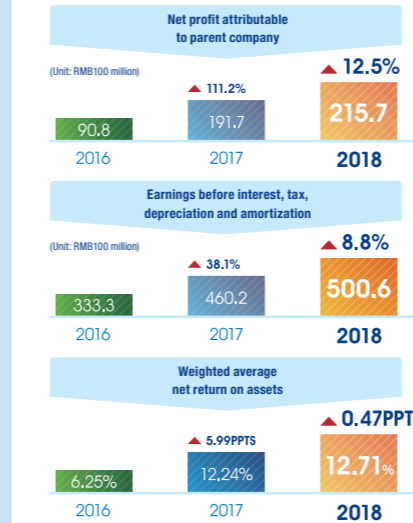




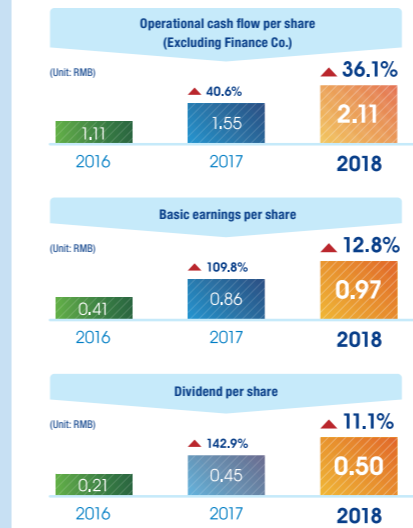
2018 ANNUAL REPORT

Highlights 01

Further progress made in business performance

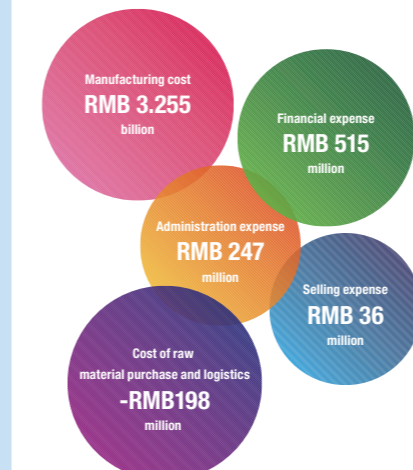


Continuously accumulating return to shareholders



Cost reform 02

Cost reduction compared with 2017
RMB3.855 billion



Leading technology 03

The auto lightweight technology was granted the **only Grand Prize** of Metallurgical Science and Technology Award by China Iron and Steel Association and the Chinese Society for Metals

Global premiere of seven products, represented by thin oriented silicon and high-strength and high-precision yoke steel

The first company in China to master the production technology of pipeline steel with the largest caliber, the thickest pipe wall and of the highest grade

Broke the monopoly of foreign steel mills on low-temperature steel with 460LF-TM steel for super LPG vessels

Ahead in service 04

Created the intelligent supply chain of auto sheet
Explored digital marketing and transformation, and completed popularization among pilot users

Set up 120 marketing outlets (including 3 overseas processing centers)
Basic formation of the domestic layout

- Excellent Supplier: Changan Ford
- Excellent Supplier: Dongfeng Honda
- Top Ten Suppliers: Guangzhou Automobile Group Motor Co., Ltd.
- Outstanding Quality: SAIC Motor
- Excellent Supplier: SAIC-Volkswagen
- Excellent Supplier: Dongfeng Renault
- Special Contribution: FAW Toyota
- Excellent Supplier: Geely
- Excellent Supplier: Chery, Jaguar, Land Rover
- Gold Rubik's Cube Prize: Haier Group

Intelligent Manufacturing 05

The first multi-blast furnace control center in the world was put into operation, and four blast furnaces at Baoshan base are run and managed in a concentrated way

The largest unmanned steel warehouse with the highest level of intelligentization was put into service, covering an area of over 60,000 square meters

One-key steelmaking and fully automated steel tapping have been realized for No. 4 converter, breaking through the key bottleneck faced by large-scale converters in realizing "intelligent steelmaking"

Urban steel mill 06

As part of the continuous investment in environmental protection technical innovation, Baoshan base completed integration, overhaul and reformation of No. 1 and No. 2 sintering furnaces

Accelerated the disposal of solid wastes, and commenced the construction of two rotary hearth furnaces with an annual processing capacity of 250,000 tons

To step up online monitoring, Baoshan base added online flue gas and water quality monitoring facilities

Dongshan base was awarded the honorary titles of "National Advanced Metallurgical Unit in Afforestation" and "Cleaner Production and Eco-Friendly Enterprise in Chinese Iron & Steel Industry" by China Iron and Steel Association

Credit rating 07

Moody's and S&P raised Baosteel's ratings from Baa1 and BBB+ to A3 and A- respectively, and the rating outlook remained "stable"

Baosteel has maintained the highest credit rating for global comprehensive iron and steel enterprises

External recognition 08

- Special Management Practice Award in the 40 Years of Reform and Opening-up (Harvard Business Review & Ram Charan Management Practice Award)
- Top 50 Boards of Directors in China for the Year of 2018 (Fortune & Aon Hewitt)
- ESG50 Index for the Year of 2018 (CaiXin & SynTao Green Finance)
- Model Enterprise of Capital Operation among Chinese Listed Companies (Securities Times)

Business objectives for 2019

- In terms of business performance, **To remain No. 1 in domestic industry**
- EBITDA challenge per ton of steel, **To be ranked among the world's top 3**
- To realize a month-on-month reduction of cost by over **RMB2 billion**
- To take up 50%** of the cold-rolled auto sheet market share
- To increase the efficiency of regular employees by over 8%**
- To realize stage goals** in the new plan and major projects

Important Notice

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

(II) Information of Absent Directors

Position of absent director	Name of absent director	Causes of absence of director	Name of entrusted person
Director	Wu Xiaodi	Work	Zhang Jingang

(III) Ernst & Young Huaming Certified Public Accountants (special general partnership) gave standard unqualified audit report for the Company.

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

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

According to the Company's policy that the annual dividend distribution should not be lower than 50% of the net profit in the consolidated statements attributable to the shareholders of the parent company audited in the current year, and the cash dividend per share should not be less than RMB 0.49 (including tax) according to the calculation. Whereas the Company always attaches importance to rewarding shareholders and adheres to the long-term cash dividend policy, the Company intends to allot the cash dividend at RMB 0.50 per share (including tax), total cash dividend to be distributed was RMB 11,133,957,562.50 (incl.tax), accounting for 51.63% of the net profit in the consolidated statements attributable to the shareholders of the parent company based on 22,267,915,125 shares in total at the end of 2018, and the total amount of the actual dividend is calculated based on the share capital registered on the equity registration date confirmed in the dividend payout announcement.

(VI) Risk Disclosure on forward-looking Statements

Applicable Not applicable

The proactive future plans and developing strategies in this Report do not constitute actual promises to investors. Investors are kindly reminded that investment involves risks.

(VII) Was capital found in the Company to be occupied by the controlling shareholder and its related parties?

None

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

None

(IX) Major Risk Warning

China's steel industry has entered a long period of capacity cut and structural adjustment. The contradictions and problems in the industry are more prominent. Ecological civilization construction, material demand upgrading, and industrial service transformation have put forward higher requirements for the development of the steel industry. With the continuous deepening of the supply-side structural reform and the publication of more stringent environmental protection measures, the steel supply quantity has generally declined, the steel industry has shown a downward trend in demand and production capacity, and the overcapacity situation is difficult to reverse in the short term.

(X) Others

Applicable Inapplicable

Section I Definitions

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I. Definitions

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

commonly-used words definition

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

I. Company profile

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

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

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

IV. Company announcements or disclosures & copies of the report

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

V. Profiles of stocks of the Company

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

VI. Other relevant information

Accounting Firm (Mainland China)	Name	Ernst & Young Huaming Certified Public Accountants (special general partnership)
	Office address	17 th Floor, Ernst & Young Tower, Oriental Plaza, No.1, East ChangAn Street, Beijing (100006)
	Signing Accountants	Zhou Youmei, Xu Lele

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

(I) Major accounting data

Unit: Million Yuan Currency: RMB

Major Accounting Data	2018	2017	Increase or Decrease (%) over the Same Period of Last Year	2016
Operating revenues	304,779	289,093	5.4	246,169
Net profit attributable to shareholders of listed company	21,565	19,170	12.5	9,076
Net profit attributable to shareholders of the listed company less non-recurring gains and losses	20,634	17,986	14.7	8,994
Net cash flows from operating activities	45,606	33,077	37.9	22,403

	The end of 2018	The end of 2017	Increase or Decrease (%) over the same period at the End of Last Year	The end of 2016
Net assets attributable to shareholders of listed company	176,763	164,433	7.5	149,778
Total assets	335,141	350,235	-4.3	359,068

(II) Major financial data

Major Financial Indicators	2018	2017	Increase or Decrease (%) over the Same Period of Last Year	2016
Basic earnings per share (Yuan/share)	0.97	0.86	12.8	0.41
Diluted earnings per share (Yuan/share)	0.97	0.86	12.8	0.41
Basic earnings per share less non-recurring gains and losses (Yuan/share)	0.93	0.81	14.8	0.55
Weighted average return-on-equity (%)	12.7	12.2	Up by 0.5 ppts	6.3
Weighted average return-on-equity less non-recurring gains and losses (%)	12.2	12.0	Up by 0.2 ppts	7.7

VIII. Major financial data of each quarter 2018

Unit: Million Yuan Currency: RMB

	First quarter (Jan.-March)	Second quarter (April-June)	Third quarter (July-Sept.)	Forth quarter (Oct.-Dec.)
Operating revenues	67,454	81,080	76,786	79,459
Net profit attributable to shareholders of listed company	5,021	4,989	5,738	5,817
Net profit attributable to shareholders of the listed company less non-recurring gains and losses	4,912	4,532	5,519	5,671
Net cash flows from operating activities	3,591	15,878	17,283	8,854

Section II Company Profile and Financial Highlights

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

Applicable Inapplicable

IX. Non-recurring gains and losses

Applicable Not applicable

Unit: Million Yuan Currency: RMB

Non-recurring Gains and Losses Items	2018	Notes (if applicable)	2017	2016
Profits and losses arising from disposal of non-current assets	-350		-846	-439
Income from disposal of long-term equity investment	124		-	-
Government subsidy calculated in current gains and losses, except closely related to normal operating activities, consecutive ration and quantitation government subsidy in lines with national policies, rules and certain standards	619		547	343
Net income and loss in current period of subsidiaries generated from consolidation of enterprises under the same control from the beginning of period to consolidation date.	-		60	110
Gains and losses from change of fair value for holding trading financial assets and liabilities, investment income by the disposal of trading financial assets and liabilities, and available-for-sale financial assets, except effective hedging operations related to the Company normal operation business	1,041		1,560	626
Trustee fee obtained from entrusted operation	1			
Other net non-operating income and expenditure other than the above items	-17		-43	21
Other gains and losses items in lines with the definition of non-recurring gains and losses items (other non-current assets depreciation reserves)	-132		-9	-563
Effect of minority interest	-27		-3	-28
Effect of income tax	-328		-82	12
Total	931		1,184	82

X. Projects using fair value measurement

Applicable Not applicable

Unit: Million Yuan Currency: RMB

Items	Beginning Balance	Closing Balance	Change in the reporting period	Amount affecting balance in the reporting period
Financial assets measured by fair value and gains/losses from its change	1,726	2,025	299	850
Available-for-sale financial assets	3,378	2,999	-379	-31
Financial liability measured by fair value and gains/losses from its change	372	1	-371	331
total	5,476	5,025	-451	1,150

XI. Others

Applicable Inapplicable

Section III Summary of the Company's Business

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

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

Baosteel is a world's leading super large iron and steel joint venture, and a core enterprise of China Baowu Iron and Steel Group Co., LTD which is one of the Fortune Global 500. In the new round of planning, Baosteel puts forward the mission of "being a model of high-quality development in the steel industry and a leader of future steel industry", and is committed to providing customers with valuable products and services, creating maximum value for shareholders and society, and achieving common development with related stakeholders. We focus on the steel industry and also engage in processing and distribution business related to steel industry. We have main production bases in Shanghai Baoshan, Wuhan Qingshan, Zhanjiang Dongshan and Nanjing Meishan and are one of the steel enterprises with the most complete varieties of carbon steel products.

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

Baosteel pays attention to the cultivation of innovation ability, actively develops and applies advanced manufacturing, energy-saving and environmental protection technologies, and has established a nationwide and worldwide marketing and processing service network. We continue to implement the quality good development strategy characterized by leading technologies and pay attention to the high-speed growth of China's high-end manufacturing industries, such as nuclear power, high-speed rail, ocean engineering equipment, new energy vehicles and others. We make effort to develop high-end products, including super-high strength steel, oriented silicon steel and others, and research and reserve more high-end new material technologies, concentrating on "conversion from steel to materials". The overall technical equipment of Baosteel is built on the basis of advanced technologies such as modern iron and steel smelting, hot and cold processing, hydraulic sensing, electronic control, computer and information communication and is characterized at large scale, continuity and automation, taking a leading position in the world steel and iron industry. Focusing on being "from manufacturing to services" and "from China to global", Baosteel has been actively providing customers with first-class products, technologies and services. In addition to meeting needs of domestic market, our products are also exported to more than 70 countries and regions, including Japan, South Korea, Europe and America.

The 2019-2024 Development Plan of Baosteel further strengthens "cost reform, leading technology, leading service, smart manufacturing, and urban steel mills". We will continue to promote Baowu integration work, strengthen the effective implementation of project measures so as to achieve maximum synergistic benefits. Reform will be deepened on aspects of organizational system, operating mechanism and human resources. We will further reduce the number of legal persons and joint stock companies, help enterprises in difficulties to reduce losses and increase profits, optimize organizational structure and improve labor efficiency. We will comprehensively push forward and implement "double hundred action" comprehensive reform plan. According to objectives and tasks assigned by the State-owned Assets Supervision and Administration Commission for focusing on "five breakthroughs and one enhancement" for the "double hundred action" for the reform of state-owned enterprises, Baosteel will promote and improve the market-oriented operation mechanism and improve incentive and restraint mechanism as planned.

Through vigorous construction of the four manufacturing bases, including Shanghai Baoshan, Wuhan Qingshan, Zhanjiang Dongshan and Nanjing Meishan, Baosteel is actively promoting uniform management of marketing, procurement and R&D and builds the multi-manufacturing base management mode with characteristics of Baosteel under centralized management. We will strive to realize the vision to "become the most competitive steel enterprise in the world and the most valuable listed company".

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

In 2018, the global economic recovery slowed down. According to the preliminary calculation of the National Bureau of Statistics, China's economy maintained a reasonable range, with the GDP growth rate reaching 6.6% and the total import and export volume increasing by 9.7% year on year, providing a good macro environment for the operation improvement and transformation and development of China's steel industry.

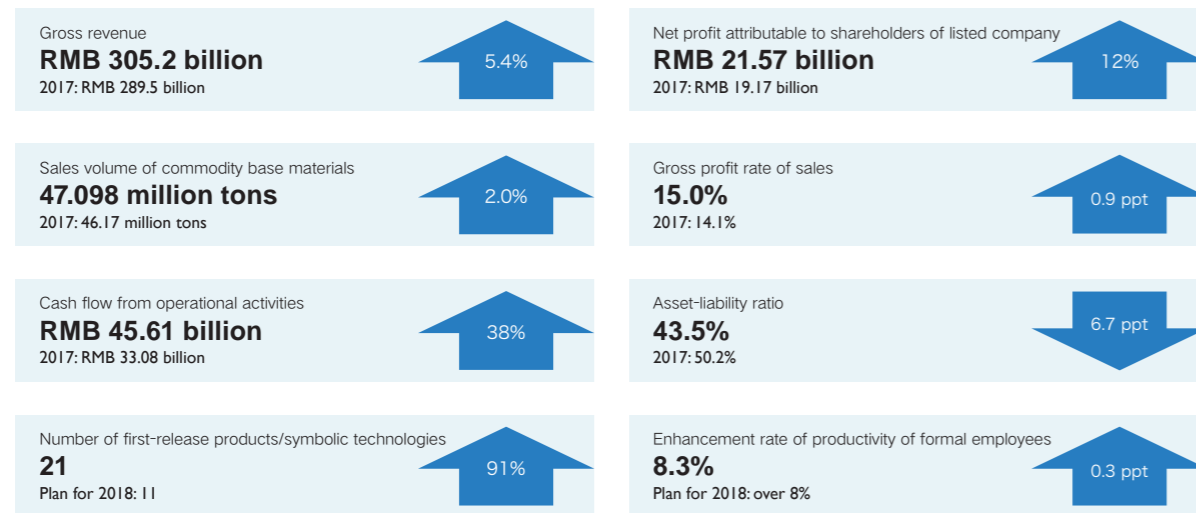
In 2018, China's steel industry has maintained steady and sound development. Due to combined action of in-depth promotion of domestic supply side structural reform, vigorous market demand, environmental protection supervision and others, steel supply and demand structure was further improved, steel prices maintained high and the price of imported iron ore also maintained steady. Crude steel output and apparent consumption reached 930 million tons and 870 million tons, showing year-on-year growth of 6.6% and 14.8% respectively. The industry economic benefits achieved the best level in history.

Section III Summary of the Company's Business

Besides, with the economic restructuring, the steel industry has been in the peak stage of demand, both steel demand and capacity will inevitably decline in the future and domestic overcapacity will exist for a long time. China's steel industry is still facing a series of problems, such as low industry concentration, uneven development level, unreasonable industrial layout and insufficient innovation capacity, and is still in the stage of long-term capacity reduction and structural adjustment.

In 2018, Baosteel adhered to green and intelligent development with quality products, continuously strengthened differentiated competitive advantages, and had our competitive position in the market further consolidated. In 2018, Baosteel's total profit reached RMB 27.82 billion yuan, maintaining the leading position in domestic carbon steel plate field and the best performance in the domestic industry. The sales scale of the company's silicon steel products has ranked the first in the world, and the sales scale of automobile plate has also entered the top three in the world. We continued to maintain more than 50% domestic market share for cold-rolled automobile plates. Our main steel subsidiary companies, including Zhanjiang Iron & Steel, Meishan Iron & Steel and Wuhan Iron & Steel, had huge growth in profits.

3. Key Data



4. Highlights of the Company during the Reporting Period

- Operation performance hit a new high. Throughout the year, the Company realized cost reduction of RMB 3.86 billion, completing the annual goal beyond expectation; realized gross profit of RMB 27.82 billion, making a record high, and increased by RMB 3.78 billion compared with that in previous year; and realized cash flow from operational activities of RMB 45.61 billion, increased by 38% compared with the period in previous year.
- The Company went in-depth to promote Baowu integration. All special groups and functional lines have completed tasks and milestone nodes assigned for 2018. The coverage and transplanting of information system for the business management layer and the manufacturing management layer has been basically completed. The multi-manufacturing-base management mode and capability has been initially formed. On the 5th Annual Meeting of China and the 2nd "Ram Charan Award for Management Practice" held by the Chinese version of Harvard Business Review themed at "new technology and new management", Baosteel won the "special award for management practice in the past 40 years of reform and opening-up".
- The Company continued to develop quality steel products and realized first worldwide launching of seven powerful products represented by B18P080 thin gauge oriented silicon steel and SXRE750 high-strength and high-precision magnetic yoke steel. The R&D and Application of High-Efficiency, Energy-Saving and Environment-Friendly Sintering Technology and Equipment won the second prize of national science and technology progress award. The results of "stable manufacturing technology and application demonstration of Jipa grade steel plate for automobile light weight" won the only special prize of metallurgical science and technology awarded by China Iron and Steel Industry Association and Metal Society.
- Zhanjiang Iron & Steel No.3 Blast Furnace System Project was officially launched which is scheduled to be put into operation in July 2021. By then, Zhanjiang Iron & Steel will have an annual output of 12.25 million tons of molten iron.
- Substantial progress has been made for intelligent manufacturing. The world's first set of large blast furnace control center was built and put into use, realizing the centralized operation control and production management of four blast furnaces at Baoshan Base. The steel product unmanned warehouse with the largest area and the highest intelligence degree in China (covering an area of more than 60,000m²) was put into operation.

- Urban steel mills were also continuously promoted. Baoshan Base completed 250,000 square meters of plant ecological green area, including 150,000 square meters of new green area; Dongshan Base was rated as "national advanced metallurgical unit for greening" in 2018, and was successfully selected into the recommended list of "clean production and environment-friendly enterprises in China's iron and steel industry" and ranked first.
- Credit rating was approved. International rating agencies Moody's and Standard & Poor's upgraded our credit rating from Baal and BBB+ to A3 and A-, and the credit rating outlook remained "stable". Moody's, Standard & Poor's and Fitch, the three major international rating agencies, respectively gave long-term credit rating of A3, A- and A to us and we continued to maintain the highest credit rating for global comprehensive steel enterprises.
- Remarkable achievements have been achieved in the capital market. The Company has won the first prize for "2018 annual ranking for company management teams in Asia Pacific" in the basic material group awarded by the Institutional Investors and the first session of "new wealth the best listed company. Baosteel was also listed in the "China top 50 best board" jointly named by "Fortune" Chinese version and Aon Hewitt Management Consulting and successfully included in the list of "Creative China- Top 100 Listed Companies".

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

√ Applicable □ Not applicable

1. Changes in Equity Assets

(1) Approved by China Securities Regulatory Commission, the company's holding subsidiary Shanghai Baosight Software Co., Ltd. ("Baosight" in short) made public offering of 16 million convertible bonds ("Baosight" convertible bond) on November 17, 2017. The face value of each bond is RMB 100 yuan and the total issuance amount is RMB 1.6 billion. The company subscribed RMB 888 million to the shareholding proportion. Since May 23, 2018, Baosight convertible bonds have been converted into shares. As of July 6, 2018, a total of RMB 1,571,311,000 yuan of Baosight convertible bonds have been converted into Baosight Software A class shares, with 86,380,658 shares accumulatively. Among them, Baosteel obtained 10,995,052 through converting convertible bonds into shares. By the end of December 2018, Baosteel holds 445,725,932 shares of Baosight Software with a shareholding ratio of 50.81%.

(2) The company further strengthened internal business integration and optimized equity. In 2018, the company liquidated and wrote off 2 subsidiaries, i.e., WISCO EUROPE GMBH and WISCO AMERICA COMPANY LIMITED and recovered the investment of RMB 28.4 million yuan. The company completed absorption and merger of Wuhan Wugang Steel Sales Co., Ltd. and reduced capital and transferred 51% equity of Wuhan Iron & Steel Group Metal Resource Co., Ltd., thus recovering the investment of RMB 577,720,000 yuan.

(3) The company strengthened the disposal of inefficient and invalid assets, and focused on cleaning up the equity holding companies. In 2018, the company exited from 8 equity holding enterprises through equity transfer, capital reduction, liquidation and de-registration, etc., including Tianjin Baosteel Chuling Material Distribution Co., Ltd., CHEERWU TRADERS LTD, Wugang Zhejin Trade Co., Ltd., Wugang Huabao Co., Ltd., Shanghai Hanyang Ship Container Parts Manufacturing Co., Ltd., China Resources Land (Beijing) Co., Ltd., Shanghai Foreign Service Baoxin Information Technology Co., Ltd. and Shanghai Huayi Information Technology Co., Ltd., and recovered a total of RMB 158,320,000 yuan.

2. Changes in Fixed Assets and Construction in Progress

Fixed assets decreased by RMB 3.5 billion compared with that at the beginning of year, including transfer of project under construction to fixed assets of RMB 15.31 billion and provisioned depreciation of RMB 18.52 billion.

3. Situation of Overseas Assets

As of the end of 2018, the Company had foreign assets of 208.4 (unit: 100 million yuan Currency: RMB), accounting for 6.2% of the total assets.

(1) Development of Overseas State-owned Assets

In 2005, the company acquired the shares of Baosteel Europe, Baosteel America and other overseas marketing companies as well as Bao-Trans and Bao-Island shipping companies held by original Baosteel Group and preemptive right of Baovale Mineracao through additional issue, and the consideration of such acquisition was RMB 1.11 billion. Since 2011, in order to explore the capacity of overseas manufacturing and processing service, the company gradually established seven companies such as Boly Pipe and Baosteel India through sole proprietorship or joint venture. In 2017, the company swapped shares and consolidated Wuhan Iron & Steel Group shares through consolidation by merger, and its overseas subsidiaries were included into the company. As of the end of 2018, the company had 25 various levels of overseas subsidiaries and 7 share-participating companies in the countries and regions such as the US, Japan, Germany, Singapore, Thailand, and Hong Kong.

