	149,106,598	6,100,940	120,422,038	148,771,329
Operating expenses	101,932,517	147,232,935	5,390,235	120,020,143	134,535,544
Operating profit	12,053,312	1,873,663	710,705	401,895	14,235,785
Total assets of segments	345,044,553	101,205,814	32,500,702	129,508,385	349,242,684
Total liabilities of segments	130,175,612	47,603,423	19,087,584	110,128,314	86,738,305
Supplementary information:					
Depreciation and amortization expenses	6,269,683	2,728,182	241,599		9,239,464
Losses on impairment recognized for the current period	-14,478	16,438	-4,618	-5,181	2,523
Capital expenditure	5,924,345	193,484	215,993		6,333,822

Unit: Thousand Yuan Currency: RMB

Item (last period)	Iron and steel manufacture	Processing and distribution	Other	Inter-segment offset	Total
Operating revenues					
Revenues from transactions with external parties	19,415,297	121,237,613	4,991,449		145,644,359
Revenues from inter-segment transactions	87,163,403	23,047,089	3,923,877	114,134,369	
Total operating revenue of segments	106,578,700	144,284,702	8,915,326	114,134,369	145,644,359
Operating expenses	97,207,019	143,303,254	8,258,947	113,366,258	135,402,962
Operating profit	9,371,681	981,448	656,379	768,111	10,241,397
Total assets of segments	354,960,363	98,231,503	34,239,574	139,610,791	347,820,649
Total liabilities of segments	141,121,030	51,231,451	22,067,449	129,794,155	84,625,775
Supplementary information:					
Depreciation and amortization expenses	8,317,483	535,764	327,754		9,181,001
Losses on impairment recognized for the current period	-80,748	389,269	43,548	-347,487	699,556
Capital expenditure	1,769,291	439,270	323,644		2,532,205

(3) Other information:

√Applicable □Not applicable

Foreign Transaction Revenue by Income Source and Non-current Assets by Location

Unit: Thousand Yuan Currency: RMB

Item	Amount in current period	Amount in last period
Revenues from transactions with external parties in China	133,747,499	132,804,507
Revenues from transactions with external parties outside China	15,023,830	12,839,852
Total	148,771,329	145,644,359

Unit: Thousand Yuan Currency: RMB

Item	Ending balance	Beginning balance
Non-current assets located in China	346,072,293	213,288,023
Non-current assets located outside China	5,729,716	3,653,999
Total	351,802,009	216,942,022

Revenues from transactions with external parties include:

Unit: Thousand Yuan Currency: RMB

Item	Amount in current period	Amount in last period
Investment incomes of the Finance Co.	48,960	56,408

Items not included in segment-specific operating profits, assets and liabilities are presented as follows:

Segment-specific operating profits do not include:

Unit: Thousand Yuan Currency: RMB

Item	Amount in current period	Amount in last period
Financial costs	2,166,342	1,989,905
Losses from assets impairment	2,523	699,556
Gains on variation in fair values	-325,955	7,548
Investment incomes (other than the Finance Co.)	-1,647,275	-1,339,360
Other incomes	-167,023	-87,895
Total	28,612	1,269,754

Segment-specific assets do not include:

Unit: Thousand Yuan Currency: RMB

Item	Ending balance	Beginning balance
Deferred income tax assets	2,559,325	2,413,983

Segment-specific liabilities do not include:

Unit: Thousand Yuan Currency: RMB

Item	Ending balance	Beginning balance
Short-term borrowings	62,795,918	60,282,447
Non-current liabilities due within one year	14,195,964	20,407,281
Other current liabilities	4,077,504	52,915
Long-term borrowings	2,868,253	413,368
Long-term payables	665,645	712,417
Bonds payable	3,204,272	8,553,246
Deferred income tax liabilities	964,492	714,779
Total	88,772,048	91,136,453

XVII. Notes to Main Items of the Financial Statement of the Parent Company**1. Accounts Receivable****(1) Account Age of Accounts Receivable**

Unit: Yuan Currency: RMB

Age	Ending balance				Beginning balance			
	Amount	Ratio (%)	Bad debt reserves	Book value	Amount	Ratio (%)	Bad debt reserves	Book value
Within 1 year	14,086,790,210.01	95	5,227,989.99	14,081,562,220.02	10,773,012,600.85	99	12,175,296.68	10,760,837,304.17
1-2 years	650,417,517.70	4	13,663.48	650,403,854.22	60,607,132.42	1	13,387.09	60,593,745.33
2-3 years	4,547,381.99	-	-	4,547,381.99	2,270,885.48	-	17,857.42	2,253,028.06
Over 3years	31,612,643.23	-	22,650,894.51	8,961,748.72	34,468,813.74	-	22,621,133.24	11,847,680.50
Total	14,773,367,752.93	100	27,892,547.98	14,745,475,204.95	10,870,359,432.49	100	34,827,674.43	10,835,531,758.06