Section III Summary of the Company's Business

(2) Operation Condition of Overseas State-owned Assets

The overseas trade-type subsidiaries mainly include Howa, Baosteel Europe, Baosteel America, Baosteel Singapore companies directly held by Baosteel and the subsidiaries of Wuhan Iron & Steel Group, including Wugang Trading, Wugang Australia and WISCO India; the overseas shipping service type subsidiaries include Bao-Trans and WISCO Shipping Company Limited; the overseas steel manufacturing and processing service type subsidiaries mainly include Boly Pipe, BGM, India Shear Center, Indonesia Steel Processing Center, WISCO International Tailored Blanks GMBH and its subsidiaries.

(3) Overall Situation of Overseas State-owned Assets

As of the end of 2018, the assets of the Company's subordinate first-class overseas totaled 20.84 billion yuan and net assets reached 7.45 billion yuan. In 2018, first-class overseas subsidiaries totally have achieved a net profit of 560 million yuan and a net assets income ratio of 7.6%.

III. Analysis of Core Competitiveness during the Reporting Period

Applicable Not applicable

By adequately seizing the opportunity of market environment improvement, further intensifying integration, in 2018, our core competitiveness has been significantly enhanced; the leading position of domestic carbon steel plate has been further strengthened. The company's core competitiveness is mainly reflected in technological innovation, manufacturing capacity, cost control, user service, brand building, sustainable development ability and other aspects.

1. Technological Innovations

We continued to implement the boutique development strategy characterized by leading technology. In 2018, Baosteel increased investment in technological innovation and made continuous progress in product development and technological progress. R&D investment rate was 2.3% and invention patent application accounted for 88.0%. Seven products realized first global launch, including thin specification oriented silicon steel B18P08, quenched ductile steel QP1500, high-strength and high-precision magnetic yoke steel SXRE750, non-quenched and tempered high-strength and tough geological drilling pipe BGR950, steel for hot-rolled double-sided aluminum clad substrate BFA280S, deep-drawing DRD beverage can coating iron and 2205 duplex stainless clad steel of ships.

2. Manufacturing Capacity

Focusing on variety expansion and quality improvement, we enhanced the stable manufacturing capacity thus providing a strong guarantee for new product user certification and batch stable production. Focusing on key products, key processes and key defects, the company has intensified efforts in tackling quality problems and improving quality so as to achieve significant improvement of product quality. Based on the integrated iron and steel system management, the company strived to improve bottleneck process capacity so as to steadily and effectively bring into play process manufacturing ability. Besides, the company vigorously promoted the establishment of the key product manufacturing capacity major project mechanism, and fully cooperated to implement the new corporate standards, multi-base collaborative manufacturing standards and others so as to accelerate the improvement of the manufacturing capacity of each base.

The company's cold-rolled automobile plates and cold-rolled ultra-high strength steel has reached over 50% of market share in China, continuously occupying the leading position in the domestic market. In 2018, the company's "tailor-made" high-grade and high-strength pipeline steel for the record project of the largest diameter crossing in China was put into use and the company became the first steel enterprise in China mastering the technology for the production of steel with the world's largest diameter, the thickest pipe wall and the highest steel grade, and realizing large batch goods supply and engineering practical application. Erosion-corrosion-resistant hot rolled steel plate BMS1400 is used for dredging pipeline of "Tiankun", the largest cutter-suction ship in Asia. Steel for desulfurization and denitration BTC4D-HD realized stable batch supply. Ultra-large liquefied petroleum gas ship used 460LF-TM steel broke the monopoly situation of low-temperature steel by foreign steel mills, and realized the all-around localization replacement of low-temperature ship plates. Ultra large container ship used crack-stop steel has won the first customer order for the building of 17000TEU container ship and the world's largest 22000TEU container ship. Besides, 2050Mpa grade spring steel has realized mass production with quality equal to imported products.

3. Cost Control

The company continued to tap the potential of cost reduction in procurement, manufacturing cost reduction, out-of-pocket cost reduction, and reduction of spot losses. The company increased process control and efforts to tap potential, carried out whole-process and whole-value chain cost reduction in multiple manufacturing bases, and achieved cost reduction (month-on-month) of RMB 3.86 billion yuan in the whole year. The

cost information system construction covering multiple bases was optimized. The Phase II cost information system of Qingshan Base was put into operation; the cost reduction system of Dongshan Base was developed and put into use, further showing its cost advantages.

4. Customer Service

Focusing on the strategy of differentiated competition, the company centered on creating a "user-centered" marketing operation mechanism, improved the market share of high-profit steel varieties, actively explored the marketing mode of homogeneous products, constantly optimized the company's variety structure, strengthened EVI service and multi-base coordination ability, and improved the product competitiveness of the company.

The company continues to build an intelligent supply chain with automobile board users as a pilot project, explored digital marketing transformation, promoted intelligent marketing exploration, built future-oriented core competitiveness, accelerated the construction of automobile board intelligent supply chain platform, and completed the list of supply chain user functions promotion and pilot user promotion.

The company have set up a total of 120 marketing outlets (including 3 overseas processing centers), covering 26 provinces and municipalities directly under the central government, autonomous regions and overseas major steel consumption markets. The domestic layout has been basically completed.

5. Brand Building

The company established the slogan of "Creation Beyond Vision". Centering on Baosteel's brand connotation of "innovation, harmonization, green, openness and sharing", the company applied multiple channels for matrix transmission, enriched presentation modes and expanded the target audience so as to create good corporate image based on "systematic and multiple-perspective" comprehensive effect.

The company held for the first time a thematic exhibition for education, appreciation and interactive in the commercial center of the city to show the achievements of Baosteel and deepen the public's understanding of Baosteel brand. The company also participated in China Metallurgical Exhibition, Shanghai double-creation week thematic exhibition and Beijing-Tianjin-Hebei Urban Construction Expo (Xiongan New Area), thus demonstrating through various platforms the company's overall competitiveness and our strength and construction results in technology innovation, intelligent manufacturing, user service and others, and constantly improving brand reputation and influence of the company. In May 2018, the company was selected as the "Top 100 Brand Value List of Listed Companies in China" with a brand value of 42.2 billion yuan, which was the only steel company to be listed. Besides, the company also won "top 10 outstanding steel enterprises in China" in 2018 and topped the list.

6. Sustainable Development Capacity

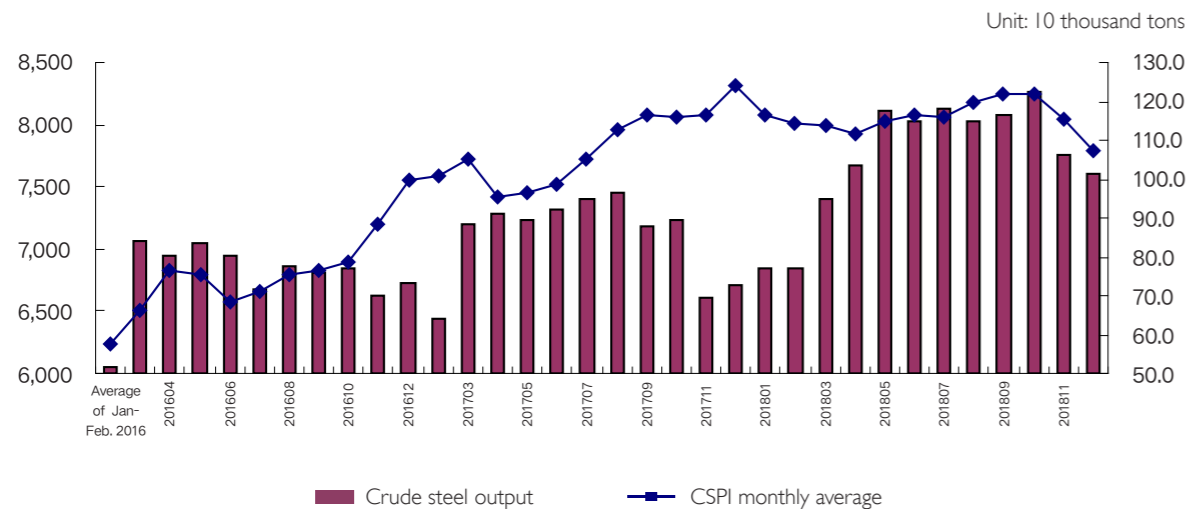
The company has been committed to building a green steel industry chain, actively building a whole process of green steel production system, and becoming the best environmentally friendly practitioner. In 2018, the company took main measures as below to improve the environment and build green factories: (1) Maintaining high-input into environmental protection and technical transformation. Baoshan Base completed the integrated overhaul of No. 1 and No. 2 sintering bases, phase III ore yards OJ and OK closed transformation, the relocation and closed transformation of phase III mixing material yard; it has built the project to return steel slag to production and processing and tin plate wastewater treatment equipment has also been put into operation; it has also completed ultra clean emission comprehensive transformation for 1# unit, 2# unit and 3# unit of the power plant. Qingshan Base has completed the environmental protection transformation of the material yard in Zone A in the 2# transportation area. The flue gas desulfurization and denitration project has entered the construction stage. The No.7 coke oven has been permanently shut down and the finished sinter material yard has been completely closed. (2) Promotion of solid waste processing and disposal. Baoshan Base has started construction of two rotary bottom furnaces with an annual processing capacity of 250,000 tons. Meishan and Qingshan bases have also completed the feasibility study of rotary bottom furnaces simultaneously. (3) Promotion of the implementation of the plant greening projects. Baoshan base has completed a green construction area of 250,000 square meters, including 150,000 square meters of new green area. Meishan Iron& Steel added 40,000 square meters of green space and renovated 12,000 square meters of green space. (4) Strengthening online monitoring. Baoshan Base has been added with the online monitoring facilities for flue gas, recorded at Shanghai Environmental Protection Bureau, installed online monitoring equipment and sampling device for heavy metals in water quality and retention sampler, and improved the online monitoring compliance rate of environmental protection facilities.

Section IV Discussion and Analysis about Operation

I. Discussion and Analysis about Operation

In 2018, China's economy was on the whole stable, with the growth rate slowing down quarter by quarter, but still within a reasonable range. The added value of industries above designated size grew by 6.2% year on year, down 0.4% from 2017, showing a steady slowdown.

In 2018, the overall domestic steel market was stable and good, steel demand was basically stable, and steel prices were rising steadily. The CSPI (composite steel price index) of CISA has increased by 7.7% year on year. The annual average price of 62% iron ore Platts index was basically flat year on year. The trend of variety differentiation continued. The price of coal and coke was on the rise and the company's differential between purchase and sale prices increased on year-on-year basis.



Source: Wind Information

The company seized market opportunities, advanced cost reduction, quality and efficiency enhancement, reform deepening and other work for internal potential tapping. The company explored and introduced the multi-base control mode, gave full play to the synergy of Baowu and realized the best level in history for both operating performance and profitability ability, and great improvement of main unit performance. The company sold 47,098,000 tons of commodity base materials and achieved business revenue of RMB 305.2 billion yuan with the total profit of RMB 27.82 billion yuan in 2018.

II. Main Operation in the Reporting Period

Main Operation in the Reporting Period is as follows:

(I) Analysis of Principle Business

1. Income Statement and Analysis Statement of Change in Cash Flow and Items

Unit: Million Yuan Currency:RMB

Item	Amount in the reporting period	Amount over the same period last year	Change ratio (%)
Operating revenue	304,779	289,093	5.4
Operating cost	259,085	248,425	4.3
Sales expenses	3,493	3,366	3.8
Administrative expenses	5,927	5,425	9.3
R&D expenses	7,031	4,207	67.1
Financial expenses	4,366	3,370	29.5
Net cash flow from operating activities	45,606	33,077	37.9
Net cash flow from investing activities	-4,186	-11,724	-64.3
Net cash flow from financing activities	-45,161	-14,382	214.0

2. Analysis of Cost and Revenue

√ Applicable □ Not applicable

The analysis of income and cost is as follows:

(1) Principle business by industries, products and regions

Unit: Million Yuan Currency: RMB

Principal business by industries						
Industry	Operating revenues	Operating cost	Gross margin (%)	YoY change in revenue (%)	YoY change in cost (%)	YoY Change in gross margin
Steel manufacturing	230,754	193,753	16.0	6.2	3.9	Up by 1.9 ppt.
Processing and distribution	298,962	292,319	2.2	3.3	3.5	Down by 0.2 ppt.
Others	12,909	10,044	22.2	-28.2	-33.0	Up by 5.7 ppt.
Offset between segments	-237,290	-236,858				
Total	305,335	259,258	15.1	3.5	2.1	Up by 1.2 ppt.

Principal business by products						
Products	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	95,114	79,623	16.3	8.4	8.3	Up by 0.1 ppt.
Hot-rolled carbon steel sheets and coils	78,987	63,785	19.2	3.9	4.0	Up by 0.04 ppt.
Steel tubes and pipes	14,106	12,313	12.7	33.5	20.0	Up by 9.9 ppt.
Long material products	7,891	6,477	17.9	8.5	5.3	Up by 2.5 ppt.
Other steel products	17,137	13,534	21.0	29.3	6.9	Up by 16.5 ppt.
Total	213,235	175,732	17.6	9.5	7.2	Up by 1.7 ppt.

Principal business by regions						
Region	Operating revenue	Operating cost	Gross margin (%)	YoY change in revenue (%)	YoY change in cost (%)	YoY change in gross margin
Domestic market	274,059	229,841	16.1	3.2	1.5	Up by 1.4 ppt.
Overseas market	31,276	29,417	5.9	7.1	7.3	Down by 0.2 ppt.

Notes of principle business by industries, products and regions

√ Applicable □ Not applicable

The company divides its internal organs into three parts, namely steel manufacturing, processing & distribution, and others. The steel manufacturing part includes various steel manufacturing units, the processing & distribution part includes Baosteel International, overseas companies and other trading units, the others part includes information technology, carbon materials and finance, etc.

Supported by the factors such as supply-side reform, steel production capacity reduction, growing demand from downstream industries as well as the company's internal cost reduction work, in 2018, the gross profit rates of main products in the company increased compared with that of previous year.

Section IV Discussion and Analysis about Operation

(2) Production and sales volume analysis

√ Applicable □ Not applicable

Unit: 10 thousand tons

Major items	Production	Sales	Inventory	YoY change in production (%)	YoY change in sales (%)	YoY change in inventory (%)
Cold-rolled carbon steel sheets and coils	1,845	1,852	158	8.2	7.5	2.4
Hot-rolled carbon steel sheets and coils	2,027	2,054	47	-3.5	-3.8	-13.8
Steel tubes & pipes	224	222	19	13.7	4.0	26.0
Long products	180	179	4	4.5	3.9	-17.0
Other steel products	399	403	14	10.1	7.8	-7.2
Total	4,675	4,710	242	3.0	2.0	-0.8

Note: The sales volume in 2018 included the 2.01 million tons of carbon steel products sold to BNA, but excluding the sales volume of 2.245 million tons of cold-rolled carbon steel coil of BNA.

The Company exported 3.979 million tons of steel products in 2018, representing a year-on-year increase of 140,000 tons, with export channel sales set out as follows:

Region	2018 (ratio%)	2017 (ratio%)
East Asia and Australia	19.6	20.3
Europe and Africa	18.2	21.9
America	11.6	10.1
Southeast Asia and South Asia	50.5	47.6
Total	100.0	100.0

In 2018, Baosteel continued to further explore the overseas regional market, adapted measures to local conditions, and achieved a breakthrough in the market. The annual sales volume in Southeast Asia and South Asia reached 2.01 million tons, reaching a new record high. Traditional markets such as South Korea and Italy have seen steady sales. Effective market development has been achieved in central and South America with sales volume increasing by 32% year on year.

In 2018, the export for six kinds of strategic products (automotive steel, silicon steel, long products, energy and steel for major projects, high-grade sheet, and tin plate) of Baosteel carbon steel sheet accounted for 58% of total volume of carbon steel plate export.

In 2018, a technical service center was established in the American Region, which was committed to strengthening advanced research, joint development and on-site technical services of users, research and development institutions, universities and the company in North America. In 2018, we have made remarkable achievements in the technical marketing of automotive sheets, and have promoted 16 overseas technical cooperation projects, covering EVI of new models, joint research and development of new products, and evaluation and application of new QP steel materials.

(3) Cost analysis

Unit: Million Yuan Currency: RMB

Industry	Items	By Industries					Notes
		Amount in the period	Ratio in overall cost (%)	Amount in the same period last year	Ratio in overall cost in the same period last year (%)	Change of amount in this period from the previous period (%)	
Iron & steel manufacturing	Fuel and raw materials	130,702	70.7	120,278	70.6	8.7	
	Others	54,079	29.3	50,057	29.4	8.0	
	Total	184,781	100	170,335	100	16.7	

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

Notes to other conditions of cost analysis

□ Applicable √ Inapplicable

(4) Major customers and major suppliers

√ Applicable □ Not applicable

The sales amount to the top five customers was RMB 31.68 billion, accounting for 10.4% of the annual total sales amount; in which the sales amount to affiliated parties in the sales amount to the top five customers was RMB 20.18 billion, accounting for 6.6% of the annual total sales amount.

The procurement amount from the top five suppliers was RMB 35.33 billion, accounting for 38.5% of the annual total fuel procurement amount; in which the procurement amount from the affiliated parties in the procurement amount from the top five suppliers was RMB 5.53 billion, accounting for 6.0% of the annual total fuel procurement amount.

3. Cost

√ Applicable □ Not applicable

(1) Sales expenses and administrative expenses

Unit: Million Yuan Currency: RMB

Items	Amount in the period	Amount over the same period last year	Change of amount in this period from the previous period (%)
Sales expense	3,493	3,366	3.8
Administrative expense	5,927	5,425	9.3

(2) Financial expenses

Unit: Million Yuan Currency: RMB

Items	2018	2017	Difference	Rate of difference (%)
Interest incomes	236	169	68	40.1
Interest expenditures	3,060	3,634	-574	-15.8
Gains and losses from currency exchange	1,463	-159	1,622	-1021.0
Others	79	64	15	23.8
Total	4,366	3,370	996	29.5

Financial expenses this year compared to last year rose 1 billion yuan. Affected by the depreciation of RMB against US dollar by 5.0% this year, the company suffered exchange rate loss by RMB 1.46 billion yuan. RMB appreciated against US dollar in the same period last year and increased by RMB 1.62 billion than last year. The company resorted to forward transactions to hedge currency fluctuation risks. In 2018, recognized investment income and gains on the changes in the fair value of forward transactions were RMB 740 million yuan in total and the comprehensive exchange rate cost of the year was RMB 730 million yuan. Interest expenses dropped by RMB 570 million yuan, mainly due to abundant cash flow this year, and the sizing down of interest-bearing liabilities year on year.

4. R&D Investment

R&D investment table

√ Applicable □ Not applicable

Unit: Million Yuan Currency: RMB

Expenditure of R&D investment	7,031
Capitalization of R&D investment	
Total R&D investment	7,031
Ratio of total R&D investment to operating revenue (%)	2.3
Amount of R&D personnel	1,386
Ratio of R&D staff to total staff (%)	2.2
Ratio of R&D investment capitalization (%)	-

Section IV Discussion and Analysis about Operation

Explanation

√ Applicable □ Not applicable

Baosteel continued to develop competitive steel products. In 2018, seven products were launched worldwide for the first time, including thin specification oriented silicon steel B18P08, quenched ductile steel QP1500, high-strength and high-precision magnetic yoke steel SXRE750, non-quenched and tempered high-strength and tough geological drilling pipe BGR950, steel for hot-rolled double-sided aluminum clad substrate BFA280S, deep-drawing beverage can coating iron and 2205 dual-phase stainless steel ship use composite board.

In 2018, the Stable Manufacturing Technology and Application Demonstration of Jipa Grade Steel Plate for Automobile Light Weight declared by Baosteel won special prize of metallurgical science and technology. Besides, 11 achievements have won the first, second and third prizes of metallurgical science and technology.

In 2018, the Development and Application of Oriented Silicon Steel for Large High-Efficiency and Low-Noise Transformer and the Key Technology and Application of Continuous Deburring of Continuous Casting Billet declared by Baosteel won the first prize of science and technology progress of Shanghai and Hubei respectively, and 16 other achievements won the second and third prizes of science and technology progress of Shanghai and Hubei respectively.

5. Cash flow

√ Applicable □ Not applicable

At the end of 2018, the net cash and cash equivalents decreased by RMB 3.85 billion yuan compared with the beginning of the year, including RMB 45.61 billion yuan of net cash flow generated by operating activities, RMB -4.19 billion yuan of net cash flow generated by investment activities, RMB -45.16 billion yuan of net cash flow generated by financing activities, and RMB -100 million yuan of net cash flow affected by exchange rate changes. Excluding influence of financial companies, the net cash and cash equivalents of the company decreased by RMB 2.48 billion yuan of compared with the beginning of the year, including RMB 47.02 billion yuan of net cash flow from operating activities, RMB -4.20 billion yuan of net cash flow from investment activities, RMB -45.18 billion yuan of net cash flow from financing activities, and RMB -120 million yuan of net cash flow from exchange rate changes.

Unit: Million Yuan Currency: RMB

Items	2018		2017		Variation year on year	
	Including Finance Co.	Excluding Finance Co.	Including Finance Co.	Excluding Finance Co.	Including Finance Co.	Excluding Finance Co.
Net cash flow arising from operating activities	45,606	47,023	33,077	34,617	12,529	12,406
Net cash flow arising from investing activities	-4,186	-4,204	-11,724	-12,443	7,537	8,238
Net cash flow arising from financing activities	-45,161	-45,178	-14,382	-14,390	-30,779	-30,788
Effect of fluctuation in exchange rate on cash	-104	-117	-81	-75	-23	-42
Net increase in cash and cash equivalents	-3,845	-2,476	6,891	7,709	-10,736	-10,185

(1) Cash flow from operating activities

Without regard to the impact of Finance Co., the net cash flow arising from operating activities was RMB 47.02 billion, an increase of RMB 12.41 billion from the RMB 34.62 billion at the same period last year. This is mainly caused by the following factors:

- (1)The net profit this year was RMB 23.05 billion, RMB 2.95 billion more than the RMB 20.1 billion at the same period last year.
- (2)Depreciation and amortization was RMB 19.17 billion, RMB 830 million more than the RMB 18.34 billion at the same period last year.
- (3)Assets impairment was RMB 220 million, RMB 960 million less than the RMB 1.18 billion at the same period last year.
- (4)Financial expense was RMB 4.35 billion, RMB 1 billion more than the RMB 3.35 billion at the same period last year.
- (5)Asset loss, fair value change loss, investment loss, deferred tax asset and liabilities decreased RMB 4.19 billion cash flow, with a loss of 2.03

billion at the same period last year, representing a decreased cash flow of RMB 2.15 billion.

(6)Inventory increased than that at the beginning of the year and decreased RMB 1.88 billion cash flow, with an increase of cash flow of RMB 6.73 billion due to decrease of inventory at the same period last year, representing a decreased cash flow of RMB 8.61 billion for two years.

(7)Operational receivable items increased RMB 4.79 billion cash flow than that at the beginning of the year, with a decrease of RMB 12.59 billion due to increase of receivables at the same period last year, representing an increased cash flow of RMB 17.38 billion for two years.

(8)Operational payable items increased RMB 1.51 billion cash flow than that at the beginning of the year, with a loss of RMB 470 million due to the decrease of payables at the same period last year, representing an increased cash flow of RMB 1.98 billion for two years.

(2) Cash flow from investment activities

Without regard to the impact of Finance Co., the net cash flow of investing activities was RMB-4.2 billion, RMB 8.24 billion more than the RMB -12.44 billion at the same period last year. This is mainly caused by the following factors:

(1)The cash paid for purchasing and establishing fixed assets, intangible assets and other long-term assets was RMB 12.74 billion, which was RMB 13.27 billion during the same period in previous year, the outflow decreased by RMB 530 million compared with the same period in previous year;

(2)The recovered amount from the investment was RMB 5.79 billion, the net expense was RMB 4.5 billion during the same period in previous year, representing an increase of RMB 10.28 billion, mainly because the company made arrangements according to the liquidity, the capital operation was reduced this year and the company spent RMB 4.49 billion for acquisition of stock shares of SRCB last year;

(3)The company obtained increased flow of income from investment of RMB 2.87 billion, which was RMB 1.75 billion during the same period in previous year, increasing the flow by RMB 1.12 billion compared with the same period in previous year;

(4)The cash from disposing fixed assets, intangible assets, other long-term assets as well as expenditures of subsidiaries was 490 million, the withdrawal during the same period in previous year was RMB 1.18 million, increasing the flow by RMB 680 million compared with the same period in previous year;

(5)The increased flow from cash receipt and expenditure related to other investment activities was RMB 370 million, the increase of flow during the same period in previous year was RMB 4.75 billion, decreasing the flow by RMB 4.38 billion compared with the same period in previous year, mainly because the principal and interest of the transferred amount received of Wusong block totalled RMB 4.68 billion during the same period in previous year.

Unit: Million Yuan Currency: RMB

Items (without regard to Finance Co.)	2018	2017	Year-on-Year Variation
Cash inflow arising from investing activities	65,025	93,937	-28,913
Cash outflow arising from investing activities	69,229	106,380	-37,151
Net cash flow arising from investing activities	-4,204	-12,443	8,238

(3) Cash flow from financing activities

Without regard to the impact of Finance Co., the net cash flow arising from financing activities was RMB -45.18 billion, RMB 30.79 billion less than the RMB -14.39 billion at the same period last year. Details are as follow:

(1)The decrease of flow from reduction of financing scale in current year was RMB 31.65 billion, while the decrease of flow from reduction of financing scale in previous year was RMB 7.5 billion, the decrease of flow compared with the same period in previous year was RMB 24.15 billion, mainly due to sufficient cash flows in current year and initiative reduction of financing scale;

(2)The decreased flow of cash from dividend distribution and interest payment compared with the same period in previous year was RMB 5.31 billion, mainly because the cash dividends distributed in current year is RMB 10.02 billion, the dividend distribution during the same period in previous year was RMB 4.64 billion, decreasing the flow of RMB 5.38 billion compared with the same period in previous year;

(3)The cash received from attracting investment decreased cash flow by RMB 1.16 billion compared with the same period in previous year, mainly including the scale change of subsidiary to absorb the external investment;

(4)The net cash flow related to financing activities was decreased by RMB 170 million compared with the same period in previous year.

Section IV Discussion and Analysis about Operation

Unit: Million Yuan Currency: RMB

Items (without regard to Finance Co.)	2018	2017	Year-on-year variation
Impact of change in financing scale on flow	-31,645	-7,498	-24,147
Cash paid for distribution of dividends and profits or repayment of interest	-13,868	-8,560	-5,308
Cash paid for repurchase of stocks	0	0	0
Cash received from investors	426	1,590	-1,164
Other cash related to financing activities	-91	78	-169
Net cash flow arising from financing activities	-45,178	-14,390	-30,788

(II) Description of major changes in profits caused by non-core business

Applicable Inapplicable

(III) Analysis of assets and liabilities

Applicable Not applicable

1. Assets and liabilities status

Unit: Million Yuan Currency: RMB

Items	Amount at the end of the reporting period	Ratio against total assets at the end of the reporting period (%)	Amount at the end of last reporting period	Ratio against total assets at the end of last reporting period (%)	YoY ratio change (%)	Notes
Current assets	120,089	35.8	133,293	38.1	-9.9	
Including: Cash and cash equivalents	16,959	5.1	17,857	5.1	-5.0	
Inventory	41,505	12.4	39,488	11.3	5.1	
Bill receivable	29,130	8.7	31,857	9.1	-8.6	
Receivables	12,696	3.8	12,079	3.4	5.1	
Prepayments	6,328	1.9	8,018	2.3	-21.1	
Non-current assets	215,052	64.2	216,942	61.9	-0.9	
Including: Fixed assets	150,718	45.0	154,222	44.0	-2.3	
Construction-in-progress	7,765	2.3	10,095	2.9	-23.1	
Long-term equity investment	18,985	5.7	17,286	4.9	9.8	
Total assets	335,141	100.0	350,235	100.0	-4.3	
Current liabilities	133,303	39.8	163,207	46.6	-18.3	
Including: Short-term borrowings	38,324	11.4	60,282	17.2	-36.4	The company has sufficient cash flow and the financing scale is reduced
Notes payable	16,244	4.8	10,517	3.0	54.5	The company adjusts the procurement settlement policy and increases the payment of bills
Payables	29,687	8.9	29,156	8.3	1.8	
Deposit received	19,853	5.9	23,745	6.8	-16.4	
Non-current liabilities due within one year	5,162	1.5	20,407	5.8	-74.7	The company's bonds in local and foreign currencies are due and paid, and the financial lease payments are repaid, and the medium-term notes due within one year of RMB 5 billion yuan is transferred in

Other current liabilities	6,077	1.8	53	0.0	11,384.1	Rolling issuance of ultra-short term financing bill of RMB 6 billion
Non-current liabilities	12,592	3.8	12,556	3.6	0.3	
Including: Long-term borrowings	5,610	1.7	413	0.1	1,257.2	The company shall adjust financing scale and structure
Notes payables	3,000	0.9	8,553	2.4	-64.9	Medium term note of RMB 5 billion is transferred in the non-current liability due within one year
Total liabilities	145,896	43.5	175,762	50.2	-17.0	
Shareholders' equity	189,245	56.5	174,472	49.8	8.5	
Total Liabilities and shareholders' equity	335,141	100.0	350,235	100.0	-4.3	

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

Applicable Not applicable

Unit: Million Yuan Currency: RMB

Items	Carrying value at the end of the year	Limited cause
Cash and cash equivalents	1,392.2	Legal required reserve that financial company deposited at Central Bank
Notes receivables and receivables	8.5	Obtain the receivables of short-term borrowings through factoring business as collateral security
Fixed assets	846.4	Obtain the bank loans as collateral
Intangible assets	99.1	Obtain the bank loans as collateral
Total	2,346.1	

(IV) Analysis of industrial operations

Applicable Not applicable

Analysis of steel industry operations

1. Steel manufacturing and sales by processing

Applicable Not applicable

Unit: Million Yuan Currency: RMB

By processing	Production (ton)		Sales volume (ton)		Operating revenue		Operating cost		Gross margin (%)	
	This year	Previous year	This year	Previous year	This year	Previous year	This year	Previous year	This year	Previous year
Cold-rolled steel	18,447,534	17,051,694	18,521,327	17,236,999	95,114	87,721	79,623	73,512	16.3	16.2
Hot-rolled steel	20,274,942	21,007,971	20,540,084	21,342,374	78,987	76,011	63,785	61,354	19.2	19.3
others	8,030,513	7,317,755	8,036,809	7,590,401	39,134	31,092	32,324	29,071	17.4	6.5

2. Steel manufacturing and sales by form of product

Applicable Not applicable

Unit: Million Yuan Currency: RMB

By the form of finished products	production (ton)		Sales volume (ton)		Operating revenue		Operating cost		Gross margin (%)	
	This year	Previous year	This year	Previous year	This year	Previous year	This year	Previous year	This year	Previous year
Strips	41,652,423	40,543,901	41,955,958	41,085,472	186,496	172,605	152,884	143,517	18.0	16.9
Tubes & pipes	2,235,323	1,965,775	2,214,503	2,128,625	14,106	10,567	12,313	10,265	12.7	2.9
Others	2,865,244	2,867,744	2,927,759	2,955,677	12,633	11,652	10,535	10,155	16.6	12.9

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3. Iron ore supplies

Applicable Not applicable

Unit: Million Yuan Currency: RMB

Iron ore source of supply	Supply (ton)		Expenditure	
	This year	Previous year	This year	Previous year
Domestic procurement	330,000	4,410,000	136	2,976
Overseas import	70,760,000	67,810,000	38,387	36,811

(IV) Investment analysis

1. Analysis of equity investment outside Baosteel

Applicable Not applicable

In 2018, the Company spent RMB 1.43 billion in equity investment, RMB 8.12 billion less than that in last year.

(1) Main equity investment

Applicable Not applicable

Unit: Million Yuan Currency: RMB

Name of investee	Main business	Proportion of Baosteel's equity in the investee	Actual capital contribution from Baosteel	Remarks
Shanghai Baosight Software Co., Ltd.	Software	50.81%	228.46	Conversion of convertible bonds to stock
Wuhan Iron & Steel Group Finance Corporation Limited	Financial service	28.65%	542.38	Capital reserve, etc. transferred to paid-in capital
Baofang Carbon Material Technology Co., Ltd.	Production, processing and sales of new graphite and carbon materials	51.00%	306.00	New establishment
Baosteel India Company Private Ltd.	Steel material processing	100%	94.6	Capital increase
WISCO International Tailored Blanks GMBH	Steel material processing	100%	73.4	Equity acquisition final payment
Total			1,244.84	

2. Main non-equity investment

Applicable Not applicable

In 2018, the Company completed the fixed-asset investment of RMB 12.63 billion.

(1) Raised fund project situation

None.

(2) Non-raised fund project

1) Projects put into production

No.1 and No.2 sintering integration overhaul and reconstruction: in order to enhance the energy conservation and environmental protection level of sintering process, as well as further enhance sinter furnace entering ratio, and reduce production cost, the company dismantled the existing No.1 and No.2 sintering machine, and newly built a sintering machine. The main project was subjected to thermal load trial test in November 2018.

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

Structure optimization project of tin plate products: in order to create conditions for the closing and relocation of original cold-rolled sheet plant area, as well as to adjust the structure of tin plate products, and to realize the most competitive packing material development strategy, the first step is to build 2 relocation transmission units at 1420 cold-rolling area; the second step is to relocate the existing part of units at original cold-rolled sheet plant. The first step of the project started the hot run test from October 2018.

3. Assets by Fair Value and Measurement

Applicable Not applicable

Unit: Million Yuan Currency: RMB

Items	At the end of 2017	At the end of 2018	Purchase in the reporting period	Sales in the reporting period	Change of fair value
Assets by fair value and measurement and its change recorded in the gains/losses in the reporting period	1,726	2,025	16,594	16,155	-149
Available-for-sale financial assets	3,378	2,999	141	126	-498
Total	5,104	5,024	16,734	16,281	-647

(VI) Sales of Major Assets and Equities

Applicable Inapplicable

(VII) Main holding and joint-stock company analysis

Applicable Not applicable

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

As of the end of 2018, the Company owned 77.0% of the equity. With a registered capital of RMB 7.08 billion, Meishan Steel specializes in the processing and sales of black metal smelting and rolling. By the end of 2018, Meishan Steel had a total asset of RMB 27.22 billion, a net asset of RMB 14.21 billion, and a net yearly profit of RMB 2.63 billion.

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

As of the end of 2018, the Company owned 90% of the equity. With a registered capital of RMB 20 billion, Zhanjiang Steel's main business specializes in the processing and sales of black metal smelting and rolling. By the end of 2018, Zhanjiang Steel had a total asset of RMB 58.19 billion, a net asset of RMB 24.41 billion, and a net yearly profit of RMB 4.21 billion.

3. Wuhan Iron & Steel Co., Ltd.

As of the end of 2018, the Company owned 100% of the equity, with registered capital of RMB 500 million. Its main business scope includes manufacturing of metallurgical products and byproducts, extended steel products, etc. As of the end of 2018, its total assets of RMB 68.73 billion, net assets of RMB 31.06 billion, and realized net profit of RMB 1.83 billion in current year.

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

As of the end of 2018, the Company owned 50% of the equity. With a registered capital of RMB 3 billion, BNA's main business includes manufacturing and sales of cold-rolled steel sheets and hot-dip galvanized steel sheets for automobile, automotive parts and additional services related to its principal business. By the end of 2018, BNA had a total asset of RMB 5.63 billion, a net asset of RMB 4.41 billion, and a net yearly profit of RMB 500 million.

5. Yantai Lubao Steel Pipe Co., Ltd.

As of the end of 2018, the company had 100% of its shares. Its registered capital is RMB 2.5 billion, and its main business scope includes processing and sales of seamless steel pipes, hydraulic prop seamless steel pipes, seamless steel pipes used for high-pressure boilers, seamless steel pipes used for petroleum equipments, pipes used for geological drilling, petroleum smooth pipes, oxygen cylinder pipes, etc. As of the end of 2018, it had total assets of RMB 4.46 billion, net assets of RMB 2.75 billion, and realized net profit of RMB 390 million in current year.

6. Huangshi Coating Sheet Co., Ltd. of Baosteel Corporation.

As of the end of 2018, the company had 50.63% of its shares. Its registered capital was RMB 167 million, and its main business scope includes production and sales of cold-rolled sheets, aluminum coated sheets, color-coated sheets, and related coated layer products. As of the end of 2018, it had total assets of RMB 1.37 billion, net assets of RMB 530 million, and realized net profit of RMB 10 million in current year.

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

As of the end of 2018, the Company owned 100% of the equity. With a registered capital of RMB 2.25 billion, Baosteel International's main business includes imports and exports of goods and technology approved by the government, the imports of steel and scrap steel, processing with imported materials and compensation trade. By the end of 2018, Baosteel International had a total asset of RMB 52.61 billion, a net asset of RMB 16.65 billion, reporting a net yearly profit of RMB 1.83 billion.

8. Shanghai Baosight Software Co., Ltd.

As of the end of 2018, the Company owned 50.81% of the equity. With a registered capital of RMB 877 million, Baosight's main business includes computer, automation, network communication and the research, design, development, manufacturing and integration of software and hardware. By the end of 2018, Baosight had a total asset of RMB 9.45 billion, a net asset of RMB 6.77 billion, and reporting a net yearly profit of RMB 710 million.

9. Baowu Carbon Material Technology Co., Ltd.

In 2018, it changed its name from Shanghai Baosteel Chemical Co., Ltd. to Baowu Carbon Material Technology Co., Ltd. As of the end of 2018, the Company owned 100% of the equity. With a registered capital of RMB 2.11 billion, its main business includes production and sales of raw chemical materials and products, "four techniques" services in chemical industry, and import and export activities of its own products. By the end of 2018, the company had a total asset of RMB 5.65 billion, a net asset of RMB 4.41 billion, reporting a net yearly profit of RMB 360 million.

10. Shanghai Baosteel Asset Management Co., Ltd.

As of the end of 2018, the company had 100% of its shares and a registered capital of RMB 1 billion. Its main business scope includes asset management, maintenance of engineering machinery, metallurgical equipments; design, production, installation and maintenance of electromechanical equipments (excluding special equipments); import/export business of goods and technologies; technological development, technological transfer, technological consultation, technological service, etc. within the field of metallurgical technology. As of the end of 2018, the company had total assets of RMB 1.01 billion, net assets of RMB 960 million, and realized net profit of RMB -40 million million in current year.

11. Baosteel Group Finance Co., Ltd.

By the end of 2018, the Company owned 62.1% of its equities, whose registered capital is RMB 1.4 billion, the main business for absorbing deposits from member units, applying for loans to member units, internal transfer and settlement between the member units, entrusted loans and entrusted investment for member units, inter-bank borrowing, etc. By the end of 2018, this company's total assets have been RMB 16.67 billion, net assets of RMB 2.25 billion, and net profits of RMB 260 million in this year.

12. Overseas Company

By the end of 2018, the Company owned foreign subsidiaries set up in the US, Japan, Germany, Singapore and Hong Kong, which played a significant role in expanding sales and purchasing network of the Company, and improving the competitiveness of the Company in the international market. As of the end of 2018, the overseas companies' total assets have been RMB 20.84 billion, net assets of RMB 7.45 billion, and net profits of RMB 560 million in this year.

(VIII) Structured entity controlled by the company

Applicable Inapplicable

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

(I) Industry structure and trend

Applicable Not applicable

Global growth is expected to slow down in 2019. According to the IMF's forecast, the growth rate of developed economies is expected to decline by 0.3 percentage points, with significant downside risks to the global economy and poor prospects for economic growth.

In 2019, China's economy will continue to adhere to the overall tone of seeking improvement in stability work, promoting high-quality development, adhering to the supply-side structural reform, and keeping the economy operating within a reasonable range. According to the IMF's forecast, China's GDP will grow by 6.2% in 2019, down 0.4 percentage points from the previous year. Domestic consumption and export growth will decline, while fixed asset investment will maintain steady growth.

In 2019, global steel demand is expected to be flat year-on-year, while domestic steel demand will slow down, with relatively strong demand for infrastructure and negative growth in real estate, automobile and other industries. Affected by global trade friction, the direct and indirect export of

Chinese steel downward have been basically determined. At the same time, the domestic production capacity replacement brought about by the blast furnace, electrical furnace and new rolling line production capacity will be put into production, and domestic steel supply will face increasing pressure.

(II) Company's Development Strategy

Applicable Inapplicable

Guided by Xi Jinping's thought on socialism with Chinese characteristics for a new era, Baosteel will closely follow the pulse of the times, and has compiled the new round of development planning based on China's steel industrial structure adjustment and Baowu integration.

With the mission of "being a model of high-quality development of steel industry and a leader of steel industry in the future" and the vision of "being the most competitive steel enterprise in the world and the most valuable listed company in investment", the company will focus on creating a competitive, green, smart, technology-based and efficient Baosteel. Within the planning period, the company will adhere to high quality development, innovate and deepen the multi-manufacturing-base management mode, continuously improve cost transformation, technical leading, service first, intelligent manufacturing, urban steel mills, and actively explore and practice future steel so as to become a world leading steel enterprise.

(III) Operation Plan

Applicable Inapplicable

1. The progress of the early stage development strategy and business plan during the reporting period

Annual business target achievement: our business performance in 2018 is the best in the domestic industry. According to the disclosed regular reports of global steel enterprises, Baosteel's EBITDA per ton steel ranks among the top three steel enterprises above designated size in the world. The overall cost reduction is RMB 3.86 billion compared with the previous year. Baowu synergy has been overfulfilled. The labor efficiency of regular employees has increased by 8.3%, exceeding the annual business target.

2. Baosteel's business objects, plans and work priorities in 2019

In 2019, centering on the general business polices of "innovation driven, practicing one plus five strategy, consolidating development foundation, exploring potential based on benchmarking, changing danger into opportunities to increase benefit and maintaining a leading position in the industry", the company will make efforts to realize "the best business performance in domestic industry, top 3 tonnage steel EBITDA in the world, cost reduction by more than RMB 2 billion and the market share of 50% for cold rolled automobile plate; regular employee's labor efficiency increased by more than 8% and realizing node objectives for the new round of planning and major projects".

In 2019, Baosteel plans to produce 45.46 million tons of iron and 48.18 million tons of steel, sell 46.79 million tons of commodity billets, and to achieve the gross business revenue of RMB 273.1 billion yuan and the operating cost of RMB 241.9 billion yuan. The company will focus on work priorities such as product management, technological leading, service first, cost reduction, intelligent manufacturing and urban mills. Seizing opportunity of the landing of the new round of development plan, the company will comprehensively deepen reform, promote the integration of four bases, complete the annual production and operation objectives and tasks and strive for being a model for high quality development in the iron and steel industry.

Centering on the general business policy and general business goal of the company in 2019 and combined with the planning requirements, the company will focus on promoting the following work within this year:

(1) Comprehensively promote and deepen reform

To fully implement the comprehensive reform implementation plan for the "two hundred actions" initiative, and complete four reform measures to improve the market operation mechanism and the incentive and restraint mechanism as planned. To continuously optimize enterprise management, further improve labor efficiency, and realize efficient allocation of human resources and continuously improvement of labor efficiency in each base. To promote the "slimming and fitness" work on a regular basis, continuously improve the operating quality of the whole subsidiaries, enhance efficiency through reform and share benefits so as to enhance the "sense of gain" of employees.

(2) Promote integration of the four bases

To build a multi-manufacturing base management model oriented by high efficiency and high value, explore the operation mechanism of "multi-base centralized and consistent management", and promote the pilot reform of manufacturing base institutions. To further promote the integration work, extensively and multi-dimensionally mine synergies so as to ensure the maximum three-year benefit of Baowu integration.

(3) Improve the ability of multi-base collaborative manufacturing

To adhere to high-quality development, continuously make benchmarking among various bases centering on quality, cost and efficiency. To quickly

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fill the short board and realize the same quality among various bases. To stabilize production and operation at the manufacturing side, improve manufacturing capacity to meet user demand, and rapidly improve the multi-base collaborative manufacturing capacity.

(4) Push forward cost reduction in the new three years

To be firm in the new round of cost reduction targets, with the information system as the support, achieve the cost reduction system tracking, and promote the implementation of cost reduction measures in the four bases and the company; taking Dongshan Base as the benchmark, To strengthen internal benchmarking among four bases and deepen cost reduction in the whole process.

(5) Continue to promote the optimization of product structure and maintain the market leading position

To increase market development and ensure market share of key varieties. To deepen mutual supply and coordination to achieve the balance of production and marketing. Being customer-oriented, To enhance the comprehensive service ability of customers and products, continue to promote the construction of overseas supply chains and enhance our ability to operate internationally.

(6) Strengthen the leading role of technological innovation planning

Guided by product management planning and closely following the development direction and industrial trend of world advanced technology, Baosteel will promote the deployment and implementation of a new round of technological innovation planning tasks, systematically technical progress research tasks in the field, improve our technical competitiveness in this field, vigorously promote the research and development of disruptive, forward-looking and breakthrough technologies.

(7) Build demonstration of urban steel mills with ecological harmony

Baoshan Base will promote the new round of urban steel mill planning and the new round of emission reduction projects of Shanghai clean air plan. Qingshan Base will accelerate the implementation of environmental protection projects in the plant area and greatly improve the comprehensive utilization capacity of iron and steel enterprises. Dongshan Base will steadily promote the implementation of ultra-low emission renovation project, and continuously carry out the activity of "citizens entering Zhanjiang Iron & Steel" to promote mutual trust between social enterprises. Meishan Base will promote the construction of No. 5 sintering desulfurization and denitrification, and boiler desulfurization of thermal power plant and other projects to ensure that the special emission limit requirements are met.

(8) In-depth explore intelligent manufacturing

To fully embody the contents of the special planning for intelligent manufacturing in 2019-2024, To implement the goal of improving labor efficiency and management efficiency in 2019. To develop intelligent equipment process based on the current process/ factory by the expansion team. At the professional level, To strengthen digital supplement to make a systematic breakthrough. To focus on big data and combine with artificial intelligence to form point and surface breakthroughs.

3. The company's operating plan in 2019 shall not constitute the company's commitment to investors about performances, so investors should maintain sufficient risk awareness about this.

4. The funding demands for maintaining the company's current businesses and completing the investment projects under construction, as well as the investment fund sources, costs and usage designed for the company's operation plans

In 2019, the company budgets RMB 15.99 billion yuan for fixed asset investment, which will mainly be used for equipment procurement of Zhanjiang No.3 BF system project, the tailing work of Baoshan Base raw material field "coal stored in the warehouse, ore stored in the shed" series transformation, and equipment procurement for No. 2 blast furnace in situ overhaul, non-oriented silicon steel product structure optimization project; Qingshan Base raw material yard closing and silo environmental protection and transformation projects; a certain amount of funds will also be invested for technical renovation projects.

(IV) Possibly Faced Risks

Applicable Inapplicable

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

In light of strategic, market, financial, operation, legal and other risks, to carry out risk identification, risk assessment and risk response for 12 major risks, including Baowu integration and environmental protection risks. In 2018, upon the deliberation and adoption of the board meeting, no major risk event occurred for key risks items and the company's key risks were generally well controlled. For process risks, through internal control self-evaluation and re-evaluation, no major and important internal control defect has been detected.

Baowu integration has been advanced in depth. The year 2018 is a key year for Baowu integration. According to "the same language, the same standard, the same platform and the same culture", focused on IT coverage, unity of R&D, procurement and marketing, synergies project implementation, management change and cultural integration for Qingshan Base, and promoted in-depth integration of Baowu. The integration situation of Baowu throughout the year can meet the expectation.

In 2018, all units of the company further promoted Baowu integration, and over-fulfilled Baowu coordination benefits. Wuhan Iron& Steel realized the operating income of RMB 71.47 billion yuan and a total profit of RMB 2.12 billion yuan. Its operating performance was greatly improved and the enterprise regained new vitality. The basic implementation of multi-manufacturing base management mode improves the overall ability to cope with the market and comprehensive competitiveness.

The construction of urban steel mills has achieved outstanding results. Combining with their characteristics and the local government requirements, various bases of Baosteel carried out benchmarking and difference identification work, and promoted construction of urban steel mills from aspects of "discharge map" process management, solid waste zero emission out of the factory, plant environment improvement and others, the performance of main environmental indicators has been continuously improved, key sources of pollution online discharge was 100% up to the standard and there was no major environmental risk event throughout the year.