(2) Accounts Receivable Disclosed by Category:

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Category	Ending balance					Beginning balance				
	Book balance		Bad debt reserves		Book Value	Book balance		Bad debt reserves		Book Value
	Amount	Proportion (%)	Amount	Provision proportion (%)		Amount	Proportion (%)	Amount	Provision proportion (%)	
Other accounts receivable with significant single amount and individual bad debt reserves	10,716,014,354.00	73	-	-	10,716,014,354.00	6,742,179,270.76	62	-	-	6,742,179,270.76

Other accounts receivable with bad debt reserves according to credit risk characteristics combination	4,034,702,504.42	27	5,241,653.47	-	4,029,460,850.95	4,105,559,028.49	38	12,206,541.19	-	4,093,352,487.30
Receivables with bad debt reserves made individually in spite of insignificant single amounts	22,650,894.51	-	22,650,894.51	100	-	22,621,133.24		22,621,133.24	100	-
Total	14,773,367,752.93	100	27,892,547.98	/	14,745,475,204.95	10,870,359,432.49	100	34,827,674.43	/	10,835,531,758.06

EOP accounts receivable with significant single amounts and with individual bad debt reserves

Applicable Not applicable

Unit: Yuan Currency: RMB

Accounts receivables (By unit)	Ending balance			Beginning balance			
	Accounts receivables	Bad debt reserves	Provision proportion (%)	Accounts receivables	Bad debt reserves	Provision proportion (%)	Reason
Large-amount receivables	10,716,014,354.00	-	-	6,742,179,270.76	-	-	Note 1
Receivables with relatively long age	22,650,894.51	22,650,894.51	100	22,621,133.24	22,621,133.24	100	Note 2
Total	10,738,665,248.51	22,650,894.51	/	6,764,800,404.00	22,621,133.24	/	/

Note 1: There is no major problem in making collections within a year of account age, and large receivables are all from related parties. According to Company's provision policy of bad debt reserves, bad debt reserves will not be made with provision.

Note 2: Account age is long and possibility of recovery is small, so receivables with long account age beyond the related parties shall conduct the provision of bad debt reserves in full.

In combination, receivables using account age for bad debt reserves provision:

Applicable Not applicable

Unit: Yuan Currency: RMB

Account age	Ending balance			Beginning balance		
	Accounts receivable	Bad debt reserves	Provision proportion (%)	Accounts receivable	Bad debt reserves	Provision proportion (%)
Within 1 year	3,973,336,418.35	5,227,989.99	-	4,036,771,528.21	12,175,296.68	-
Subtotal of within 1 year	3,973,336,418.35	5,227,989.99	-	4,036,771,528.21	12,175,296.68	-
1-2 years	49,103,093.02	13,663.48	-	59,731,304.35	13,387.09	-
2-3 years	4,187,381.99	-	-	1,572,420.59	17,857.42	1
3 years or more	8,075,611.06	-	-	7,483,775.34	-	-
Total	4,034,702,504.42	5,241,653.47	-	4,105,559,028.49	12,206,541.19	-

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

Bad debt reserves provision in the current period was 0 Yuan; and bad debt reserves recovered or transferred back was 6,935,126.45 Yuan.

Important bad debt reserves recovered or transferred back in the current period:

Applicable Not applicable

(4) Actual Written-off Accounts Receivable in the Reporting Period

Applicable Not applicable

(5) Accounts Receivable with Top Five Ending Balance Collected according to the Debtor:

Applicable Not applicable

On June 30, 2018, total amounts receivable of top five units was RMB 10,716,014,354, accounting for 73% of the total amount of receivables.