2. Additional Risk Factors in 2019

Affected by supply-side structural reform, production restriction for environmental protection reason, the demand of infrastructure industry in 2019 is generally strong, steel demand still has resilience and growth potential, and the price of raw fuel remains high on the whole. At the same time, the company also faces the challenge of rising costs caused by the increase of investment in coal restriction and environmental protection. Steel downstream demand trends to differentiate clearly where machinery industry and manufacturing industry are expected to keep growing under the support of the global economic growth, and the demand for automobile and home appliance will be weak due to automobile market import tax adjustment for automobile, weakening of purchase ability and transformation to light weight and new energy vehicles. This sector will face growth rate reduction, industrial structure adjustment and others. Auto sheets, as the main profit-making variety of the company, will face big challenge for market share and profitability.

(V) Others

Applicable Inapplicable

IV. Description of circumstances and reasons of failure to disclose according to the standard by the company due to inapplicable standards or state secrets, trade secrets and other special reasons and reason

Applicable Inapplicable

Section V Important Matters

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

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

Applicable Not applicable

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

In 2018, since the Company recorded a net profit of RMB 14,270,692,982.51, plus the undistributed profit of RMB 41,315,860,945.00 at the beginning of 2018 and minus the cash dividend of RMB 10,020,561,806.25 distributed in 2017, it is predicted that the Company's distributable profit would amount to RMB 45,565,992,121.26 at the end of 2018. In order to achieve the Company's long-term, sustainable development and better repay investors, according to the Company's Articles of Association, it is proposed for the following profit appropriation scheme for 2018:

1.Ten percent of the net profit, or RMB 1,427,069,298.25, was allocated as a statutory reserve fund for the year 2018;

2.Ten percent of the net profit, or RMB 1,427,069,298.25, was allocated as an optional reserve fund for the year 2017;

3.According to the Proposal of Baoshan Iron & Steel Co., Ltd. on Modification of Articles of Association approved by the General Meeting of Shareholders in 2012, the annual cash dividend to be distributed should not be less than 50% of the net profit attributable to the parent company in the consolidated statements audited in that year. In view of the Company's usual policy of attaching importance to repay shareholders and cash dividend in long terms, the Company intends to distribute cash dividend of 0.50 yuan / share (including tax), the dividend is expected to be RMB 11,133,957,562.50 (including tax) based on the total share capital of 22,267,915,125 shares at the end of 2018, accounting for 51.63% of net profit in the consolidated statements attributable to shareholders of the parent company, and the actual total dividend will be subject to the share capital confirmed in the dividend notice and listed in equity registration;

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

5.Cash dividend-net profit ratios from 2015 to 2018:

Item	2018	2017	2016	2015
1 Cash dividend per share (including tax) (RMB)	0.50	0.45	0.21	0.06
2 Total amount of cash dividend (incl. cash for repurchase)	111.34	100.21	46.42	9.88
3 Net profit for legal person presented in the statements according to corporation (RMB 100 million)	142.71	94.01	68.89	33.27
4 Net profit attributable to parent company in consolidated statements (RMB 100 million)	215.65	191.70	89.66	10.13
5 Cash dividend against net profit for legal person	78.02	106.59	67.37	29.69
6 Cash dividend against net profit attributable to parent company in consolidated statements	51.63	52.27	51.77	97.55

Note: The cash bonus amount of 2018 was the profit distribution plan by the board of directors, which hasn't been reviewed and approved by the company's 2018 shareholders meeting yet.

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

Unit: 100 Million Yuan Currency: RMB

Dividend Year	Bonus shares per 10 shares (share)	Dividend payout per 10 shares (Yuan)(tax-inclusive)	Number of increase by transferring per 10 shares (share)	Cash dividends amount (tax-inclusive)	The net profit belonging to the listed company common share's shareholders in the annual dividend consolidated statements	Percentage (%) accounting for the net profit of listed company common shareholders in consolidated statements
2018	0	5.0	0	111.34	215.65	51.63
2017	0	4.5	0	100.21	191.70	52.27
2016	0	2.1	0	46.42	89.66	51.77

(III) Cash offer to repurchase shares included in cash dividends

Applicable Not Applicable

(IV) If profit is made in the reporting period and the parent company has positive profits available for ordinary shareholders, but no cash profit distribution plan for ordinary shares is proposed, the company shall make detailed disclosure of the reasons as well as the purpose and use plan of the undistributed profits

Applicable Not Applicable

II. Performance situation of commitment matters

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

Applicable Not applicable

Commitment background	Commitment Type	Commitment Party	Commitment Content	Commitment time and duration	If strictly perform the duration	If strictly perform in time	Specific reasons for nonperformance in time	Notes for next plan if nonperformance in time
Commitment related to initial public offering	Solve horizontal competition	Baosteel Group Co., Ltd.	Baosteel Group makes two commitments at the establishment of the company: (1) Baosteel Group commits that any and all affiliated transactions made with the company shall be implemented in accordance with the provisions of related laws, administrative regulations and rules of competent authorities, and shall not damage the lawful interests of the company and the company's non-controlling shareholders. (2) Baosteel Group commits not to directly participate in any business or activity that poses any competition with the company, nor directly hold any equity of any business, activity or entity that poses competition with the company. But Baosteel Group may hold the company's shares and continue to operate and develop the existing businesses (including the business that has or may have competition with the company). Baosteel Group commits that when Baosteel Group or its subsidiaries intend to engage in any new business, investment or research that may generate competition with the business of the company, the company shall have preemptive development right and preemptive project acquisition right. The foresaid commitments shall be valid under the following circumstances: A. The company goes public at the Stock Exchange of Hong Kong Ltd. and stock exchange within Chinese territory; B. Baosteel Group holds no less than 30% of the outstanding shares of the company. Besides, Baosteel Group further made the following commitments to the company on June 13, 2001 and September 6, 2002, that is, after the company acquires partial Stage III engineering assets and residual assets of Baosteel Group, the foresaid two commitments shall remain valid. For the foresaid commitments, please refer to the China Securities Journal, the Shanghai Securities News, the Securities Times as well as the website of Shanghai Stock Exchange http://www.sse.com.cn/ on Jun 21, 2001 and Sep 12, 2002.	Feb 3, 2000	No	Yes		
Commitment related to refinancing	Solve horizontal competition	Baosteel Group Co., Ltd.	Baosteel Group's commitments in the company's opinion paper of additional issue and share offer: (1) For the assets and businesses that the group company currently holds and may generate peer competition with Baosteel Corporation, Baosteel Corporation shall have the right to choose proper opportunity to acquire from the group company. (2) For any business opportunity that the group company obtains in the future to engage in any similar business with that of Baosteel Corporation, the group company shall give that opportunity to Baosteel Corporation, only after Baosteel Corporation gives up such business opportunity, the group company may make investment. For the foresaid commitments, please refer to the website of Shanghai Stock Exchange http://www.sse.com.cn/ on Apr 2005.	Aug 10, 2004	No	Yes		
Other commitments made to intermediate and minority shareholders of the company	Others	Baosteel Group Co., Ltd.	Baosteel Group's commitments regarding Luojing land: As a wholly-owned subsidiary company of Baosteel Group, Shanghai Pudong Iron & Steel Co., Ltd. of Baosteel Group (hereinafter referred to as "Pudong Iron & Steel Company") plans to sell its owned Luojing project under construction and related fixed assets (hereinafter referred to as "Related Assets of Luojing Project"), and this company plans to acquire the related assets of Luojing Project. The related assets of Luojing Project occupies 3.228 million m ² of land in total (hereinafter referred to as "Luojing Project Land"). As for Luojing project land, Pudong Iron & Steel Company has paid certain early-stage expense, but hasn't paid the land transferring fee. If this company acquires the related assets of Luojing Project, this co-Pudong Iron & Steel Company needs to bear the unpaid land transferring fee, and compensate Pudong Iron & Steel Company for the early-stage expenses already paid as of the appraisal benchmark date of the related assets of Luojing Project (meaning Sep 30, 2007). Based on preliminary estimation, such expenses totaled about RMB 2.8 billion. Baosteel Group commits that: (1) If the company acquires related assets of Luojing Project, Baosteel Group and/or Pudong Iron & Steel Company shall actively coordinate with this company in completing the land transferring procedures of Luojing project land, and provide corresponding assistance as rationally required by this company. (2) If the actually incurred amount of the foresaid total expense exceeds RMB 2.8 billion, the exceeding part shall be borne by Baosteel Group and/or Pudong Iron & Steel Company, and shall be timely and fully paid to this company and/or competent government agency (depending on specific circumstance). For the foresaid commitments, please refer to the China Securities Journal, the Shanghai Securities News, the Securities Times as well as the website of Shanghai Stock Exchange http://www.sse.com.cn/ on Dec 12, 2007. The land involved in the foresaid commitment shall include the west area of Luojing project land, east area of Luojing project land and northern energy corridor. As of the end of this reporting period, the company has paid the land fee for the west area of Luojing project land of RMB 2.34 billion and obtained land ownership certificate; has paid the land fee of northern energy corridor of RMB 20 million and obtained land ownership certificate; the related ownership certificate for the land of east area is under application, and the land transferring fee hasn't been paid yet.	Dec 11, 2007	No	Yes		

Section V Important Matters

Commitment background	Commitment Type	Commitment Party	Commitment Content	Commitment time and duration	If strictly perform the duration	If strictly perform in time	Specific reasons for nonperformance in time	Notes for next plan if nonperformance in time
	Others	Baosteel Group Co., Ltd.	On Dec 16, 2010, Baosteel Group sent the "Enquiry Letter Regarding Desheng Nickel Industry Project" and the "Commitment Letter Regarding Desheng Nickel Industry Project" to enquire whether this company is willing to invest in Desheng Nickel Industry Project or not. This company agreed to let Baosteel Group to invest in Desheng Nickel Industry Project, but shall reserve the right to acquire this project by opportunity in the future. Baosteel Group committed that when this company proposes acquisition offer in the future, it shall transfer the held equities of Desheng Nickel Industry to this company based on asset appraisal by independent appraisal institution, in accordance with related laws, regulations and other normative documents, and at rational price. The foresaid commitments shall be valid under the following circumstances: (1) The company goes public at stock exchange; (2) Baosteel Group holds no less than 30% of the outstanding shares of the company. For the foresaid commitments, please refer to the China Securities Journal, the Shanghai Securities News, the Securities Times as well as the website of Shanghai Stock Exchange http://www.sse.com.cn/ on Dec 23, 2010.	Dec 16, 2010	No	Yes		
Report of Baosteel Corporation Swapping Shares with and Consolidating Wuhan Iron & Steel Corporation by Merger & Affiliated Transactions	Commitment regarding practical performance of filling and returning measures for share swap and consolidation by merger & affiliated transactions	All the directors and senior management of Baosteel Corporation	1. I commit not to transfer interest to other units or individuals without compensation or in unfair conditions, nor adopt other means to damage the company's interests; 2. I commit to restrain my position-related consumption behaviors; 3. I commit not to use the company's assets to engage in or perform any investment or consumption activities unrelated to performance of duties; 4. I commit the linking between the remuneration system formed by the board of directors or the remuneration and assessment committee and the performance situation of the company's filling and return measures; 5. I commit that I will support the linking between the planned execution conditions of the stock incentive programs to be released by the company and the performance situation of the company's filling and return measures if the company subsequently releases stock incentive programs; 6. I commit to practically perform this commitment, and am willing to bear any and all legal liabilities generated from violation of foresaid commitments. For the foresaid commitments, please refer to the China Securities Journal, the Shanghai Securities News, the Securities Times as well as the website of Shanghai Stock Exchange http://www.sse.com.cn/ on Sep 23, 2016.	Sep 22, 2016	No	Yes		
	Commitment regarding maintaining the independence of Baosteel Corporation	Baosteel Group Co., Ltd., Wuhan Iron & Steel Group	I. Maintain the independence of the personnel of Baosteel Corporation This company commits to maintain the independence of the personnel of Baosteel Corporation after the completion of this transaction, the senior management of Baosteel Corporation, including the general manager, deputy general manager, financial director and board secretary, shall not serve as other positions than directors and supervisors in this company and other enterprises controlled by this company, and shall not receive salary at other subsidiaries of this company. The financial personnel of Baosteel Corporation shall not have part-time job at this company and other enterprises controlled by this company. II. Guarantee the independence and completeness of the assets of Baosteel Corporation 1. Guarantee Baosteel Corporation to have independent and complete assets. 2. Guarantee Baosteel Corporation to be free of the situation where the funds or assets are occupied by this company and other enterprises controlled by this company. 3. Guarantee the residence of Baosteel Corporation to be independent from that of shareholders. III. Guarantee the financial independence of Baosteel Corporation. 1. Guarantee Baosteel Corporation to establish independent financial department and independent financial accounting system. 2. Guarantee Baosteel Corporation to have standard and independent financial accounting system. 3. Guarantee Baosteel Corporation to open independent account at banks and not to share a bank account with shareholders. 4. Guarantee the financial personnel of Baosteel Corporation not to have part-time job at this company and other enterprises controlled by this company. 5. Guarantee Baosteel Corporation to be able to make independent financial decisions, and this company and other enterprises controlled by this company shall not intervene the use of funds of Baosteel Corporation. IV. Guarantee the independence of the organs of Baosteel Corporation, guarantee Baosteel Corporation to have independent and complete organs, which shall be completely separated from the organs of shareholders, especially this company and other enterprises controlled by this company. V. Guarantee the independence of businesses of Baosteel Corporation. This company commits to maintain the business independence of the Baosteel Corporation after the completion of this transaction, and is free of neither substantial peer competition nor obviously unfair affiliated transactions. Guarantee Baosteel Corporation to have independent assets, personnel, qualifications and capabilities to develop operational activities, and have the capability of independent operation facing the market. VI. This company commits not to intervene the operational and management activities of Baosteel Corporation, not to embezzle interests of the company. For the foresaid commitments, please refer to the China Securities Journal, the Shanghai Securities News, the Securities Times as well as the website of Shanghai Stock Exchange http://www.sse.com.cn/ on Sep 23, 2016.	Sep 22, 2016	No	Yes		
	Commitment regarding avoiding horizontal competition with the new company after consolidation	Baosteel Group Co., Ltd.	1. After the completion of this transaction, this company shall not directly or indirectly (including but not limited to sole proprietorship, shareholding or other methods) participate in or engage in any business activity that poses substantial competition or may pose substantial competition with the business of Baosteel Corporation. 2. When this company or its subsidiaries intend to engage in any new business, investment or research that may generate competition with the business of Baosteel Corporation, Baosteel Corporation shall have preemptive development right and preemptive project acquisition right, this company will make the most efforts in promoting that the price of related transaction is determined fairly and rationally and based on normal business transaction with an independent third party. 3. After the completion of this transaction, this company will promote the performance of related commitments issued by various parties of this transaction regarding peer competition by executing lawful rights. 4. The foresaid commitments shall all be valid during the period when this company serves as the controlling shareholder of Baosteel Corporation. In case any right or interest of Baosteel Corporation is damaged due to any violation of the foresaid commitments, this company is willing to bear corresponding damage compensatory liabilities. For the foresaid commitments, please refer to the China Securities Journal, the Shanghai Securities News, the Securities Times as well as the website of Shanghai Stock Exchange http://www.sse.com.cn/ on Sep 23, 2016.	Sep 22, 2016	No	Yes		

Commitment background	Commitment Type	Commitment Party	Commitment Content	Commitment time and duration	If strictly perform the duration	If strictly perform in time	Specific reasons for nonperformance in time	Notes for next plan if nonperformance in time
	Commitment regarding avoiding horizontal competition with the new company after consolidation	Wuhan Iron & Steel Group	1. This company commits not to control Guangxi Steel Group Co., Ltd. or dominate the company's operation any longer three years after the completion date of this transaction or after the Fangchengnag Steel Project is comprehensively put into operation (whichever earlier). 2. After the completion of this transaction, this company shall not directly or indirectly (including but not limited to sole proprietorship, shareholding or other methods) participate in or engage in any business activity that poses substantial competition or may pose substantial competition with the business of Baosteel Corporation. 3. When this company or its subsidiaries intend to engage in any new business, investment or research that may generate competition with the business of Baosteel Corporation, Baosteel Corporation shall have preemptive development right and preemptive project acquisition right, this company will make the most efforts in promoting that the price of related transaction is determined fairly and rationally and based on normal business transaction with an independent third party. 4. Except Guangxi Steel Group Co., Ltd. performs based on the solution committed at this time and the commitment exempted through performance procedure, the commitment currently being performed by this company regarding the peer competition with Wuhan Iron & Steel Corporation shall be continuously performed after the completion of this transaction, and shall be valid for Baosteel Corporation. 5. The foresaid commitments shall all be valid during the period when this company serves as the controlling shareholder of Baosteel Corporation. In case any right or interest of Baosteel Corporation is damaged due to any violation of the foresaid commitments, this company is willing to bear corresponding damage compensatory liabilities. For the foresaid commitments, please refer to the China Securities Journal, the Shanghai Securities News, the Securities Times as well as the website of Shanghai Stock Exchange http://www.sse.com.cn/ on Sep 23, 2016.	Sep 22, 2016	No	Yes		
	Commitment regarding regulating affiliated transactions	Baosteel Group Co., Ltd.	1. This company shall ensure Baosteel Corporation to have independent business, complete assets as well as independent and complete system of production, supply, distribution and other auxiliary facilities. 2. This company and other enterprises controlled by this company shall not use the identity as shareholder of Baosteel Corporation to seek preemptive deal making with Baosteel Corporation and its subsidiary enterprises. 3. This company and other enterprises controlled by this company shall avoid and reduce unnecessary transactions with Baosteel Corporation and its subsidiary enterprises. If there is any indeed necessary and unavoidable transaction, this company and other enterprises controlled by this company shall sign agreement with Baosteel Corporation and its subsidiary enterprises in the principle of fairness, fair value and compensation of equal value, perform legal procedures, and legally perform information disclosure obligations and perform related internal decision-making and application procedures according to requirements of related laws, regulations and normative documents as well as the regulations in the "Articles of Association of Baosteel Corporation Co., Ltd.", and guarantee not to transact with Baosteel Corporation and its subsidiary enterprises in obviously unfair conditions compared with market price, nor use such transaction to engage in any behavior that would damage the lawful rights and interests of Baosteel Corporation and its other shareholders. 4. If this company violates any of the foresaid commitments, this company shall bear and compensate Baosteel Corporation for any loss incurred hereof. For the foresaid commitments, please refer to the China Securities Journal, the Shanghai Securities News, the Securities Times as well as the website of Shanghai Stock Exchange http://www.sse.com.cn/ on Sep 23, 2016.	Sep 22, 2016	No	Yes		
	Commitment regarding regulating affiliated transactions	Wuhan Iron & Steel Group	1. This company and other enterprises controlled by this company shall not use the identity as shareholder of Baosteel Corporation to seek preemptive deal making with Baosteel Corporation and its subsidiary enterprises. 2. This company and other enterprises controlled by this company shall avoid and reduce unnecessary transactions with Baosteel Corporation and its subsidiary enterprises. If there is any indeed necessary and unavoidable transaction, this company and other enterprises controlled by this company shall sign agreement with Baosteel Corporation and its subsidiary enterprises in the principle of fairness, fair value and compensation of equal value, perform legal procedures, and legally perform information disclosure obligations and perform related internal decision-making and application procedures according to requirements of related laws, regulations and normative documents as well as the regulations in the "Articles of Association of Baosteel Corporation Co., Ltd.", and guarantee not to transact with Baosteel Corporation and its subsidiary enterprises in obviously unfair conditions compared with market price, nor use such transaction to engage in any behavior that would damage the lawful rights and interests of Baosteel Corporation and its other shareholders. 3. If this company violates any of the foresaid commitments, this company shall bear and compensate Baosteel Corporation for any loss incurred hereof. For the foresaid commitments, please refer to the China Securities Journal, the Shanghai Securities News, the Securities Times as well as the website of Shanghai Stock Exchange http://www.sse.com.cn/ on Sep 23, 2016.	Sep 22, 2016	No	Yes		
	Notes and commitment regarding the transaction-related matters of Baosteel Corporation Swapping Shares with and Consolidating Wuhan Iron & Steel Corporation by Merger	Wuhan Iron & Steel Group	I. Notes and commitments regarding land lease matters. 1. For the 39 authorized operating parcels that have obtained "Letter of Authorization for Operation and Management of State-owned Land Use Right", the company commits to complete, within 3 years after the completion date of the implementation of this consolidation by merger, the state-owned land use right registration procedures over this land parcels of authorized operation, and handle related registration procedures regarding allocating such land parcels to Wuhan Iron & Steel Corporation in form of lease, there is no substantial obstacles in handling the foresaid registration procedures. 2. For the 2 authorized operation lease parcels that have not obtained "Letter of Authorization for Operation and Management of State-owned Land Use Right", the company shall obtain, within 3 years after the completion date of the implementation of this consolidation by merger, the "Letter of Authorization for Operation and Management of State-owned Land Use Right" for such two parcels of authorized operation land, and complete state-owned land use right registration procedures at competent land authorities according to regulations, as well as handle related registration procedures regarding allocating such land parcels to Wuhan Iron & Steel Corporation in form of lease, there is no substantial obstacles in handling the foresaid registration procedures. 3. For the lands used in the Stage II project of Wuxin Corporation, under the precondition that the competent land department transfers related land through public tender, auction and listing, the	Sep 22, 2016	Yes	Yes		

Section V Important Matters

Commitment background	Commitment Type	Commitment Party	Commitment Content	Commitment time and duration	If strictly perform the duration	If strictly perform in time	Specific reasons for nonperformance in time	Notes for next plan if nonperformance in time
			<p>company commits to obtain, within 3 years after the completion date of the implementation of this consolidation by merger, the land use right certificate of such land or ensure Wuxin Corporation to obtain the land use right certificate of such land. If Wuxin Corporation obtains the land use right certificate of such land by then, this company and Wuxin Corporation shall terminate the "Land Lease Agreement" regarding such land. If Wuxin Corporation is unable to continuously use such land because this company or Wuxin Corporation fails to obtain the land use right certificate of such land, then this company shall adopt all reasonable and feasible measures to eliminate related obstacles or influences, as well as bear the related loss that Wuxin Corporation suffers for this reason.</p> <p>4. This company shall ensure Wuhan Iron & Steel Corporation (or the receiver of the assets of Wuhan Iron & Steel Corporation as determined by the scheme of this consolidation by merger) and its subsidiaries to continuously and stably use the lands including the foreshad lease land; if Wuhan Iron & Steel Corporation (or the receiver of the assets of Wuhan Iron & Steel Corporation as determined by the scheme of this consolidation by merger) and its subsidiaries are unable to use such land because the authorized operation land involved in the lease land hasn't handled state-owned land use right registration procedure or related leases haven't handled registration procedures, then this company shall adopt all reasonable and feasible measures to eliminate related obstacles or influences, as well as bear the related loss that Wuhan Iron & Steel Corporation (or the receiver of the assets of Wuhan Iron & Steel Corporation as determined by the scheme of this consolidation by merger) and its subsidiaries suffer for this reason.</p> <p>For the foreshad commitments, please refer to the China Securities Journal, the Shanghai Securities News, the Securities Times as well as the website of Shanghai Stock Exchange http://www.sse.com.cn/ on Sep 23, 2016.</p> <p>II. Notes and commitments regarding real-estate-related matters.</p> <p>1. For the real estates that are registered under the name of Wuhan Iron & Steel Corporation and various levels of subsidiaries of Wuhan Iron & Steel Corporation, but the corresponding land use right holder is this company, this company confirms that the actual property owner of such real estates shall be Wuhan Iron & Steel Corporation and various levels of subsidiaries of Wuhan Iron & Steel Corporation, Wuhan Iron & Steel Corporation (or the receiver of the assets of Wuhan Iron & Steel Corporation as determined by the scheme of this consolidation by merger) and its subsidiaries may continue to occupy and use such properties as is, such properties shall have no property dispute, disagreement or potential dispute. For such real estates, this company commits to transfer, according to the scheme of this consolidation by merger and prior to the completion of this consolidation by merger, to the receiver of the assets of Wuhan Iron & Steel Corporation as determined by the scheme of this consolidation by merger, and there is no substantial obstacles in handling the foreshad transfer procedures.</p> <p>2. For the real estates that are owned by Wuhan Iron & Steel Corporation and various levels of subsidiaries of Wuhan Iron & Steel Corporation, but still registered under the name of this company, the company shall confirm that Wuhan Iron & Steel Corporation and related subsidiaries have fully paid related consideration to this company for obtaining the foreshad real estates or the properties are independently invested and constructed by themselves, then the actual property owner of foreshad real estates shall be Wuhan Iron & Steel Corporation and related subsidiaries; this company commits to ensure, before completely handling transfer procedures, that Wuhan Iron & Steel Corporation (or the receiver of the assets of Wuhan Iron & Steel Corporation as determined by the scheme of this consolidation by merger) and its subsidiaries may use the foreshad real estates in long-term, continuous, stable and free manner, and utilize and dispose such properties as instructed by Wuhan Iron & Steel Corporation (or the receiver of the assets of Wuhan Iron & Steel Corporation as determined by the scheme of this consolidation by merger) and its subsidiaries, if generating any income, it shall be owned by Wuhan Iron & Steel Corporation (or the receiver of the assets of Wuhan Iron & Steel Corporation as determined by the scheme of this consolidation by merger) and its subsidiaries. For such real estates, this company commits to transfer, based on the scheme of this consolidation by merger and within 2 years after the completion of this consolidation by merger, to the receiver of the assets of Wuhan Iron & Steel Corporation as determined by the scheme of this consolidation by merger or related subsidiaries, and there is no substantial obstacles in handling the foreshad transfer procedures, the transfer and related expenses generated hereof shall be at this company's cost.</p> <p>3. For the real estates that are owned by Wuhan Iron & Steel Corporation and various levels of subsidiaries of Wuhan Iron & Steel Corporation, but still haven't handled "Property Ownership Certificate", this company confirms that the actual property owner of such real estates shall be Wuhan Iron & Steel Corporation and various levels of subsidiaries of Wuhan Iron & Steel Corporation, Wuhan Iron & Steel Corporation (or the receiver of the assets of Wuhan Iron & Steel Corporation as determined by the scheme of this consolidation by merger) and its subsidiaries may continue to occupy and use such properties as is, such properties shall have no property dispute, disagreement or potential dispute. This company commits to assist, within 3 days after the completion date of the implementation of this consolidation by merger, Wuhan Iron & Steel Corporation (or the receiver of the assets of Wuhan Iron & Steel Corporation as determined by the scheme of this consolidation by merger) and its subsidiaries to obtain the "Property Ownership Certificate" of the foreshad real estates.</p> <p>4. If this company violates any of the foreshad commitments and causes any loss to Wuhan Iron & Steel Corporation (or the receiver of the assets of Wuhan Iron & Steel Corporation as determined by the scheme of this consolidation by merger) and its subsidiaries, this company commits to make compensation.</p> <p>For the foreshad commitments, please refer to the China Securities Journal, the Shanghai Securities News, the Securities Times as well as the website of Shanghai Stock Exchange http://www.sse.com.cn/ on Sep 23, 2016.</p>	Sep 22, 2016	Yes	Yes		
			<p>III. Notes and commitments regarding the land use situation of Wuhan Weishike Steel Material Processing and Distribution Co., Ltd.</p> <p>This company commits to ensure Wuhan Weishike to obtain the land use right of the foreshad land parcel within 1 year after the completion of this consolidation by merger; if Wuhan Weishike is subject to any administrative penalty or order of dismantling buildings above ground or order of relocation by any competent governmental agency due to actual use of the foreshad land parcel before obtaining the "State-owned Land Use Certificate", or subsequently Wuhan Weishike fails to obtain the "State-owned Land Use Certificate" based on legal procedures, this company shall compensate Wuhan Weishike for related losses incurred hereof.</p> <p>For the foreshad commitments, please refer to the China Securities Journal, the Shanghai Securities News, the Securities Times as well as the website of Shanghai Stock Exchange http://www.sse.com.cn/ on Sep 23, 2016.</p>	Sep 22, 2016	Yes	Yes		

Commitment background	Commitment Type	Commitment Party	Commitment Content	Commitment time and duration	If strictly perform the duration	If strictly perform in time	Specific reasons for nonperformance in time	Notes for next plan if nonperformance in time
			<p>IV. Notes and commitments regarding trademark.</p> <p>1. The registered trademark listed in Appendix II of this Notes and Letter of Commitments (hereinafter referred to as "This Trademark") is applied and registered by this company, this trademark is legal and valid, and its exclusive rights are protected by law and free of any ownership dispute. This trademark is currently used by Wuhan Iron & Steel Corporation and its subsidiaries for free.</p> <p>2. This company confirms that Wuhan Iron & Steel Corporation and its subsidiaries shall have the right to continuously use this trademark free of charge, and this company shall continue to protect the validity of this trademark, and guarantee the using rights of Wuhan Iron & Steel Corporation. Without the consent from Wuhan Iron & Steel Corporation, this company shall not waive the extended protection of this trademark, nor transfer it to any third party.</p> <p>3. After the completion of this consolidation by merger, the receiver of the assets of Wuhan Iron & Steel Corporation as determined by the scheme of this consolidation by merger (hereinafter referred to as "the receiver of the assets of Wuhan Iron & Steel Corporation") shall have the right to continuously use this trademark in long-term and free manner during the valid term of this trademark, and this company commits that if it is required by any law, regulation or regulatory agency that this company shall transfer the used trademark to the receiver of the assets of Wuhan Iron & Steel Corporation, this company shall coordinate. Without the consent from the receiver of the assets of Wuhan Iron & Steel Corporation, this company shall not waive the extended protection of this trademark, nor transfer it to any third party.</p> <p>For the foreshad commitments, please refer to the China Securities Journal, the Shanghai Securities News, the Securities Times as well as the website of Shanghai Stock Exchange http://www.sse.com.cn/ on Sep 23, 2016.</p>	Sep 22, 2016	No	Yes		
			<p>V. Notes and commitments regarding other matters. This company commits that in order to protect the interest of the listed company after going to public, if the listed company after consolidation has any loss due to any legal flaw of Wuhan Iron & Steel Group existing before this consolidation by merger, Wuhan Iron & Steel Group shall compensate the listed company after the consolidation to ensure the listed company after consolidation to be free of actual losses.</p> <p>For the foreshad commitments, please refer to the China Securities Journal, the Shanghai Securities News, the Securities Times as well as the website of Shanghai Stock Exchange http://www.sse.com.cn/ on Sep 23, 2016.</p>	Sep 22, 2016	No	Yes		

Section V Important Matters

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

Reached Not reached Not applicable

(III) Completion of performance commitments and their impact on goodwill impairment test

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

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

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

Applicable Not applicable

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

Applicable Not applicable

(III) The communication situation with previous accounting firm

Applicable Not applicable

(IV) Other instructions

Applicable Not applicable

VI. Appointment and dismissal of the accounting firm

Unit: 10 thousand Yuan Currency: RMB

	Originally employ	Now employ
Name of the domestic accounting firm	Deloitte & Touche (Special General Partnership)	Ernst & Young Huaming Certified Public Accountants (special general partnership)
Remuneration of the domestic accounting firm	230.4	216.7
Domestic accounting firm's audit age limit	Eight years	One year

	Title	Remuneration
Accounting firm for the Company's internal control audit	Ernst & Young Huaming Certified Public Accountants (special general partnership)	79

Appointment and dismissal of the accounting firm

Applicable Not applicable

Upon deliberation and approval of the second extraordinary general meeting of the shareholders in 2018, The company retained Ernst & Young Huaming Certified Public Accountants (special general partnership) (hereinafter referred to as the "Ernst & Young") to deal with accounting affairs for annual financial statements audit and for internal audit control. The financial statements audit fee was RMB 2,167,000 yuan (tax included) and the internal control audit fee was RMB 790,000 yuan (tax included). See details in Temporary No. 2018-054 announcement disclosed by The company on August 28, 2018.

By the end of 2018, Ernst & Young has provided audit services for one consecutive year for the company, and signature accountants Zhou Youmei and Xu Lele have provided audit services for one consecutive year.

Notes to change of hired accounting firm during auditing period

Applicable Inapplicable

VII. Risks of listing suspension

(I) Reasons for listing suspension

Applicable Not Applicable

(II) Countermeasures to be taken by the company

Applicable Not Applicable

VIII. Situation and reason for listing termination

Applicable Not Applicable

IX. Issues about bankruptcy and reorganization

Applicable Not Applicable

X. Major litigation and arbitration events

Major litigation and arbitration events of this year No major litigation and arbitration events of this year

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

Applicable Not applicable

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

Applicable Not applicable

Section V Important Matters

Unit: Million Yuan Currency: RMB

Within reporting period:										
Plaintiff (applicant)	Defendant (respondent)	Party bearing joint liabilities	Type of litigation or arbitration	Basic information of litigation (arbitration)	Involved amount of litigation (arbitration)	Whether litigation (arbitration) forms estimated liability or not and related amount	Progress of litigation (arbitration)	Result and influence of litigation (arbitration) trial	Execution of litigation (arbitration) judgment	
Hua Xia Bank Wuhan Xudong Branch	International Economic & Trade Co., Ltd. of Wuhan Iron & Steel Group		Debt dispute	In November 2016, a summons from Wuhan Intermediate Court claimed that Hua Xia Bank Wuhan Xudong Branch hereby files a lawsuit against 9 defendants including Wuhan Huanxin Company, International Economic & Trade Co., Ltd. of Wuhan Iron & Steel Group, etc. due to Wuhan Huanxin Company's failure to pay the RMB 258 million of goods payment, and required them to bear the liabilities of RMB 258 million. International Economic & Trade Co., Ltd. of Wuhan Iron & Steel Group believed that the seal of International Economic & Trade Co., Ltd. of Wuhan Iron & Steel Group stamped on the proofs provided by Hua Xia Bank Wuhan Xudong Branch was forged.	258	No	Won a lawsuit at the first instance			
Hankou Bank	Shandong Wuxin		Financial loan contract dispute	The plaintiff claims that it signed an acceptance agreement with Fuxing Hongtai on December 30, 2013 and now, Fuxing Hongtai owes a total of RMB 102 million yuan in principal and interest to Hankou Bank. It further claims that Shandong Wuxin has provided financing pledge guarantee, but Shandong Wuxin actually did not provide pledge guarantee. The guarantee was actually made by a forged seal. Hankou Bank asked Shandong Wuxin to assume the liability within the guarantee of RMB 147 million yuan.	147	No	First instance already tried, but there is no judgment yet			

(III) Other instructions

 Applicable Not applicable

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

 Applicable Not applicable

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

 Applicable Not applicable

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

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

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

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

In 2017, due to change of personnel, 12 incentive objects adjusted and quit the initial restricted stock program, the company complied with the national policies and related regulations regarding restricted corporate stocks, restricted stocks that hadn't reached unlocking conditions were purchased back by the company based on the price granted to incentive objects and canceled. On May 23, 2017, the 18th Meeting of the 6th Board of Directors of Baosteel Corporation reviewed and passed the "Resolution Regarding Unlocking of the Restricted Stock Program of Baosteel Corporation during the Second Unlocking Period", and approved this unlocking. The company handled unlocking-related matters over the total of 12,930,700 shares of restricted stock that can be unlocked during the second unlocking period for 114 incentive objects. In the same year, in order to establish a continuous and stable mid-term and long-term incentive and restriction mechanism, accelerate the promotion of the progress of Bao-Wu consolidation, integration and combination, strengthen the coordination effect among various bases and the company's long-term and stable development, the company implemented Stage II restricted stock program, and granted 1,067 incentive objects with a total of 166,282,200 shares of restricted stocks, and the source of which was the A-share common stock directionally issued from Baosteel Corporation to incentive objects.

In 2018, due to internal personnel changes, a total of 2 incentive objects were adjusted and exited from the first phase of restricted stock plan, eight incentive objects were adjusted and exited from the second phase of restricted stock plan. According to national policy and the company's related provisions on restricted stock, restricted stock not yet reaching unlock conditions have been bought back and de-registered by the company according to the price awarded to the incentive object. On June 8, 2018, the Proposal on the Third Unlocking Period of the Company's Initial Restricted Stock Plan was deliberated and adopted on the first meeting of Baosteel's 7th session of boards according to which the unloading was agreed. The company handled unloading formalities for 100 incentive objects for the third unloading period for a total of 11,360,700 restricted stocks. In the same year, according to the restricted stock plan for the second stage, 10 million restricted stocks were reserved for follow-up qualified incentive objects and new backbones. On December 18, 2018, the Proposal on the Implementation, Reserving and Awarding of the Restricted Stock Plan for Stock A was deliberated and adopted on the fifth meeting of the 7th session of Baosteel's boards, according to which 9,566,700 restricted stocks were awarded to 76 incentive objects. The source of stock was ordinary stock A issued by Baosteel Stock to incentive objects.

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

(I) Relevant incentives disclosed in temporary announcement and without progression or change in the following implementation

 Applicable Not applicable

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

Stock incentive information

 Applicable Inapplicable

Section V Important Matters

XIV. Significant related party transactions

(I) Related transaction related to daily operation

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

1. Buying and selling products and accepting services

Unit: Million Yuan Currency: RMB

Related party	Contents of related transaction	Pricing principle	Transaction amount
Ouyeel Corporation	Sales of steel products, etc.	Market price	16,494
Baosteel Resource International Co., Ltd.	Sales of raw fuel, etc.	Market price	3,499
Baosteel Special Steel Co., Ltd.	Sales of steel products, auxiliary materials, energy medium, etc.	Market price or agreement price	2,514
Wuhan Iron & Steel Group Co., Ltd.	Sales of steel products, energy medium, etc.	Market price or agreement price	2,198
Baosteel Metal Co., Ltd.	Sales of steel products, etc.	Market price	1,497
Wugang United Coking	Sales of raw fuel, energy medium, etc.	Market price	1,570
Baowu Group Environmental Resources Technology Co., Ltd.	Sales of steel by-products, energy medium, etc.	Market price	1,257
Baosteel Group Shanghai Meishan Co., Ltd.	Sales of steel by-products, energy medium, etc.	Market price	1,145
Baosteel Resources Co., Ltd.	Sales of raw fuel, etc.	Market price	1,095
Subtotal of product sales		Market price	31,270
Baosteel Resource Co., Ltd.	Procurement of raw fuel	Market price	8,252
Wuhan Iron & Steel Group Co., Ltd.	Procurement of raw fuel, auxiliary materials	Market price	6,036
Baosteel Special Steel Co., Ltd.	Procurement of steel products	Market price	5,759
Baosteel Stainless Steel Co., Ltd.	Procurement of steel products	Market price or agreement price	1,883
Ningbo Baoxin Stainless Steel Co., Ltd.	Procurement of steel products	Market price	6,492
Baosteel Engineering Technology Group Co., Ltd.	Procurement of equipments, spare parts, etc.	Market price	1,279
Baowu Group Guangdong Shaoguan Iron & Steel Co., Ltd.	Procurement of steel products	Market price	2,632
Baosteel Development Co., Ltd.	Procurement of auxiliary materials, etc.	Market price	1,018
Baosteel Desheng Stainless Steel Co., Ltd.	Procurement of steel products	Market price	1,819
Ouyeel Corporation	Procurement of steel products	Market price	2,090
Baosteel Group Xinjiang Bayi Iron & Steel Co., Ltd.	Procurement of steel products	Market price	1,522
Wugang United Coking	Procurement of coke, etc.	Market price or agreement price	12,002
Baosteel Resource International Co., Ltd.	Sales of raw fuel, etc.	Market price	1,128
Subtotal of commodity procurement			51,912
Baosteel Engineering Technology Group Co., Ltd.	Acceptance of testing, overhaul, engineering services, etc.	Agreement price	2,326
Baosteel Group Shanghai Meishan Co., Ltd.	Acceptance of comprehensive logistics, engineering, overhaul, warehousing, transportation services, etc.	Agreement price	1,118
Baosteel Development Co., Ltd.	Acceptance of testing, overhaul, engineering services, etc.	Agreement price	1,006
Subtotal of received labors			4,450

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

The sales above accounted for 10.3% of the Company's operation revenue in the reporting period; procurement and accepting services took up 20.0% and 1.7% respectively of the Company's operation cost in the reporting period.

All transactions were settled either by cash or by note.

2. Financial service

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

In the reporting period, Finance Company provided a total of RMB 16.24 billion to controlled subsidiaries of Baowu Group, with outstanding loan of RMB 1.1 billion, and a total interest income of RMB 20 million.

During this reporting period, the financial company lent RMB 1.89 billion of financial-type funds to subsidiaries of Baowu Group, there was no balance at the end of year, and the received income was RMB 1 million.

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

3. Entrusted assets management

In order to effectively raise the use efficiency of temporarily idle funds, maintain and increase capital value, Baosteel entrusted the financial subsidiary of Baowu Group for assets management, including purchasing financial products like funds and trust. Trading volume during reporting period was RMB 2.41 billion, with RMB 2.7 billion closing balance, RMB 100 million investment income.

(II) Affiliated credit and debt transaction

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

Applicable Not applicable

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

Applicable Not applicable

3. Matters undisclosed at temporary announcement

Applicable Inapplicable

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

Applicable Inapplicable

(III) Major Affiliated Transactions of Joint External Investment

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

Applicable Inapplicable

2. Matters Already Disclosed in Temporary Announcement and with Progress or Change in Follow-up Implementation

Applicable Inapplicable

Unit: Million Yuan Currency: RMB

Co-investor	Affiliation relationship	Name of the enterprise invested	Main business of the enterprise invested	Registered capital of the invested enterprise	Total assets of the invested enterprise	Net assets of the invested enterprise	Net profit of the invested enterprise	Progress of major projects under construction of the invested enterprise
Wuhan Iron & Steel (Group) Company	A brother company in the group	Wuhan Iron & Steel Group Finance Co. LTD	Financial services	3,893	36,188	5,899	511	N/A

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After Baowu's integration, two financial companies under Baowu Group had to be integrated according to relevant regulatory requirements and the integration needs of similar businesses. According to the resolution of the fourth board of the seventh session, Wuhan Iron & Steel and International Economic and Trading Corporation, WISCO under the company shall transfer to paid-in-capital of Wuhan Iron & Steel's holding subsidiary Wuhan Iron & Steel Group Finance Co., Ltd. to the scale of RMB 542 million yuan.

3. Matters not Disclosed in Temporary Announcement

Applicable Inapplicable

(IV) Affiliated Creditor's Rights and Debts

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

Applicable Inapplicable

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

Applicable Inapplicable

3. Matters not Disclosed in Temporary Announcement

Applicable Inapplicable

XV. Major contracts and their performance situation

(I) Matters of trusteeship, contracting and lease

1. Trusteeship situation

Applicable Not applicable

2. Leasing situation

Applicable Not applicable

(II) Security situation

Applicable Not applicable

Unit: Million Yuan Currency: RMB

Foreign guaranty condition of the Company (excluding the guaranty for subsidiaries)													
Guarantor	The relationship between the guarantor and the listed company	Secured party	Amount of guarantee	Guarantee occurring date (signing date of the agreement)	Starting date of guarantee	Expiry date of guarantee	Guarantee type	The guarantee has been fulfilled or not	Guarantee is overdue or not	Guaranteed amount	Whether there is a counter guarantee or not	Whether it is guaranteed by related parties	Associated relation
Total amount of guarantee during the reporting period (excluding guarantees for subsidiaries)													
Total amount of guarantee balance at the end of the reporting period (A) (excluding guarantees for subsidiaries)													
Guarantees for subsidiaries from the Company and its subsidiaries													
Total guaranteed amount for subsidiaries during the report period												686.3	

Total balance of guarantee for subsidiaries at the end of the report period (B)	815.8
Total guarantee amount of the Company (including the guaranty towards subsidiaries)	
Total guaranteed amount (A + B)	815.8
Proportion of total guaranteed amount to net assets (%)	0.43
Wherein:	
Total amount guaranteed for shareholders, actual controllers and related parties (C)	
Amount guaranteed provided for guaranteed objects with a liability rate of assets of over 70% directly or indirectly (D)	
Excess of total guaranteed amount over 50% of net assets (E)	
The aforementioned total amount guaranteed of three items (C + D + E)	
Descriptions for the possible joint liability for satisfaction of the undue guarantee	The Guarantee companies mentioned above bear joint liability. At present, there is no such thing as the actual performance of joint liability by the Company.
Statement of guarantee	As of the end of 2018, this company provided a subsidiary Baosteel Middle East Company with a joint liability performance bond of USD 19 million with the term from November 28, 2016 to May 30, 2019; provided a subsidiary Baosteel America Inc. with a joint liability performance bond of USD 100 million with the term from August 15, 2018 to August 1, 2021. The amount of foresaid letter of guarantee totaled about RMB 816 million, accounting for 0.43% of the net assets of the company at the end of period. The foresaid letter of security had no substantial risk expansion, nor substantially different from general security matters. The foresaid securities of the company had no performance tendency, so the risk is controllable.

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

1. Entrusted financial management situation

(1) Entrusted financial management situation

Applicable Not applicable

Unit: Million Yuan Currency: RMB

Type	Source of fund	Incurred amount	Unexpired balance	Unrecovered overdue amount
Bank finance	Self-owned	54,450	3,765	
Broker finance	Self-owned	-	189	
Trust finance	Self-owned	1,730	1,438	

Other Information

Applicable Not applicable

Other investing and financing as well as derivative investment situations

Unit: One million shares, one million Currency: RMB

Type	Source of fund	Incurred amount	Unexpired balance	Unrecovered overdue amount
Bank finance	Self-owned	70		
Broker finance	Self-owned		23	
Trust finance	Self-owned	100		
Fund finance	Self-owned	7,512	893	
Other finances	Self-owned	300	255	

Note: The above-mentioned finances are conducted by the finance company under the Company. Finance company is the holding financial subsidiary of the Company, and investment finance business belongs to its normal business scope.

(2) Depreciation Reserve of Entrusted Finance

Applicable Inapplicable

Section V Important Matters

2. Information of Entrusted Loan

(1) General Information of Entrusted Loan

Applicable Inapplicable

(2) Single Entrusted Loan Information

Applicable Inapplicable

(3) Depreciation Reserve of Entrusted Loan

Applicable Inapplicable

XVI. Explanations for other major matters

Applicable Inapplicable

XVII. Working situation on actively implementing social responsibilities

(I) Poverty-relief work situation of listed company

Applicable Not applicable

1. Targeted poverty alleviation planning

Applicable Not applicable

2018 is a crucial year of precise poverty alleviation. Baosteel profoundly implemented spirits of General Secretary Xi Jinping's speech on precise poverty alleviation, strived to build the poverty alleviation pattern integrating the government, market and society, and grasped adjusting measures to local conditions, precise poverty alleviation and overall development and the principle of strengthening the base and solidifying the foundation. Adhering to precise poverty alleviation objects, precise project arrangement, precise capital use, precise measures to each household, precise person in charge and precise poverty alleviation effect, the company realized overall development and formed the precise poverty alleviation mechanism vertically to the bottom and horizontally to the boundary. We further liberated minds, worked hard to overcome difficulties, and took serious measures to implement responsibilities. In accordance with the requirements of promoting the whole village, industrial development, education and training at a ratio of 5:4:1 and increasing investment in deeply poverty-stricken areas, the targeted poverty alleviation assistance and construction targets for 2018 have been set in earnest.

2. Summary of Annual Accurate Poverty Support

Applicable Not applicable

In 2018, Baosteel made full use of the company's strength, set up the foothold point and made efforts to create the "support network". In the middle of the year, the board of directors adopted the resolution on doubling the fund for designated poverty alleviation, and successfully completed the signing of two project assistance agreements. In 2018, a total of RMB 26.2 million yuan of aid funds were invested in for 35 projects in Yunnan. Through the implementation of infrastructure construction, industrial poverty alleviation, education and training, we have effectively improved living standards of people in poor areas and standardized and highlighted the appearance of rural villages.

3. Effect of Accurate Poverty Support

Applicable Not applicable

Unit: 10 thousand Yuan Currency: RMB

Indicator	Amount and development
I. General Situation	Aid fund of RMB 26.2 million yuan was invested within the plan; aid funds of RMB 1.3397 million yuan was invested out of the plan for two projects (education assistance and quilt donation). In 2018, Baosteel organized 80 person-times survey in designated counties (including 4 person-times at department level, 52 person-times at division level, and 24 person-times at section level and below).