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

Applicable Not applicable

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

Applicable Not applicable

Other notes

Applicable Not applicable

(8) Particulars about the accounts receivable, in this reporting period, due from the shareholders each holding shares representing 5% or more of voting rights of the Company

Unit: Yuan Currency: RMB

Name of Entity	Ending balance		Beginning balance	
	Amount	Amount of bad debt reserves	Amount	Amount of bad debt reserves
Baowu Group	183,976.67		338,337.79	

2. Other Accounts Receivable

(1) Account Age of Other Accounts Receivable

Unit: Yuan Currency: RMB

Age	Ending amount				Beginning amount			
	Amount	Ratio (%)	Bad debt reserves	Book value	Amount	Ratio (%)	Bad debt reserves	Book value
Within 1 year	352,409,173.70	68	1,227,137.98	351,182,035.72	210,020,005.75	56	1,399,145.60	208,620,860.15
1-2 years	41,033,121.63	8	194,166.17	40,838,955.46	42,713,740.58	11	732,496.92	41,981,243.66
2-3 years	2,408,500.83	-	1,277,164.80	1,131,336.03	189,383.27	-	16,842.28	172,540.99
Over 3years	122,655,307.87	24	5,491,191.82	117,164,116.05	124,494,643.93	33	5,491,191.82	119,003,452.11
Total	518,506,104.03	100	8,189,660.77	510,316,443.26	377,417,773.53	100	7,639,676.62	369,778,096.91

(2) Other Accounts Receivable Disclosed by Category:

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Category	Ending balance			Beginning balance		
	Book balance	Bad debt reserves	Book Value	Book balance	Bad debt reserves	Book Value

	Amount	Proportion (%)	Amount	Provision Proportion (%)		Amount	Proportion (%)	Amount	Provision Proportion (%)	
Other accounts receivable with significant single amount and individual bad debt reserves	413,914,130.67	80	-	-	413,914,130.67	315,492,374.83	84	-	-	315,492,374.83
Other accounts receivable with bad debt reserves according to credit risk characteristics combination	99,100,781.54	19	2,698,468.95	3	96,402,312.59	56,434,206.88	15	2,148,484.80	4	54,285,722.08
Receivables with bad debt reserves made individually in spite of insignificant single amounts	5,491,191.82	1	5,491,191.82	100	-	5,491,191.82	1	5,491,191.82	100	-
Total	518,506,104.03	100	8,189,660.77	2	510,316,443.26	377,417,773.53	100	7,639,676.62	2	369,778,096.91

Other EOP accounts receivable with significant single amounts and with individual bad debt reserves:

Applicable Not applicable

Unit: Yuan Currency: RMB

Accounts receivables (By unit)	Ending balance			Beginning balance			
	Other accounts receivables	Bad debt reserves	Provision proportion (%)	Other accounts receivables	Bad debt reserves	Provision proportion (%)	Cause
Other large-amount receivables	413,914,130.67	-	-	315,492,374.83	-	-	Note 1
Other receivables with bad debt fully provisioned	5,491,191.82	5,491,191.82	100	5,491,191.82	5,491,191.82	100	Note 2
Total	419,405,322.49	5,491,191.82	/	320,983,566.65	5,491,191.82	/	/

Note 1: This large amount of other receivables are mainly consist of advance money for project, margins, export tax rebates, etc. The risk of recovery is very low.

Note 2: Since the account age is long and the possibility of recovery is little, provision for bad debts is made for all receivables other than those of related parties.

In combination, other receivables using account age for bad debt reserves provision:

Applicable Not applicable

Unit: Yuan Currency: RMB

Account age	Ending balance			Beginning balance		
	Other accounts receivable	Bad-debt reserves	Provision proportion (%)	Other accounts receivable	Bad-debt reserves	Provision proportion (%)
Within 1 year	90,302,711.34	1,227,137.98	1	46,335,299.23	1,399,145.60	3
Subtotal of within 1 year	90,302,711.34	1,227,137.98	1	46,335,299.23	1,399,145.60	3
1-2 years	1,276,093.42	194,166.17	15	2,956,712.37	732,496.92	25
2-3 years	2,408,500.83	1,277,164.80	53	189,383.27	16,842.28	9
Over 3 years	5,113,475.95	-	-	6,952,812.01	-	-
Total	99,100,781.54	2,698,468.95	3	56,434,206.88	2,148,484.80	4

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

Bad debt reserves provision in the current period was RMB 549,984.15 Yuan; and bad debt reserves recovered or transferred back was RMB 0 Yuan.