Including: 1. Funds	2,703.4
2. Worth of materials	z
3. Number of registered poor population supported (person)	15,652
II. Investment for subentry	
1. Industrial development for poverty alleviation	
Wherein: 1.1 Types of industrial poverty alleviation projects	<input checked="" type="checkbox"/> Agriculture and forestry poverty relief <input type="checkbox"/> Pro-poor tourism <input checked="" type="checkbox"/> E-commerce poverty relief <input checked="" type="checkbox"/> Assets income poverty relief <input type="checkbox"/> Support poor areas using technology <input type="checkbox"/> Others
1.2 Number of industrial poverty alleviation projects (units)	10
1.3 Investment amount of industrial poverty alleviation project	792
1.4 The number of poverty people who are helped to put on record for poverty alleviation (person)	5,641
2. Transfer and employment for poverty alleviation	
Wherein: 2.1 Vocational skill training investment amount	34
2.2 Number of vocational skill training participants (person/time)	6,288
2.3 Number of people in poverty family who are helped to obtain employment (person)	12,898
3. Relocation for poverty alleviation	
Wherein: 3.1 Number of people in relocated family that are helped to get employment (person)	-
4. Education for poverty alleviation	
Wherein: 4.1 Investment amounts for funding poor students	235.9
4.2 Number of poor students (person) for funding	1,037
4.3 Amount of resource input to improve the education in poverty regions	40
5. Health care for poverty alleviation	
Wherein: 5.1 Amount of medical and health resources invested in poverty-stricken areas	-
6. Ecological protection for poverty alleviation	
7. Bottom guaranteed protection	
Wherein: 7.1 Amount invested in helping left-behind children, elderly and women	-
7.2 Number of left-behind children, elderly and women who get help (person)	-
7.3 Amount invested in helping poor disabled people	-
7.4 Number of poor disabled people who get help (person)	-
8. Social poverty alleviation	
Wherein: 8.1 Amount invested for poverty alleviation cooperation between east and west in China	-
8.2 Amount invested for fixed-point poverty alleviation	2,753.97
8.3 Poverty alleviation fund	5
9. Other items	
Wherein: 9.1. Project number	14
9.2. Invested amount	1,526
9.3. The number of poverty people who are helped to put on record for poverty alleviation (person)	3,183
9.4 Notes to other projects	-
III. Awards received (content, grade)	

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4. Follow-up targeted poverty alleviation plan

√ Applicable Not applicable

(1)To strengthen awareness; guided by the spirit of the 19th CPC national congress and the unified requirements of the CPC central committee and the State Council, to make efforts to carry out targeted poverty alleviation measures, make efforts to promote targeted poverty alleviation, and achieve practical results in targeted poverty alleviation.

(2)To strengthen leadership; to promote work regularly from the company level, fully understand the situation of cities, counties, townships and villages in poverty-stricken areas, summarize experience and carry out poverty alleviation work to the most basic level.

(3)To make more publicity work. According to the State Council's spirit of encouraging consumption and poverty alleviation, to mobilize cadres and workers to purchase characteristic agricultural and sideline products in designated poverty alleviation areas to enhance their sense of honor and social responsibility for designated poverty alleviation.

(4)Develop industries. To further seek ways and means to improve local industrial development level, such as making use of Baosteel's advantages to help the targeted poverty-stricken areas to carry out industrialization development of characteristic agriculture.

(5)Helping the poor by education: To plan and organize local enterprises and governmental management at poverty-stricken areas for professional knowledge training and strengthen skill training for the rural working population.

(II) Social responsibilities working situation

√ Applicable Not applicable

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

(III) Environmental Information

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

√ Applicable Not applicable

During the period of the report, the company has earnestly implemented the major decisions and arrangements concerning environmental protection made by the State Ministry and Shanghai Municipal Government, adhered to the concept of green and sustainable development for a long time, took environmental protection work as the core of the survival and development of the enterprise, and took environmental pollution control work as the key work of the enterprise. Through the implementation of the main responsibility and leadership responsibility at all levels, The company takes the initiative to improve the awareness of environmental protection. Adhering to the overall requirements of "full coverage, zero tolerance, strict law enforcement and emphasis on actual results", The company studied and solved outstanding environmental protection restricting problems of the company according to national laws and regulations and industry standards.

(1) Pollution discharge information

√ Applicable Not applicable

During the reporting period, the total quantity required by the company is: 20,489 tons of particulate matter, 24,930 tons of sulfur dioxide and 53,030 tons of nitrogen oxides; the company actually discharged 13,014 tons of particulate matter, 17,736 tons of sulfur dioxide, and 42,868 tons of nitrogen oxides. The total waste water discharge target is COD 1,608 tons and ammonia nitrogen 153.4 tons, and the actual discharge was COD 1,080 tons and ammonia nitrogen 93.68 tons. The indicators are in line with the total emission permit control indicators. Upon supervision and monitoring of the environmental protection department and the self-test of the enterprise, all kinds of pollutants discharged by the company are in line with the pollutant emission limits given in the following standard: Water Pollutant Discharge Standard for Iron and Steel Industry (GB13456-2012), Air Pollutant Emission Standards for Iron and Steel Sintering and Pellet Industry (GB28662-2012); Air Pollutant Emission Standard for Ironmaking Industry (GB28663-2012); Air Pollutant Emission Standards for Steelmaking Industry (GB28664-2012); Air Pollutant Emission Standard for Steel Rolling Industry (GB28665-2012); Emission Standards for Air Pollutants of Thermal Power Plants (GB13223-2011), Emission Standards for Pollutants of Coking Chemical Industry (GB16171-2012), and the Emission Standards for Environmental Noise at the Boundary of Industrial Enterprises (GB12348-2008). See the table below for the pollutant discharge situation of each subsidiary company:

Name of company or subsidiary	Major pollutants and characteristic pollutants	Emission mode	Quantity of emission outlets	Distribution of emission outlets	Emission concentration	Pollutant emission standards implemented	The total emission (ton/year)	Total permitted emissions (tons/year)	Involved in a lawsuit or not		
Baoshan Iron & Steel Co., Ltd., Baoshan Base	Particulate matter	Organized emission	464	Iron making, steel making, steel rolling	All meet the relevant standards	Air Pollutant Emission Standards for Iron and Steel Sintering and Pellet Industry (GB28662-2012); Air Pollutant Emission Standard for Steel Rolling Industry (GB28665-2012); Emission Standards for Air Pollutants of Thermal Power Plants (GB13223-2011); Emission Standards for Pollutants of Coking Chemical Industry (GB16171-2012); Air Pollutant Emission Standards for Steelmaking Industry (GB28664-2012)	4,725	8,894	None		
	Sulfur dioxide					5,499	7,576	None			
	Nitrogen oxides					10,093	13,796	None			
	COD					7	Wastewater treatment outlet	Integrated Wastewater Discharge Standard (DB31/199-2009)	147.2	189.74	None
	Ammonia nitrogen							7.14	14.77	None	
Wuhan Iron & Steel Co., Ltd.	Particulate matter	Organized emission	125	Iron making, steel making, steel rolling	All meet the relevant standards	Air Pollutant Emission Standards for Iron and Steel Sintering and Pellet Industry (GB28662-2012); Air Pollutant Emission Standard for Steel Rolling Industry (GB28665-2012); Emission Standards for Air Pollutants of Thermal Power Plants (GB13223-2011); Emission Standards for Pollutants of Coking Chemical Industry (GB16171-2012); Air Pollutant Emission Standards for Steelmaking Industry (GB28664-2012)	5,048	6,584	None		
	Sulfur dioxide					6,750	12,978	None			
	Nitrogen oxides					16,929	23,694	None			
	COD					2	Wugang north lake and industrial port outlets	Integrated Wastewater Discharge Standard (DB31/199-2009)	795	1,191	None
	Ammonia nitrogen							2	Wugang north lake and industrial port outlets	80.2	120
Baosteel Zhanjiang Iron & Steel Co., Ltd.	Particulate matter	Organized emission	237	Iron making, steel making, steel rolling	All meet the relevant standards	Air Pollutant Emission Standards for Iron and Steel Sintering and Pellet Industry (GB28662-2012); Air Pollutant Emission Standard for Steel Rolling Industry (GB28665-2012); Emission Standards for Air Pollutants of Thermal Power Plants (GB13223-2011); Emission Standards for Pollutants of Coking Chemical Industry (GB16171-2012); Air Pollutant Emission Standards for Steelmaking Industry (GB28664-2012)	1,973	4,517	None		
	Sulfur dioxide					2,934	4,001	None			
	Nitrogen oxides					8,807	11,752	None			

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Shanghai Meishan Iron & Steel Co., Ltd.	COD	Organized emission	1	Deep sea vent	All meet the relevant standards	Integrated Wastewater Discharge Standard (DB31/199-2009)	46.4	157.8	None
	Ammonia nitrogen					0.82	14.5	None	
	Particulate matter	Organized emission	102	Iron making, steel making, steel rolling	All meet the relevant standards	Air Pollutant Emission Standards for Iron and Steel Sintering and Pellet Industry (GB28662-2012); Air Pollutant Emission Standard for Ironmaking Industry (GB28663-2012); Emission Standards for Pollutants of Coking Chemical Industry (GB16171-2012);	1,242	6,225	None
	Sulfur dioxide					24	2,468	7,504	None
	Nitrogen oxides					18	6,720	15,824	None
Baosteel-NSC/Arcelor Automotive Steel Sheets Co., Ltd.	COD	Organized emission	1	Outlet	All meet the relevant standards	Integrated Wastewater Discharge Standard (DB31/199-2009)	94.3	737	None
	Ammonia nitrogen					4.84	76	None	
	Particulate matter	Organized emission	13	Steel rolling	All meet the relevant standards	Air Pollutant Emission Standard for Steel Rolling Industry (GB28665-2012)	24.10	40.72	None
	Sulfur dioxide					8	18.32	53.78	None
	Nitrogen oxides					8	133.8	196.09	None
Baowu carbon materials	Particulate matter	Organized emission	22	Tar, benzene processing	All meet the relevant standards	Integrated Wastewater Discharge Standard (DB31 933-2015), Emission Standards for Pollutants of Coking Chemical Industry (GB16171-2012);	7.64	35	None
	Sulfur dioxide					22	42.1	303	None
	Nitrogen oxides					22	84.5	218	None
	COD	Organized emission	2	Treatment of phenolic cyanide wastewater	All meet the relevant standards	Emission Standards for Pollutants of Coking Chemical Industry (GB16171-2012);	96.2	142	None
	Ammonia nitrogen					2	0.75	1.5	None
Baosteel Huangshi Coating & Galvanizing Co., Ltd.	Particulate matter	Organized emission	1	Cold rolling unit	All meet the relevant standards	Air Pollutant Emission Standard for Steel Rolling Industry (GB28665-2012)	2.09	4.5	None
	Sulfur dioxide					4.17	5.8	None	
	Nitrogen oxides					22.8	33.0	None	

(2) Construction and operation of pollution control facilities

Applicable Not Applicable

The company actively faces the pressure of environmental protection, adjusts the thinking of environmental protection management and carries out fine environmental protection management guided by existing laws and regulations, industrial policy requirements, strengthens the performance of environmental protection work, guides employees to give full play to their subjective initiative, strengthens supervision, and ensures the control objectives under control.

According to the latest environmental requirements and the distribution of pollution sources, the company has strengthened the comprehensive treatment of waste gas and waste water pollutants. Baoshan Base mainly implemented projects including power plant ultra-low emission treatment and transformation, comprehensive treatment and transformation of sintering flue gas, etc., further promoted completely closed transformation of the raw material storage yard, the full airtightness of raw material and fuel operation process and operation switch between open air stock yard and closed stock yard, thus effectively reducing dust pollution. Baoshan Base has also comprehensively diagnosed the existing treatment facilities and actively promoted the transformation of ultra-low emission in the steel industry; actively promoted wastewater reduction at the source and implemented and promoted rolling alkali liquor recovery technology. Qingshan Base promoted the flue gas desulfurization treatment project of iron smelting machine from one to five, realized the full desulfurization of sintering flue gas, and completed the sulfur dioxide emission reduction treatment; it has actively rectified unorganized emission and reduced dust in the plant. It plans to build a closed raw material stock yard and has demolished C3 stock yard. It took measures to reduce dust by tarpaulin covering, watering, applying dust depressor, adding

the vehicle washing platform and access control. Main pollutant control projects in the reporting period are wastewater, waste gas and upgrade of environmental protection monitoring devices. All these work have been completed according to the company's plan. Main governance projects include the finished product closed transformation project at the sintering new area of the mill, three hot rolling and rough rolling transformation project by adding the de-dusting equipment, three silicon CA13-16 weak alkali waste water pump reform project and the transformation of the chromic acid emission system for some cold rolling workshop. Dongshan Base mainly took the following environmental protection measures: full closing of powder material at the raw materials field, sintering head smoke flue gas activated carbon purification technology, pellet flue gas dry process desulfurization, setting de-dusting at the pusher machine side, coke oven flue gas desulfurization denitration processing system (the first set in the world), composite vertical flow constructed wetland treatment of coking wastewater, ultra-low self-provided power plant boiler flue gas emissions technology, sewage concentrated treatment, iron-contained solid waste disposal center (rotary hearth furnace), etc. Meishan Base focused on promoting source treatment for wastewater; blocked unorganized outlet of the Gongnonghe Plant Area, promoted Ximin Channel rectification project, organized to promote environmental protection facilities power distribution supervision project and determined 120 sets of equipment for first batch installation.

The company attaches great importance to environmental protection and the operation and management of environmental protection facilities. It has clarified the environmental protection management functions of all departments, established a complete management system, formulated and improved the management system. All subsidiaries carry out their work in strict accordance with ISO14001 Environmental Management System Standard. The company continues to pay attention to the further transformation of environmental protection equipment management from "focusing on results" to "focusing on process", promotes the construction of the hierarchical management and control system of environmental protection facilities, formulates the control list and management indicators, and strengthens the management requirements. At present, the company's environmental protection treatment facilities have fully covered by waste gas, waste water, noise and solid waste, and various pollution prevention and control facilities are running normally.

(3) EIA of projects under construction and other administrative license for environmental protection

Applicable Not Applicable

All new construction, reconstruction and expansion projects of Baosteel comply with national and local provisions on "three-simultaneity" of environmental protection of construction projects and have handled EIA formalities and completion acceptance formalities. Self-acceptance of environmental protection upon project completion in accordance with the Catalog of Classified Management of the Construction Project Environmental Impact Assessment and the Regulations on the Administration of Environmental Protection for Construction Projects has been completed in 2018, specifically as below:

Unit	Key projects	EIA issuance/ acceptance situation
Baoshan Base	Transformation of flue gas desulfurization of Baosteel low-pressure boiler	A reply on EIA has been received
	Transformation of flue gas desulfurization of Baosteel low-pressure boiler	A reply on EIA has been received
	Newly added super high strength steel leveling unit for 2050 hot rolling mill	A reply on EIA has been received
	Add smoke purification devices for phase III and phase IV coke oven	A reply on EIA has been received
	Addition of gas purification device for phase I dry quenching	A reply on EIA has been received
	No. 4 unit of the power plant flue gas environmental transformation	A reply on EIA has been received
	Relocation of the station and the garage of the transportation department	A reply on EIA has been received
	Newly-built production and operation center integrating several departments in one	A reply on EIA has been received
	Closed reconstruction of the slag yard of inland river wharf	A reply on EIA has been received
	Phase III mixing yard relocation and closed renovation	A reply on EIA has been received
	New intelligent manufacturing workshop project of the transportation department	A reply on EIA has been received
	Overhaul of No. 3 sintering oven	Acceptance has been completed
	Relocation transformation of the blast furnace gas cabinet	Acceptance has been completed
	Raw material phase I input system overhaul supporting inspection and test integration transformation	Acceptance has been completed
	Cold rolling plant unit 1550 adding the auto plate rewinding unit	Acceptance has been completed
	Closed transformation of Phase I and Phase II mixing yard BA, BB and auxiliary yard OA and OB	Acceptance has been completed
	Addition of a high-strength GA equipment for cold rolling mill pilot plant (C122)	Acceptance has been completed
	Comprehensive transformation of ultra-low emission for unit 1, 2 and 3 of the power plant (unit 1 and unit 2)	Acceptance has been completed
	Transformation of No.2 converter gas cabinet	Acceptance has been completed
	New storage facilities for finished products in the beach area	Acceptance has been completed

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Qingshan Base	Addition of the online heat treatment rail production line for large branches of the strip factory	A reply on EIA has been received
	Addition of slab flame cleaning for No.3 steelmaking plant	EIA sent for review
	Addition of a flue gas purification device to 9#10# coke oven	EIA sent for review
	The desulfurization and denitration project of flue gas in No. 4 Agglomeration Plant	EIA under preparing
	Environmental protection renovation project of steel slag treatment process in strip mill	EIA under preparing
	T-span reconstruction and adding a maintenance area for the strip mill	EIA under preparing
	Environmental protection renovation for the material yard of the smelting plant	EIA under preparing
	Environmental protection renovation for steel slag treatment in No. 3 Smelting Plant	EIA under preparing
	Environmental protection renovation for steel slag treatment in No. 4 Smelting Plant	EIA under preparing
Dongshan Base	Addition of the online heat treatment rail production line for a large branch of the strip mill	Acceptance has been completed
	Raw material reclamation project	A reply on EIA has been received
	Addition of acid production equipment and supporting facilities or sintering	A reply on EIA has been received
	2250 hot rolling new flat edge-cutting unit project	A reply on EIA has been received
Meishan Base	Environmental protection acceptance of Zhanjiang Iron& Steel Base	Acceptance has been completed
	Environmental protection acceptance of Changdong District	Acceptance has been completed
	4# sintering denitrification modification	A reply on EIA has been received
	3# sintering denitrification transformation	Acceptance has been completed

According to the Pollutant Discharge Permit Management Interim Provisions, Discharge Permit Application and Issuance of Technical Specifications - Iron and Steel Industry and other requirements, Baoshan Iron & Steel and its subsidiaries have required the application of pollutant discharge permit since September 2017 and have obtained the Pollutant Discharge Permit issued by local environmental protection bureaus (Zhanjiang Iron & Steel has obtained pollutant discharge permit for its own power plant and its coking unit). In December 2018, Zhanjiang Iron & Steel applied pollutant discharge permit for its main business steel later, the company will strictly follow requirements of the pollutant discharge permit, be sure to work with permit, carry out self-monitoring, ledger keeping, regular reporting and information disclosure.

(4) Emergency plan against sudden environmental events

Applicable Not Applicable

In order to ensure the safety of the enterprises, society and the worker's life and property, prevent the occurrence of sudden environmental pollution incidents, and to ensure quick and efficient control and disposal in case of any sudden environmental event, the company has assessed environmental risks in accordance with the Environmental Protection Law of the People's Republic of China, Water Pollution Prevention and Control Law of the People's Republic of China, Atmospheric Pollution Prevention Law of the People's Republic of China, Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes, Administrative Measures for the Emergency Plan and Recording of Enterprises and Institutions Against Sudden Environmental Events (for trial implementation), Guideline for Preparing the Risk Assessment Report of Sudden Environment Event of the Enterprise (for trial implementation), and has compiled emergency plans or all subsidiaries and recorded at local environmental protection administration.

(5) Environment self-monitoring plan

Applicable Not Applicable

In accordance with the Technical Guidelines for Self-Monitoring of Pollutant Discharge Units for Iron and Steel Industry and Coking Chemical Industry, the company will conduct regular self-monitoring of environmental protection, and release relevant information on the website of the environmental protection bureau.

By constantly strengthening the capacity building of monitoring stations, the company will update environmental monitoring equipment, improve the accuracy of monitoring, change the monitoring management mode, and make monitoring, analysis of standard exceeding, rectification, tracking and supervision as the important functions of environmental monitoring, so as to achieve closed-loop management of standard exceeding. At the same time, according to national and local requirements, the company will carry out self-monitoring seriously, and timely, complete and truthful release of self-monitoring data and related information. The annual self-monitoring data will be disclosed according to relevant national requirements.

(6) Other environmental information that should be disclosed

Applicable Inapplicable

2. Description of the subsequent progress or changes in the disclosure of environmental information content during the reporting period

Applicable Inapplicable

(IV) Other Notes

Applicable Inapplicable

XVIII. Information of Convertible Corporate Bonds

(I) Issuing of Convertible Bonds

Applicable Inapplicable

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

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

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

Applicable Inapplicable

(III) Change of Convertible Bonds during Reporting Period

Applicable Inapplicable

Unit: Yuan Currency: RMB

Name of convertible corporate's bonds	Before change	Increase / decrease			After change
		Share transfer	Redemption	Back to sell	
Baosight Convertible Bond	1,600,000,000	1,571,311,000	28,689,000	-	-

Accumulative conversion of convertible bonds into shares during the reporting period

Applicable Inapplicable

Amount of share transfer during the reporting period (yuan)	1,571,311,000
Number of shares transferred during the reporting period (shares)	86,380,658
Cumulative number of shares transferred (shares)	86,380,658
Percentage of cumulative number of shares transferred accounted in the total number of shares issued (%)	10.92
Outstanding shares (yuan)	-
Percentage of outstanding shares and bonds outstanding (%)	-

Section V Important Matters

(IV) Adjustment of share transfer prices

Applicable Inapplicable

Unit: Yuan Currency: RMB

Share transfer price adjustment date	Price after adjustment	Disclosure date	Disclosed by	Description
Feb. 12, 2018	18.36	Feb. 8, 2018	China Securities Journal, Shanghai Securities Journal, Hong Kong Business Journal and http://www.sse.com.cn	Baosight Software completed grant registration for the first batch of A-share restricted shares, and actually issued additional 7,770,000 A-shares to the incentive objects at a price of RMB 8.60 yuan per share.
May 8, 2018	18.19	Apr. 27, 2018	China Securities Journal, Shanghai Securities Journal, Hong Kong Business Journal and http://www.sse.com.cn	Baosight Software implemented the 2017 annual profit distribution plan, and paid a cash dividend of RMB 1.7 yuan (tax included) for every 10 shares.
The latest share transfer price as of the end of the reporting period				-

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

Applicable Inapplicable

(VI) Notes to Other Information of Convertible Bonds

Applicable Inapplicable

During the reporting period, Baosight convertible bond has completed the redemption and delisted on July 13, 2018. For details, please refer to the Announcement on Redemption Result and Delisting of Baosight Convertible Bonds "(Lin. No. 2018-042) and the Announcement on Convertible Company Bond Conversion Result and Share Change (Lin. 2018-043) disclosed by Baosight Software on July 10, 2018.

Section VI Change of Common Shares and Shareholders

I. Change in Common Share Capital

(I) Table of changes in common share capital

1. Table of changes in common share capital

As of the end of the reporting period, the company's total share capital was 22,267,915,125 shares, of which 166,828,200 shares were sold under restricted conditions, and 22,101,086,925 shares were sold under unrestricted conditions. The changes in shares during the reporting period are detailed in the following table:

	Before the change		Changes in the period (+, -)			After the change			
	Shares	Ratio (%)	Shares newly issued	Bonus share	Share transferred from reserve	Others	Sub-total	Shares	Ratio%
Unit: share									
I. Tradable shares with selling restriction conditions	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. Tradable shares without selling restriction conditions	22,089,726,225	99.199				+11,360,700	+11,360,700	22,101,086,925	99.251
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 of ordinary shares	22,268,111,875	100				-196,750	-196,750	22,267,915,125	100

2. Explanation of common share change

Applicable Not applicable

(1) The company held the 24th meeting of the sixth board of directors on December 7, 2017 to deliberate and adopt the Proposal on Adjusting the Incentive Objects of Restricted Stock Plan. On March 5, 2018, the company repurchased 196,750 restricted shares that had withdrawn from the first phase of the A-share restricted stock plan and the incentive objects had not met the unlocking conditions, and completed the cancellation on March 12, 2018. Upon completion of restricted stock cancellation, the total share capital of the company is 22,267,915,125 shares, including 178,188,900 shares with selling restriction conditions and 22,089,726,225 shares without selling restriction conditions.

(2) The company held the first meeting of the seventh board of directors on June 8, 2018 to deliberate and adopt the Proposal on the Unlocking in the Third Unlocking Period of the Company's Initial Restricted Stock Plan. On June 19, 2018, 11,360,700 shares of the company unlocked in the third unlocking period in the initial restricted stock plan of the company were listed for circulating. After that, the total share capital of the company is 22,267,915,125 shares, including 166,828,200 shares with selling restriction conditions and 22,101,086,925 shares without selling restriction conditions.