Important bad debt reserves recovered or transferred in the current period:

Applicable Not applicable

(4) Other Actual Written-off Account Receivable in the Reporting Period

Applicable Not applicable

(5) Other Receivables with Top Five Ending Balance Collected according to the Debtor:

Applicable Not applicable

Unit: Yuan Currency: RMB

Entity Name	Nature of amount	Ending balance	Amount age	Proportion of total ending balance of other receivables (%)	Bad debt reserves Ending balance
total amount of top five units	Other receivables	413,914,130.67		80	

Total	/	413,914,130.67	/	80
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(6) Receivables related to government subsidies

Applicable Not applicable

(7) Other receivables under Derecognition due to the Transfer of Financial Assets:

Applicable Not applicable

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

Applicable Not applicable

3. Long-term Equity Investment

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Ending balance			Beginning balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Investment in subsidiaries	73,581,128,237.48		73,581,128,237.48	71,251,192,327.05		71,251,192,327.05
Investment in JV and associated enterprises	7,933,517,328.58		7,933,517,328.58	7,457,377,924.11		7,457,377,924.11
Total	81,514,645,566.06		81,514,645,566.06	78,708,570,251.16		78,708,570,251.16

(1) Investment in Subsidiaries

Applicable Not applicable

Unit: Yuan Currency: RMB

Investee	Beginning balance	Increase in current period	Decrease in current period	Ending balance	Current provision for impairment	Ending balance of reserves for impairment
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Lubao Steel Tube	2,872,484,905.16			2,872,484,905.16		
Huangshi Coated & Galvanized	175,658,477.39			175,658,477.39		
Baosteel International	6,013,886,552.67			6,013,886,552.67		
Meishan Steel	8,938,982,988.14			8,938,982,988.14		
Baosight Software	1,291,314,360.40	228,460,000.00		1,519,774,360.40		
Baosteel America	187,562,180.98			187,562,180.98		
Howa Trading	221,975,780.12			221,975,780.12		
Baosteel Europe	328,631,981.58			328,631,981.58		
Baosteel Singapore	154,883,364.09			154,883,364.09		
Bao-Trans Enterprises	370,550,495.27			370,550,495.27		
Baosteel Chemical	3,006,227,819.74			3,006,227,819.74		
Finance Co.	754,570,003.65			754,570,003.65		
Zhanjiang Steel	17,262,206,889.41			17,262,206,889.41		
Baoma Steel Pipe	36,673,650.00			36,673,650.00		
Baosteel Brazil Trading (Note)	728,647.73			728,647.73		
Baosteel Assets	1,000,000,000.00			1,000,000,000.00		
WISCO., Ltd.	28,634,854,230.72			28,634,854,230.72		
Tailored Blanks	-	2,101,475,910.43		2,101,475,910.43		
Total	71,251,192,327.05	2,329,935,910.43		73,581,128,237.48		

Note: The Company indirectly held 75% of stock equity of Baosteel Brazil, which accordingly was considered as a subsidiary and accounted in long term equity investment as per cost method.

(2) Investment in JV and Associated Enterprises

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Investor	Beginning balance	Current change								Ending balance	Ending balance of impairment reserve
		Added investment	Reduced investment	Investment gains and losses	Other comprehensive income	Other equity	Cash dividend or profit	Provision for depreciation	Others		

				confirmed under the Equity Method	adjustment	change	declared to issue	reserve			
I.JV											
BNA	1,958,806,392.3 6			102,130,875. 03		-1,605,823. 11				2,059,331,444.2 8	
Bao-Island	596,092,196.30			9,422,038.40	7,517,063.60					613,031,298.30	
Subtotal	2,554,898,588.6 6			111,552,913. 43	7,517,063.60	-1,605,823. 11				2,672,362,742.5 8	
II. Associated Enterprises											
Shanghai Rural Commercial Bank	4,491,500,000.0 0			405,588,116. 87		88,006,449. 15	128,000,0 00.00			4,857,094,566.0 2	
Ouyeel Incorporation	113,108,820.70			-3,924,104.3 8	-497,282.07	-119,307.92				108,568,126.33	
Ouyeel Finance	297,870,514.75			3,901,357.46	-4,899,213.00		1,380,765 .56			295,491,893.65	
Subtotal	4,902,479,335.4 5			405,565,369. 95	-5,396,495.07	87,887,141. 23	129,380,7 65.56			5,261,154,586.0 0	
Total	7,457,377,924.1 1			517,118,283. 38	2,120,568.53	86,281,318. 12	129,380,7 65.56			7,933,517,328.5 8	

4. Operating Revenues and Operating Costs

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Item	Amount in current period		Amount in last period	
	Revenues	Costs	Revenues	Costs
Main operating revenues	64,451,285,264.96	55,968,037,292.04	62,503,144,192.89	53,987,881,436.84
Other operating revenues	446,804,269.75	401,850,006.39	311,701,263.83	333,820,967.01
Total	64,898,089,534.71	56,369,887,298.43	62,814,845,456.72	54,321,702,403.85

5. Investment Income

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Item	Amount in current period	Amount in last period
Long-term equity investment incomes calculated using the cost method	466,600,453.35	172,845,718.45
Long-term equity investment incomes calculated using the equity method	517,118,283.38	89,409,103.36
Incomes from financial assets available-for-sale	414,732,455.33	452,597,154.43
Investment income obtained from other financial products	349,996,858.84	241,752,419.35
Losses from disposal of derivative financial instruments and others	-448,337,594.42	33,952,305.61
Baosight convertible bond income	311,990,304.52	
Total	1,612,100,761.00	990,556,701.20

6. Bank Lines of Credit

Up to June 30, 2018, the bank lines of credit not used had amounted to RMB 57.873 billion. In the opinion of the management of the Company, in view of the cash flows arising from the bank lines of credit and operating activities, the Company will have sufficient funds in the next year to pay various current liabilities at maturity.

7. Supplements to Cash Flow statement

Unit: Yuan Currency: RMB

Supplementary data	Amount in current period	Amount in last period
Net profit	5,101,399,374.28	4,800,500,358.19
Add: Provision for impairment losses of assets	38,424,764.89	-58,647,097.24
Depreciation of fixed assets and investment property	3,020,048,467.83	3,127,542,927.83
Amortization of intangible assets	41,083,991.82	41,083,991.82
Amortization of long-term deferred expenses	3,012,634.20	7,992,790.22
Losses (gains) on disposal of fixed, intangible and other	16,150,984.80	426,584,296.35

long-term assets		
Losses (gains) on the changes in fair value	-489,054,187.07	129,146,280.01
Financial expenses	648,835,635.93	-72,236,654.33
Investment losses	-1,612,100,761.00	-990,556,701.20
Increase in deferred tax assets	-37,581,062.34	-68,621,943.95
Increase in deferred tax liabilities	95,195,950.15	-26,475,263.67
Decrease (increase) in inventory	-765,479,501.68	1,115,354,205.60
Decrease (increase) in receivables from operating activities	-6,373,323,473.98	3,565,949,487.79
Increase (decrease) in payables for operating activities	2,197,965,928.26	-184,117,506.63
Net cash flow from operating activities	1,884,578,746.09	11,813,499,170.79
2. Net changes in cash and cash equivalents:		
EOP balance of cash and cash equivalents	17,036,420,773.64	11,616,968,659.53
Less: Balance of cash and cash equivalents at the beginning of the year	11,927,358,284.13	3,761,841,278.83
Net decrease of cash and cash equivalents	5,109,062,489.51	7,855,127,380.70

XVIII. Supplements**(1) List of Non-current Profits and Losses**

Applicable Not applicable

Unit: Million Yuan Currency: RMB

Item	Amount	Notes
Profits and losses on disposal of non-current assets	-164	
Government subsidies recognized in profits or losses of current period (excluding government subsidies closely related to corporate operations, or granted on a quota or quantitative basis in accordance with the uniform criteria of the government)	168	
Profits and losses from changes in fair value of held-for-trading financial assets and held-for-trading financial liabilities, as well as investment revenue from disposal of held-for-trading financial assets and held-for-trading financial liabilities, available-for-sale financial assets, in addition to the effective hedging operations related to the normal operating business of the Company	728	
Other non-operating revenue and expenses except above items	35	
Effect of income tax	-189	
Effect of minority interests	-13	
Total	565	

Note: Since the principal business scope of Finance Co. included financial instrument investment, the investment income of relevant financing products has not been included in non-current gains and losses.

With regard to the non-recurring profit and loss items defined by the Company according to the definition of the “Interpretative Notice on the Disclosure of Corporate Information of Public Securities No. 1 - Non-recurring Profit and Loss”, and the non-recurring profit and loss items listed in the “Interpretative Notice on the Disclosure of Corporate Information of Public Securities No. 1 - Non-recurring Profit and Loss” are defined as the recurring profit and loss items, the reason shall be clarified.

Applicable Not applicable

(2) Return on Net Assets and EPS

Applicable Not applicable

Profits in the reporting period	Weighted average return on net assets (%)	EPS	
		Basic EPS	Diluted EPS
Net profits attributable to ordinary shareholders of the Company	5.97	0.45	0.45
Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	5.63	0.42	0.42

(3) Differences in accounting data under accounting standards at home and abroad

Applicable Not applicable

Section XI Reference Documents Dictionary

Reference Documents Dictionary	Financial statement bearing the signature and seal of legal representative, person responsible for accounting work and person in charge of accounting department
	The original copies of all documents and manuscripts of announcements disclosed on the newspaper specified by China Securities Regulatory Commission in the reporting period

Chairman: Dai Zhihao

Submission date approved by Board of Directors: August 27, 2018

Revision