(3) The company held on December 18, 2018 the seventh session of the fifth meeting of board of directors to deliberate and adopt the Proposal on the Implementation, Reserving and Rewarding of Phase II Restricted Stock Plan for A Shares. It was agreed that the grant date was on Dec. 18, 2018 and that reserved 9,566,700 restricted shares shall be awarded to 76 incentive objects. Registration on share awarding was completed on Jan. 17, 2019. After that, the total share capital of the company is 22,277,481,825 shares, including 176,394,900 shares with selling restriction conditions and 22,101,086,925 shares without selling restriction conditions.

Section VI Change of Common Shares and Shareholders

(4) The company held the second extraordinary shareholder's meeting on Sept. 18, 2018 to deliberate and adopt the Proposal to Repurchase and Cancel Restricted Stock Granted to Some Incentive Objects under the Second Restricted Stock Plan. On Jan. 7, 2019, the company repurchased 1,347,750 restricted stocks from incentive object that exit phase II restricted stock plan for A share but not yet meet unlocking conditions and the cancellation was completed on Jan. 22, 2019. After that, the total share capital of the company is 22,276,134,075 shares, including 175,047,150 shares with selling restricting conditions and 22,101,086,925 shares without selling restricting conditions.

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

Applicable Not applicable

During the reporting period, the company reduced 196,750 shares due to repurchase and cancellation of restricted stocks, which basically had no impact on the current earnings per share, net assets per share and other financial indicators.

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

Applicable Not applicable

(II) Change of Shares Subject to Conditional Sales

Applicable Not applicable

Unit: share

Name	Shares at the beginning of year	Shares unlocked in the year	Shares added in the year	Shares at the end of the year	Reason	Unlocking date
Stock incentive object	178,385,650	-11,557,450		166,828,200	Stock incentive	
Total	178,385,650	-11,557,450		166,828,200	/	/

II. Issuance of Securities and Listing

(I) Issuance of Securities during the Reporting Period

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

As of the end of reporting period, the total stock issue of the company was 22,267,915,125 shares, decreasing by 196,750 shares compared with that at the beginning of the year.

In March 2018, China Baowu, the controlling shareholder of the Company, transferred the held 111,618,417 shares of this company to Beijing Chengtong Financial Holdings Investment Co., Ltd. and China Reform Holdings Corporation Ltd. for free respectively. After this free transfer, China Baowu held 11,300,148,999 shares of the Company. As of the end of 2018, China Baowu held 50.75% of the Company's shares, decreasing by 1% compared with that at the end of 2017; Wuhan Iron and Steel (Group) Corporation held 13.39% of the Company's shares.

The company's asset-liability ratio at the end of 2018 was 43.5%, decreasing by 6.7% compared with that at the beginning of the year.

(III) Current Employee Stock Ownership

Applicable Not applicable

III. Shareholders and Actual Controllers

(I) Total Shareholders

Total number of common shareholders at the end of the reporting period(account)	354,539
Total number of common shareholders at the end of last trading month before the disclosure date of the annual report(account)	350,479
Total number of preferred stockholders whose voting rights are recovered at the end of reporting period (account)	
Total number of preferred stockholders whose voting rights are recovered at the end of last trading month before the disclosure date of the annual report(account)	

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

Unit: share

Name (Full Name)	Increase or decrease during the period	Shares at the end of the reporting period	Ratio (%)	Shares subject to conditional sales		Shareholder's nature
				pledged or frozen Status	Number	
China Baowu Steel Group Corp., Ltd.(Note 1)	-223,236,834	11,300,148,999	50.75	0 Pledged	2,850,000,000	State-owned
Wuhan Iron & Steel Group Co., Ltd.	0	2,982,172,472	13.39	0 None		State-owned
China National Petroleum Corporation	0	800,000,000	3.59	0 None		State-owned
China Securities Financial Corporation	-416,378,977	666,600,578	2.99	0 None		State-owned
Beijing Chengtong Financial Holdings Investment Co., Ltd.	111,618,417	653,544,793	2.93	0 None		State-owned
China Reform Holdings Corporation Ltd.	106,560,350	647,433,726	2.91	0 None		State-owned
Hong Kong Securities Clearing Co., Ltd.	133,689,024	536,751,639	2.41	0 None		N/A
China Ocean Shipping (Group) Company	0	280,000,000	1.26	0 None		State-owned
Central Huijin Asset Management Co., Ltd.	0	194,224,180	0.87	0 None		State-owned
GIC PRIVATE LIMITED	71,126,089	151,214,167	0.68	0 None		N/A

Top 10 holders of shares not subject to conditional sales

Name	Number of shares not subject to conditional sales	Type and number of shares	
		Type	Number
China Baowu Steel Group Corp., Ltd.	11,300,148,999	RMB ordinary share	11,300,148,999
Wuhan Iron & Steel Group Co., Ltd.	2,982,172,472	RMB ordinary share	2,982,172,472
China National Petroleum Corporation	800,000,000	RMB ordinary share	800,000,000
China Securities Financial Corporation	666,600,578	RMB ordinary share	666,600,578
Beijing Chengtong Financial Holdings Investment Co., Ltd.	653,544,793	RMB ordinary share	653,544,793
China Reform Holdings Corporation Ltd.	647,433,726	RMB ordinary share	647,433,726
Hong Kong Securities Clearing Co., Ltd.	536,751,639	RMB ordinary share	536,751,639
China Ocean Shipping (Group) Company	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	151,214,167	RMB ordinary share	151,214,167

Remarks on affiliation, alliance or collusion among the aforementioned shareholders Wuhan Iron & Steel Group is a whole-owned subsidiary of China BAOWU Steel Group Corporation Limited, other than that, the company is not aware whether the foresaid other shareholders have affiliated relationship with each other or are persons acting in concert as regulated in the Management Method on Listed Company Acquisition or not.

Remarks on holders of preferred shares with voting right recovered and quantity of shares held

Section VI Change of Common Shares and Shareholders

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

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

Applicable Not applicable

No.	Name	Number of shares held	Condition for listing and trading of shares subject to conditional sales		Conditions
			Tradable time	Newly-added tradable shares	
1	Zhu Junsheng	357,000	June 19, 2018	181,000	see notes
2	Zhou Jianfeng	333,000	June 19, 2018	162,900	see notes
3	Wu Xiaodi (note)	333,000	June 19, 2018	108,600	see notes
4	Chu Shuangjie	333,000	June 19, 2018	162,900	see notes
5	Liu An	333,000			see notes
6	Sheng Genghong	333,000	June 19, 2018	144,800	see notes
7	Yao Linlong	333,000	June 19, 2018	144,800	see notes
8	Wu Kunzong	333,000			see notes
9	Fu Jianguo	333,000			see notes
10	Zhu Qingming	333,000	June 19, 2018	126,700	see notes
11	Zhou Xuedong	333,000			see notes
12	Ji Chao	333,000			see notes
13	Zhang Wenxue	333,000	June 19, 2018	126,700	see notes
14	Wu Bin	333,000	June 19, 2018	126,700	see notes
15	Zhu Renliang	333,000	June 19, 2018	126,700	see notes
16	Liu Qiang	333,000			see notes
17	Wang Jing	333,000	June 19, 2018	162,900	see notes
18	Zhi Xiwei	333,000	June 19, 2018	162,900	see notes
19	Zhou Longyun	333,000	June 19, 2018	108,600	see notes

Notes on affiliation, alliance or collusion among the aforementioned shareholders: The foresaid shareholders are all the incentive objects in the stage II A-share restricted stock program. For further details regarding the restricted conditions of the foresaid shareholders, please refer to the website of Shanghai Stock Exchange <http://www.sse.com.cn>.

Note: On January 7, 2019, the Company purchased 305,250 restricted shares held by Wu Xiaodi that had not yet met the unlocking conditions. As of January 7, 2019, Wu Xiaodi held 27,750 restricted shares of the Company.

IV. Controlling shareholders and actual controllers

(I) Controlling shareholders

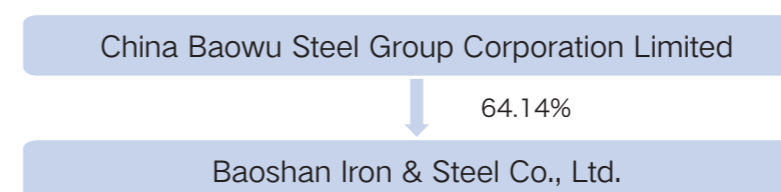
1. Legal person

Applicable Not applicable

Name	China Baowu Steel Group Corp., Ltd.
Legal representative	Chen Derong
Date of incorporation	January 1, 1992
Principal businesses and operations	China Baowu Steel Group Co., Ltd. is an institution with investment authorized by the national government and a national holdings company, and it mainly operates the state-owned assets within the scope authorized by the State Council, and develops related investment and operating operations of state-owned assets. [For the items to be approved according to law, operational activities shall be developed after obtaining approval from competent authorities]
Shareholdings of other listed companies at home and abroad in the period	As of December 31, 2018, China Baowu Steel Group Co., Ltd.'s direct or indirect holding of over 5% of other listed companies is as follows: 50.02% A-shares of Bayi Iron & Steel, 53.05% A-shares of Shaogang Songshan, 50.81% A-shares of Baosight Software, 59.89% A-shares of Baosteel Packing, 14.93% A-shares of China Pacific Insurance, 12.09% A-shares of Xinhua Insurance, and 20.18% A-shares of Hanggang Corporation.
Others	None

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

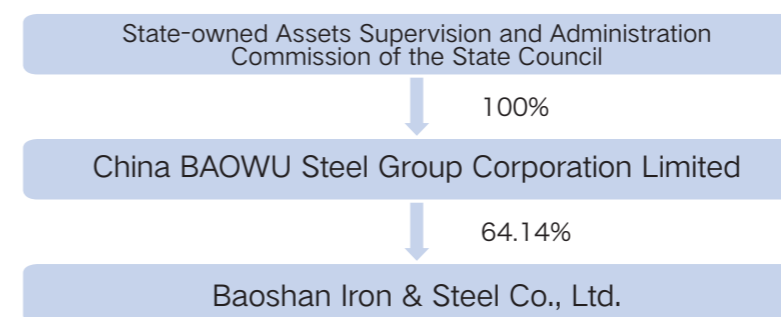
Applicable Not applicable



(II) Actual Controller

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

Applicable Not applicable



2. Actual controller controls the company through trust or other asset management methods

Applicable Not applicable

Applicable Not applicable

I. Shareholding Changes and Remuneration

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

Applicable Not applicable

											Unit: share	
Name	Position	Gender	Age	Beginning of office	End of office	Shares held at beginning of the year	Shares held at end of the year	Share change in the year	Reason for change	Remuneration from the Company in reporting period (pre-tax) (RMB ten thousand)	Compensation from shareholders in reporting period	
Zou Jixin	Chairman	Male	50	Jan. 9, 2019	Apr. 29, 2021						Yes	
Zou Jixin	Director	Male	50	Feb. 24, 2017	Apr. 29, 2021						Yes	
Zhang Jingang	Director	Male	48	Feb. 24, 2017	Apr. 29, 2021						Yes	
Hou Angui	Director	Male	46	Jan. 28, 2019	Apr. 29, 2021						Yes	
Hou Angui	President	Male	46	Jan. 9, 2019	Apr. 29, 2021						Yes	
Zhou Jianfeng	Director	Male	55	Jan. 28, 2019	Apr. 29, 2021	595,900	595,900	0		294.44	No	
Wu Xiaodi (Note 1)	Director	Male	49	May 25, 2018	Apr. 29, 2021	521,600	521,600	0		107.21	Yes	
Buck Pei	Director	Male	61	Apr. 27, 2012	Apr. 29, 2021					35	No	
Xia Dawei	Independent director	Male	65	Apr. 26, 2013	Apr. 29, 2021					35	No	
Zhang Kehua	Independent director	Male	65	Feb. 24, 2017	Apr. 29, 2021					35	No	
Lu Xiongwen	Independent director	Male	52	May 25, 2018	Apr. 29, 2021					20.42	No	
Xie Rong	Independent director	Male	66	May 25, 2018	Apr. 29, 2021					20.42	No	
Bai Yanchun	Independent director	Male	52	May 25, 2018	Apr. 29, 2021					20.42	No	
Zhu Yonghong	Chairperson of Board of Supervisors	Male	49	Feb. 24, 2017	Apr. 29, 2021						Yes	
Yu Hansheng	Supervisor	Male	55	Feb. 24, 2017	Apr. 29, 2021						Yes	
Zhu Hanming	Supervisor	Male	55	Dec. 19, 2017	Apr. 29, 2021						Yes	
He Meifen	Supervisor	Female	54	Mar. 19, 2013	Apr. 29, 2021	560	560	0		139.85	No	
Ma Jiangsheng	Supervisor	Male	46	Apr. 12, 2017	Apr. 29, 2021					25.00	Yes	
Chu Shuangjie	Vice President (executive)	Male	54	Feb. 24, 2017	Apr. 29, 2021	728,800	728,800	0		317.72	No	
Liu An	Vice President	Male	57	Feb. 24, 2017	Apr. 29, 2021	333,000	333,000	0		320.60	No	
Sheng Genghong	Vice President	Male	54	Jun. 1, 2016	Apr. 29, 2021	622,600	622,600	0		324.68	No	
Yao Linlong	Vice President	Male	54	Apr. 9, 2018	Apr. 29, 2021	661,600	661,600	0		188.10	No	
Wu Kunzong	Chief Accountant	Male	47	Jun. 1, 2016	Apr. 29, 2021	333,000	333,000	0		248.15	No	
Wang Juan	Secretary of Board of Directors	Female	46	Apr. 9, 2018	Apr. 29, 2021	472,200	363,600	-108,600	Sold in the secondary market before serving as a company executive	147.12	No	
Dai Zhihao	Resigned chairman	Male	55	Feb. 24, 2017	Nov. 19, 2018	362,000	362,000	0			Yes	
Dai Zhihao	Resigned director	Male	55	Jul. 22, 2013	Nov. 19, 2018						Yes	
Zou Jixin	Resigned president	Male	50	Feb. 24, 2017	Jan. 8, 2019						Yes	
Zhu Junsheng	Resigned director	Male	58	Apr. 27, 2012	Jan. 8, 2019	819,800	819,800	0		300.54	No	
Zhao Changxu	Resigned director	Male	53	Feb. 24, 2017	May 25, 2018						Yes	
Yuh-Chang Hwang	Resigned independent director	Male	63	Apr. 27, 2012	May 25, 2018					14.58	No	
Liu Wenbo	Resigned independent director	Male	50	Apr. 27, 2012	May 25, 2018					14.58	No	
Li Li	Resigned independent director	Female	65	Apr. 24, 2015	May 25, 2018	30,000	30,000	0		14.58	No	
Liu Guowang	Resigned supervisor	Male	46	May 20, 2014	Jan. 8, 2019						Yes	
Zhang Yong	Resigned supervisor	Male	57	Sep. 12, 2014	Nov. 8, 2018	30,600	30,600	0		233.20	No	

Section VIII Directors, Supervisors, Senior Executives and Employees

Wang Jing	Resigned vice president	Female	55	Aug. 27, 2010	Apr. 9, 2018	789,800	733,000	-56,800	Sold in the secondary market after leaving office for 6 months	267.17	No
Zhi Xiwei	Resigned vice president	Male	58	Feb. 10, 2014	Apr. 9, 2018	710,500	710,500	0		267.17	No
Wu Yiming	Resigned secretary of board of directors	Female	43	Feb. 24, 2017	Jan. 19, 2018					0	No
Total						7,011,960	6,846,560	-165,400		3,390.95	

Note 1: On January 7, 2019, the Company purchased 305,250 restricted stocks held by Mr. Wu Xiaodi that have not yet met the unlocking conditions. As of January 7, 2019, Mr. Wu Xiaodi held 216,350 shares of the Company in total.

Name	Main working experiences
Zou Jixin	Born in July 1968, Chinese nationality, Director, General Manager, Deputy Secretary of Party Committee, Formal Senior Engineer of Baosteel Corporation. Mr. Zou has abundant experiences in enterprise management, steel production & manufacturing management, etc. He receives special governmental allowance from the State Council. He served as the Chief, General Manager Assistant and Deputy General Manager of General Steel Making Factory of Wuhan Iron & Steel Corporation, a Member of Standing Committee of Party Committee and Deputy General Manager of Wuhan Iron & Steel Group Co., Ltd., Director of the 6th and 7th Board of Directors of Wuhan Iron & Steel Corporation. Since October 2016, he served as a Member of Standing Committee of Party Committee of China BAOWU Steel Group Co., Ltd.. Since February 2017, he served as a Director, General Manager and Deputy Secretary of Party Committee of Baosteel Corporation. Mr. Zou was graduated from Chongqing Technology College in 1989, and obtained MBA Degree of US Ohio University.
Zhang Jingang	Born in March 1970, Chinese nationality, Deputy General Manager of China BAOWU Steel Group Co., Ltd., Director of Baosteel Corporation, Professor-level Senior Engineer. Mr. Zhang has abundant experiences in production, manufacturing, enterprise management and corporate governance of steel enterprise. He served as the Deputy Chief of No.2 Steel Making Factory and Deputy Chief of No.1 Steel Making Factory of Angang Corporation, Deputy Secretary General of China Steel Industry Association, Director of Investment Planning Department of Angang Corporation, Director of Production Coordination Center of Angang, Board Secretary of Angang Group, and Deputy General Manager of Baosteel Group. Since October 2016, he served as the Deputy General Manager of China BAOWU Steel Group. Since February 2017, he served as a director of Baosteel Corporation. Mr. Zhang was graduated from Anshan Steel College in 1992, obtained Master Degree of Material from Northeast University in March 2000, and obtained Doctoral Degree of Material from Northeast University in March 2007.
Hou Angui	Born in February 1972, Chinese nationality, Director, General Manager, Deputy Secretary of the Party Committee of Baoshan Iron & Steel Co., LTD., senior engineer. Mr. Hou has rich experience in iron and steel production, technical management and management of iron and steel related industries. He joined Baosteel in July 1994 and once took the post of the vice plant manager and manager of No. 1 Continuous Casting Plant under the Steel Mill of Baosteel, assistant of factory manager, deputy plant manager (taken in charge of work in the plant) of the Steel Mill and plant manager and manager of the No. 2 Steel-making Project, manager of the electric furnace project, deputy general manager of Meishan Iron & Steel, the General Manager assistant and director of the Manufacturing Management Department of Baosteel Corporation, deputy general manager, General Manager assistant of Baosteel Group, General Manager assistant of Baowu and Baosteel engineering president, party secretary and senior vice president of Ouyeel and the president of Ouyeel. In January 2019, he took the post of the president, general manager and deputy party committee secretary of Baoshan Iron & Steel Co., Ltd. Mr. Hou received his bachelor's degree from Northeastern University in 1994, his master's degree was obtained from Shanghai University in April 2008, and his doctor's degree from Northeastern University in 2016.
Zhou Jianfeng	Born in September 1963, Chinese nationality, director, deputy secretary of the party committee and senior engineer of Baoshan Iron & Steel Co., LTD. Mr. Zhou has rich experience in production management and operation management of iron and steel industry. He joined Baosteel in July 1984, successively served as deputy plant manager and plant manager of Baosteel Hot Rolling Mill, general manager assistant of Baosteel Group, general manager assistant of Baosteel Co., Ltd., deputy general manager of a branch of Baosteel, business director of Baosteel Group and deputy general manager of Hanbao Iron & Steel, deputy general manager of Baosteel. From December 2014 to January 2019, Mr. Zhou served as secretary of discipline inspection commission of Baoshan Iron & Steel. Since January 2019, Mr. Zhou has been a director and the deputy secretary of the party committee of Baoshan Iron & Steel Co., Ltd. Mr. Zhou graduated from Beijing Institute of Iron and Steel Technology in July 1984 and obtained EMBA master degree from China Europe International Business School in April 2002.
Wu Xiaodi	Born in June 1969, Chinese nationality, general manager assistant of China Baowu Iron & Steel Group Co., LTD., director and senior engineer of Baoshan Iron & Steel Co., LTD. Mr. Wu has rich experience in steel manufacturing management and enterprise management. He joined Baosteel in July 1991 and once served as the plant manager of No. 2 rolling factory of Baosteel Hot Rolling Plant, plant manager assistant and production technology director, deputy plant manager, deputy plant manager (presiding) of the Hot Rolling Plant, deputy manager of the hot rolled production line system transformation project (presiding), plant manager of the Hot Rolling Plant and hot rolled production line system transformation project manager, thick board department director and thick plate follow-up project manager, director of Baosteel manufacturing department and the director of the management department (concurrently the director in the test center from Nov. 2015 to Mar. 2016). From Jan. 2018 to Feb. 2019, Mr. Wu served as the general manager in the steel and related manufacturing industry development center of Baowu Iron & Steel Group Co., Ltd. From January 2019, Mr. Wu served the general manager assistant of Baowu Iron & Steel Group Co., Ltd. From May 2018, Mr. Wu served as a director of Baoshan Iron & Steel Co., Ltd. Mr. Wu graduated from the metal pressure processing major of Northeastern University of Technology in 1991, and obtained MBA degree from Fudan University in 1999.

Buck Pei	Born in March 1957, U.S. Citizen, Professor of Accountancy and Doctoral Supervisor of Arizona State University W.P. Carey School of Business, Director of Baoshan Iron & Steel Co., Ltd. Mr. Pei is an influential member of the American Accounting Association and he has been holding positions as Chairman of Global Committee of American Accounting Association from 1996 to 1997, while assisted to found the Chinese Accounting Professor Association. Mr. Pei has worked as Chairman of Chinese Accounting Professor Association of North America in 1993, 1994 and 2004, Independent Director of Baoshan Iron & Steel Co., Ltd. from 2006 to 2012. He has been Director of Baoshan Iron & Steel Co., Ltd. since April 2012. Mr. Pei graduated from Taipei University in 1979, and received the MBA degree from Southern Illinois University in 1981 and the Doctor's degree of Accountancy from University of North Texas in 1986.
Xia Dawei	Born in Feb. 1953, China, Director of Academic Committee of Shanghai National Accounting Institute, Professor and Doctoral Supervisor, Independent Director of Baoshan Iron & Steel Co., Ltd. Mr. Xia began to teach in Shanghai University of Finance and Economics since 1985, worked as visiting fellow in Osaka City University from 1988 to 1990 and was promoted to Professor in 1994. He worked as Dean of School of International Business Administration, Assistant President, Vice President and Managing Vice President of Shanghai University of Finance and Economics and Dean of Shanghai National Accounting Institute. Mr. Xia is awarded government allowances of the State Council, now works as Director of Academic Committee, Professor and PhD supervisor of Shanghai National Accounting Institute. He also works as Vice President of Chinese Industrial Economic Association, President of Shanghai Accounting Association, consulting expert of Accounting Standard Committee, Honorary Professor of the Chinese University of Hong Kong and Adjunct Professor of School of Management of Fudan University, member of Listing Committee of Shanghai Stock Exchange. Mr. Xia worked as Outside Director of Baosteel Group Corporation from Oct 2005 to Feb 2012, and has been Independent Director of Baoshan Iron & Steel Co., Ltd. since April 2013.
Zhang Kehua	Born in August 1953, Chinese nationality, Independent Director and Professor-level Senior Engineer of Baosteel Corporation. Mr. Zhang has abundant experiences in the aspects of enterprise management and engineering construction management. He served as the General Manager Assistant and Director of Engineering Department of the China Petrochemical Corporation, Vice President of Sinopec Corporation, Vice Board Chairman of Sinopec Engineering (Group) Co., Ltd. From December 2015 to February 2017, he served as an Independent Director of the 7th Board of Directors of Wuhan Iron & Steel Corporation. Since February 2017, he served as an Independent Director of Baosteel Corporation. Mr. Zhang was graduated from East China University of Science and Technology in 1980, and obtained the Master Degree of Management Science and Engineering from China University of Petroleum.
Lu Xiongwen	Born in October 1966, Chinese nationality, dean, professor and doctoral supervisor of the School of Management, Fudan University, independent director of Baoshan Iron & Steel Co., LTD. Mr. Lu is mainly engaged in China's immature marketing, Internet economy, regional economy and enterprise organizational change research, and has published more than 50 papers in authoritative journals and conferences at home and abroad; he has presided over and completed major decision-making consultation by the national natural science foundation of China and Shanghai Government, "the ninth Five-Year Plan" of the Ministry of Education, outstanding young teacher funding program of the Ministry of Education, key social science projects of Fudan University and other research projects. He has published many books and teaching materials, such as Democratic Management, Returning to the Center of the Economic Stage -- Integration and Transformation of Regional Economy in the Yangtze River Delta (coauthored), Surprising Victory, Service Marketing in Asia (the 2nd Edition) (coauthored), and Enterprise Strategic Management (coauthored), and is the chief editor of the Great Dictionary of Management. He has served as an independent director and external director of many listed companies, financial institutions, state-owned enterprises, etc. He is currently the vice president of the China Management Modernization Research Association, the vice chairman of the 4th and 5th national steering committee for graduate education in business administration, and the director of GMAC. In May 2018, he became an independent director of Baoshan Iron & Steel Co., Ltd. Mr. Lu won his bachelor's degree in Economics from Fudan University in July 1988, his master's degree in Economics from Fudan University in July 1991, and his doctor's degree in Management from Fudan University in January 1997. He also went to Tuck School of Business, Dartmouth College for postdoctoral research and once went to MIT Sloan School of Management and Ohio State University Feycher School of Business as a visiting scholar.
Xie Rong	Born in November 1952, Chinese nationality, doctor and professor of accounting, certified public accountant, an independent director of Baoshan Iron and Steel Co., LTD. Mr. Xie is mainly engaged in the research of accounting, auditing, internal control, risk management and other fields, lecturing the course of Advanced Audit Theory and Practice. He used to be a professor of Accounting Department of Shanghai University of Finance and Economics, a partner of KPMG Huazhen Accounting Firm, a professor and deputy dean of Shanghai National Accounting Institute, and an independent director of Shenyin Wanguo, Baosight Software, Everbright Bank and other listed companies. Currently, he is an independent director of Shenwan Hongyuan, Berun Shares and other listed companies. In May 2018, he became an independent director of Baoshan Iron & Steel Co., LTD. Mr. Xie received his bachelor's degree in Accounting from Shanghai University of Finance and Economics in July 1983, his master's degree in Accounting from Shanghai University of Finance and Economics in December 1985, and his doctor's degree in Accounting from Shanghai University of Finance and Economics in December 1992.
Bai Yanchun	Born in August 1966, Chinese nationality, a partner and lawyer of Beijing Tongshang Law Firm, an independent director of Baoshan Iron & Steel Co., LTD. Mr. Bai specializes in company listing, mergers and acquisitions. He has participated in the restructuring and listing of dozens of large state-owned enterprises, such as Petrochina, Industrial and Commercial Bank of China, Shenhua, Anshan Iron & Steel, etc. In 2007, he was appointed as the 9th issuance committee member of China Securities Regulatory Commission and reviewed more than 150 IPO and additional issuance projects. In his many years of practice, Mr. Bai has dealt with hundreds of litigation and arbitration cases, and has tried International Chamber of Commerce (ICC) arbitration cases as an arbitrator. Mr. Bai now focuses on corporate governance and institutional investment decisions, providing investment decision-making services for large institutional investors at home and abroad. Currently, he is also a director of Guoshuang Technology, a listed company in the United States, and two other A-share listed companies. In May 2018, he became an independent director of Baoshan Iron & Steel Co., LTD. Mr. Bai received his bachelor's degree in Law from China University of Political Science and Law in May 1988. He took postgraduate courses in Johns Hopkins Center for China and the United States during Aug. 1991 and Jun. 1992 and received his master's degree in Law from Stanford University in June 2003.

Section VIII Directors, Supervisors, Senior Executives and Employees

Zhu Yonghong	<p>Born in Jan., 1969, Chinese Nationality, Chief Accountant of China BaoWu Steel Corporation Limited. Chairman of Board of Supervisors of Baoshan Iron & Steel Co., Ltd., Senior Economist, Senior Accountant</p> <p>Mr. Zhu has extensive experience in corporate financial management and strategic planning. He has successively held positions as Chief Financial Officer and Head of Finance & Accounting Department, Deputy Chief Accountant of Wuhan Iron & Steel (Group) Corporation; Director of the 7th Board of Directors of Wuhan Iron & Steel Co., Ltd. From Oct., 2016, he assumed the Chief Accountant of China BaoWu Steel Group Corporation Limited. He has been Chairman of Board of Supervisors of Baoshan Iron & Steel Co., Ltd. since Feb. 2017.</p> <p>Mr. Zhu graduated from Zhongnan Forestry College in 1989, and received the Master Degree in Management from China University of Geosciences in 2000, and the Doctor's Degree in Economics from Huazhong University of Science and Technology in 2003.</p>
Yu Hansheng	<p>Born in Oct., 1963, Chinese Nationality, Supervisor of Baoshan Iron & Steel Co., Ltd., Senior Professional Title Senior Accountant. Mr. Yu has extensive experience in corporate financial management and audit management. He has successively held positions as Director of Finance & Accounting Department, Deputy Chief Accountant & Director of Finance & Accountant Department of Wuhan Iron & Steel Co., Ltd. From Sept., 2014 to Feb., 2017, he assumed Chief Accountant of Wuhan Iron & Steel Co., Ltd. He has been Supervisor of Baoshan Iron & Steel Co., Ltd. since Feb. 2017.</p> <p>Mr. Yu graduated from WISCO TV University in 1986, majoring in Accounting, and received the Bachelor Degree in Accounting from Zhongnan University of Economics.</p>
Zhu Hanming	<p>Born in December 1963, Chinese nationality, a Member of Standing Committee of the Disciplinary Committee, a Candidate of the Deputy Secretary of the Disciplinary Committee, a Candidate of the Director of Supervisory Department of China BAOWU Steel Group Co., Ltd., a Supervisor and Engineer of Baosteel Corporation. Mr. Zhu has abundant experiences in the aspects of human resource management, party and mass relationship management, disciplinary inspection and supervision management, etc. in August 1987, he joined Baosteel, served as the Secretary of Party Committee of the Iron Making Factory of Baosteel Corporation, Secretary of Party Committee and Director of Human Resource Department (Organization Department) of Thick Plate Factory of Baosteel Branch of Baosteel Corporation, Deputy Secretary of Disciplinary Department & Director of Supervisory Department of Baosteel Corporation Head Office, Deputy Secretary of Disciplinary Committee & Director of Supervisory Department of Baosteel Corporation, Secretary of Party Committee of Energy & Environmental Protection Department, Secretary of Party Committee of Cold Rolling Factory, Deputy Secretary of Disciplinary Committee of Baosteel Group. Since November 2016, he served as a candidate of Deputy Secretary of Disciplinary Committee of China BAOWU Steel Group Co., Ltd., since December 2016, he served as a Member of Standing Committee of the Disciplinary Committee of China BAOWU Steel Group Co., Ltd., since April 2017, he concurrently served as a Candidate of the Director of Supervisory Department of China BAOWU Steel Group Co., Ltd., since December 2017, he served as a Supervisor of Baosteel Corporation.</p> <p>Mr. Zhu was graduated from the major of Thermal Energy and Power Engineering & Social Sciences from the University of Science and Technology Beijing in 1987, and obtained the Master Degree of MBA from Asia (Macao) International Open University in August 2003.</p>
He Meifen	<p>Born in May 1964, Chinese Nationality, Director of Audit Department, Supervisor of Baoshan Iron & Steel Co., Ltd., Senior Engineer. Ms. He has extensive experience in steel products planning management, financial management and internal audit. Ms. He joined Baosteel in 1984 and successively held positions as clerk of Planning Department, office secretary, Head of Budget Division of Operation Management Department in Baosteel Group Corporation, Head of Budget Division of Cost Management Department, Deputy Director of Cost Management Department, Deputy Director of Finance and Accounting Department of Baoshan Iron & Steel Co., Ltd., Director of Management Department of BNA, Deputy Director of Audit Department of Baoshan Iron & Steel Co., Ltd. She has worked as Director of Audit Department of Baoshan Iron & Steel Co., Ltd. since May 2009 and Employee Supervisor of Baoshan Iron & Steel Co., Ltd. since March 2013.</p> <p>Ms. He graduated from Northeastern University and received the Bachelor Degree of Metal Pressure Processing in 1984, the MBA degree from Shanghai University of Finance and Economics in January 1998 and the EMPACC degree from The Chinese University of Hong Kong in December 2005.</p>
Ma Jiangsheng	<p>Born in Aug. 1972, Chinese Nationality, Captain of the Third Steelmaking Continuous Casting Workshop of Steel Plant of Wuhan Iron and Steel Company Limited, Employee Supervisor of Baoshan Iron & Steel Co., Ltd. and Senior Technician.</p> <p>Mr. Ma successively served as the steel casting worker of the Second Steel Plant and Steel Casting Line Director of the Third Steel Plant of Wuhan Iron and Steel (Group) Company, and Steel Casting Captain of the Third Steel Plant of Wuhan Iron and Steel Company Limited and Wuhan Iron and Steel (Group) Company Iron and Steel Company, Steel Casting Captain of the Third Steel Plant of Wuhan Iron and Steel Company Limited and Shift Captain of the Third Steelmaking Continuous Casting Workshop. From May 2011 to Feb. 2017, he has served as the Employee Supervisor of the 6th and 7th Board of Supervisors of Wuhan Iron and Steel Company Limited. From Feb. 2017, he has been serving as the Captain of the Third Steelmaking Continuous Casting Workshop of Steel Plant of Wuhan Iron and Steel Company Limited. From Apr. 2017, he has been serving as the Employee Supervisor of Baoshan Iron & Steel Co., Ltd. Mr. Ma graduated from Wuhan Iron and Steel Metallurgy Automation Technical School with the major of steelmaking in Jul. 1991 and was awarded the Administrative Management Bachelor degree of Central Radio and Television University in Jan. 2010.</p>
Chu Shuangjie	<p>Born in December 1964, Chinese Nationality, Vice President of Baoshan Iron & Steel Co., Ltd., Professor-level Senior Engineer. Mr. Chu has extensive experience in steel manufacturing and technology management. Mr. Chu joined Baosteel in 1996 and successively held positions as engineer in Cold Rolling Plant, Deputy Director, Director of Silicon Steel Branch of Cold Rolling Department, Deputy Director, Director of Cold Rolling Plant, Director of Silicon Steel Department; Assistant President of the company's Baosteel Branch and Director of Silicon Steel Department of Baoshan Iron & Steel Co., Ltd.; Assistant President of Baoshan Iron & Steel Co., Ltd. and concurrently Director of Silicon Steel Department, Manager of Oriented Silicon Steel Phase II Project; Assistant President of Baoshan Iron & Steel Co., Ltd. and Director of Cold Rolling Plant, Manager of Prepaint and Continuous Annealing Project, Manager of No.5 Cold Rolling Project, Assistant President, Vice President of Baoshan Iron & Steel Co., Ltd. He worked as Vice President of Baoshan Iron & Steel Co., Ltd. from Dec. 2013 to Feb. 2017 (and concurrently General Manager of Steel Pipe Division from Dec. 2013 to August 2016).</p> <p>Mr. Chu graduated from Anhui Polytechnic University and received the Bachelor Degree in Thermal Processing in 1987, the Master Degree in Materials Science and Engineering from Northwestern Polytechnical University in 1990, the Doctor's degree in Composite Material from School of Materials Science, Shanghai Jiao Tong University in 1996, and the EMBA degree from China Europe International Business School in 2009.</p>

Liu An	<p>Born in September 1961, Chinese Nationality, Vice President of Wuhan Iron & Steel (Group) Corporation, Vice President of Baoshan Iron & Steel Co., Ltd., Professor-level Senior Engineer.</p> <p>Mr. Liu has rich experiences in enterprise production and operation, steel manufacturing production, planning development management, etc. Joined Baosteel in August 1983, Mr. Liu had been Director of Baosteel cold rolling plant; President of Ningbo Baoxin Stainless Steel Co., Ltd.; President of Stainless Steel Branch and No.1 Steel Company; President, Chairman of Ningbo Iron & Steel Co., Ltd.; Director of Planning Development Department, Assistant President of Baosteel Group Corporation. He was became Assistant President of Baosteel Group Corporation and General Manager of Steel and Relevant Manufacturing Sector Development Center from May 2016 to Nov. 2016 and Director of Baoshan Iron & Steel Co., Ltd. From August 2016 to Feb. 2017. He has been Vice President Wuhan Iron & Steel (Group) Corporation from Nov. 2016 to Mar. 2017 and Vice President of Baoshan Iron & Steel Co., Ltd. since Feb. 2017.</p> <p>Mr. Liu graduated from Beijing Institute of Iron and Steel in 1983 and received the Bachelor degree.</p>
Sheng Genghong	<p>Born in January 1964, Chinese Nationality, Vice President of Baoshan Iron & Steel Co., Ltd., Senior Engineer.</p> <p>Mr. Sheng has extensive experience in steel production operating, project construction, investment management and scientific research management. Mr. Sheng joined Baosteel in 1984 and successively held positions as Deputy Director of Hot Rolling Mill Quality Inspection Station, Vice Director of Technology Department Science and Technology Division, Vice Director (presiding) of Science and Technology Management Division of Baosteel R&D Center; Chief of Strategy Department Science and Technology Division, Vice Director of Strategy Department and Chief of Strategy Division of Baosteel Group, Director of Science and Technology Development Department, Director of Project Investment Department, Director of Major Projects Department, Director of Major Projects Department and General Manager of Zhanjiang Longteng Co., of Baosteel Group, Business Supervisor of Baosteel Group; Deputy Commander-in-chief of Zhanjiang Steel Project Headquarter, Vice President of Guangdong Steel Group Company, Vice President, President of Zhanjiang Steel etc.. Since August 2013, he was President and Executive Vice Commander-in-chief of Project Headquarter of Zhanjiang Steel. Mr. Sheng has been Chairman, Secretary of CPC Committee and Commander-in-chief of Project Headquarter of Zhanjiang Steel since May 2016 and Vice President of Baoshan Iron & Steel Co., Ltd. Since June 2016.</p> <p>Mr. Sheng graduated from steel metallurgy major of Northeastern University of Technology and received the Bachelor degree in July 1984.</p>
Yao Linlong	<p>Born in July 1964, Chinese nationality, Deputy General Manager and Engineer of Baosteel Corporation. Mr. Yao has abundant experiences in production, manufacturing and marketing management of steel enterprise. He joined Baosteel in July 1985, served as the Deputy Chief and Chief of the Steel Rolling Plant of Baosteel Cold Rolling Factory, Chief of Coating Plant, Chief Assistant, Deputy Chief and Chief of Cold Rolling Factory, Head of Preparation Team of 1800 Joint Venture, Director and General Manager of Baosteel Nippon Steel Auto Sheet Co., Ltd. From May 2009 to July 2012, he served as the General Manager Assistant of Baosteel Corporation (from May 2009 to August 2010, he concurrently served as the Chief of Cold Rolling Factory, from August 2010 to July 2012, he concurrently served as the Executive Director and General Manager of Shanghai Baosteel International Economic & Trade Co., Ltd.), since July 2012, he served as the Executive Director and General Manager of Shanghai Baosteel International Economic & Trade Co., Ltd., since April 2018, he served as the Deputy General Manager of Baosteel Corporation.</p> <p>Mr. Yao was graduated from Northeast University in July 1985, and obtained the Master Degree of MBA from China Europe International Business School in September 2005.</p>
Wu Kunzong	<p>Born in February 1971, Chinese Nationality, CFO of Baoshan Iron & Steel Co., Ltd., Professor-level Senior Accountant, CPA.</p> <p>Mr. Wu has extensive experience in audit management, financial management and corporate operation. Mr. Wu joined Baosteel in July 1993 and successively held positions as Deputy Director of Audit Division, Deputy Director, Director of Audit Department, Director of Operation Innovation Department, Director of Finance Department of Baoshan Iron & Steel Co., Ltd.; Director of Audit Department of Baosteel Group Corporation. He was General Manager of Operating Finance Department and Asset Management Supervisor of Baosteel Group Corporation from August 2013 to May 2016, Supervisor of the Fifth Board of Supervisors of Baoshan Iron & Steel Co., Ltd. from April 2012 to May 2016. He has been CFO of Baoshan Iron & Steel Co., Ltd. since June 2016 (and concurrently Board Secretary from June 2016 to Feb. 2017).</p> <p>Mr. Wu graduated from East China Institute of Metallurgy in 1993 and received the Bachelor degree. He obtained the Master degree from Shanghai University of Finance and Economics in February 2004 and the MBA degree from China Europe International Business School in September 2008.</p>
Wang Juan	<p>Born in November 1972, Chinese Nationality, Board Secretary of Baoshan Iron & Steel Co., Ltd., senior accountant, certified public accountant.</p> <p>Ms. Wang has extensive experience in financial management, capital operation, asset management and corporate governance. Ms. Wang joined Baosteel in July 1996 and successively held positions as Integrated Director of Capital Group under Accounting Office of Baosteel, Director of Asset Management Office under Finance Department, Integrated Director of Capital Group under Finance Department of Baosteel Branch, Director of Fund Management Office under Finance Department of Baosteel, Head of Management Department of Baosteel-NSC/Arcelor Automotive Steel Sheets Co. Ltd., and Asset Management Director of Baosteel Group. She worked as Head of Business Finance Department of Baosteel from August 2013 to January 2018; Head of Business Finance Department, Director of Board Secretary's Office from January 2018 to April 2018. She has been Board Secretary, Head of Business Finance Department and Director of Board Secretary's Office of Baoshan Iron & Steel Co., Ltd. since April 2018.</p> <p>Ms. Wang graduated from Shanghai Institute of Building Materials in 1997, received the bachelor of engineering degree, and obtained the master of economics from Fudan University in June 2006.</p>

Notes to Other Information

 Applicable Inapplicable

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

 Applicable Not applicable

Section VIII Directors, Supervisors, Senior Executives and Employees

Unit: share

Name	Position	Number of restricted stock held at beginning of year	Number of restricted stock newly granted during reporting period	Granted price of restricted stock (RMB)	Already unlocked shares	Shares not unlocked yet	Number of restricted stock held at end of year	Market price at end of reporting period (RMB)
Zhou Jianfeng	Director	495,900	/	/	162,900	333,000	333,000	2,520,810
Chu Shuangjie	Deputy General Manager	495,900	/	/	162,900	333,000	333,000	2,520,810
Liu An	Deputy General Manager	333,000	/	/	0	333,000	333,000	2,520,810
Sheng Genghong	Deputy General Manager	477,800	/	/	144,800	333,000	333,000	2,520,810
Yao Linlong	Deputy General Manager	477,800	/	/	144,800	333,000	333,000	2,520,810
Wu Kunzong	Financial Director	333,000	/	/	0	333,000	333,000	2,520,810
Wang Juan	Secretary of Board of Directors	363,600	/	/	108,600	255,000	255,000	1,930,350
Total	/	2,977,000	/	/	724,000	2,253,000	2,253,000	/

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

(I) Posts in the shareholding company

√ Applicable □ Not applicable

Name	Shareholding company	Post held	Start of term	End of term
Zou Jixin	China Baowu Steel Group Corp., Ltd.	Member of the Standing Committee of the Party Committee	Oct. 2016	
Zhang Jingang	China Baowu Steel Group Corp., Ltd.	Deputy General Manager	Oct. 2016	
Wu Xiaodi	China Baowu Steel Group Corp., Ltd.	General Manager of Steel and Related Manufacturing Development Center	Jan. 2018	Feb. 2019
Wu Xiaodi	China Baowu Steel Group Corp., Ltd.	General Manager Assistant	Jan. 2019	
Buck Pei	China Baowu Steel Group Corp., Ltd.	External Director	Oct. 2016	
Zhu Yonghong	China Baowu Steel Group Corp., Ltd.	Chief Accountant	Oct. 2016	
Zhu Yonghong	China Baowu Steel Group Corp., Ltd.	Board Secretary	Oct. 2018	
Zhu Yonghong	China Baowu Steel Group Corp., Ltd.	Member of the Standing Committee of the Party Committee	Feb. 2019	
Yu Hansheng	China Baowu Steel Group Corp., Ltd.	Full-time Supervisor	Feb. 2017	
Zhu Hanming	China Baowu Steel Group Corp., Ltd.	Candidate of Head of Supervision Department	Apr. 2017	
Zhu Hanming	China Baowu Steel Group Corp., Ltd.	Deputy Secretary of Disciplinary Committee	Oct. 2018	
Description of post in shareholding company	None			

(II) Posts in other entities

√ Applicable □ Not applicable

Name	Name of other entities	Post held	Start of term	End of term
Zou Jixin	Wisco-Nippon Steel Tinplate Co., Ltd.	Deputy Chairman	Jan. 1, 2017	Dec. 31, 2020
Zhou Jianfeng	Baosteel Zhanjiang Iron & Steel Co., Ltd.	Chairman of Board of Supervisors	Jun. 29, 2015	
Wu Xiaodi	Ningbo Baoxin Stainless Steel Co., Ltd.	President of Investor Council	Feb. 2018	
Wu Xiaodi	Baosteel Engineering & Technology Group Corporation	Director	Jun. 2018	
Buck Pei	Carey Business School of Arizona State University	Accounting Professor	Jan. 1992	
Buck Pei	Zhong An Real Estates Limited	Independent Director	Mar. 2007	
Buck Pei	Want Want China Holdings Co., Ltd.	Independent Director	Sep. 2007	
Buck Pei	Zhejiang Expressway Co., Ltd.	Independent Director	Mar. 2012	
Buck Pei	Minmetals Resources Limited	Independent Director	Jul. 2015	
Buck Pei	China Merchants Group Limited	External Director	Oct. 2015	
Xia Dawei	Lianhua Supermarket Holdings Co., Ltd.	Independent Director	Sep. 2004	
Xia Dawei	Hua An Fund Management Co., Ltd.	Independent Director	May 2016	
Xia Dawei	Guotai Junan Securities Co., Ltd.	Independent Director	May 2016	
Xia Dawei	Industrial Bank Co., Ltd.	External Supervisor	May 2016	
Xia Dawei	Shanghai Juneyao Airlines Co., Ltd.	Independent Director	Jul. 2017	
Lu Xiongwen	School of Management, Fudan University	Dean	Sep. 2006	
Lu Xiongwen	Graduate Management Admission Council (GMAC)	Director	Jun. 2011	
Lu Xiongwen	The 5th National Education Guidance Committee for the Postgraduate of Engineering Management P.R. China	Vice Chairman	Dec. 2013	
Lu Xiongwen	Shanghai Jinqiao Export Processing Zone Development Co., Ltd.	Independent Director	Mar. 2016	May 2019
Lu Xiongwen	Morgan Stanley Huaxin Securities Company Limited	Independent Director	Jul. 2018	
Lu Xiongwen	Shanghai New Huangpu Real Estate Company Limited	Independent Director	Dec. 2018	
Lu Xiongwen	SPD Silicon Valley Bank	Independent Director	Jan. 2019	
Xie Rong	Shanghai Electric (Group) Corporation	Director	Jun. 2009	May 2018
Xie Rong	SAIC Motor Corporation Limited	Director	Jun. 2009	May 2018
Xie Rong	China Everbright Bank Company Limited	Independent Director	Jan. 2013	Jan. 2019
Xie Rong	China Traditional Chinese Medicine Co., Limited	Independent Director	Feb. 2013	
Xie Rong	Shanghai Bairun Investment Holding Group Co., Ltd.	Independent Director	Jun. 2015	Jun. 2021
Xie Rong	Shenwan Hongyuan Group Co., Ltd.	Independent Director	Jun. 2015	
Xie Rong	Shanghai International Trust Co., Ltd.	Independent Director	May 2016	
Bai Yanchun	China Molybdenum Co., Ltd.	Independent Director	Aug. 17, 2012	Aug. 6, 2018
Bai Yanchun	Beijing Commerce & Finance Law Offices	Lawyer	Mar. 7, 2013	
Bai Yanchun	Beijing Tongshang Junrui Investment Management Co., Ltd.	Director	Dec. 15, 2015	
Bai Yanchun	Linkfirms (Shanghai) Network Technology Co., Ltd.	Supervisor	Nov. 27, 2015	
Bai Yanchun	Ziding (Beijing) Enterprise Service Co., Ltd.	Executive Director, Manager	Jun. 23, 2016	
Bai Yanchun	Beijing Gridsum Technology Co., Ltd.	Director	Sep. 23, 2016	
Bai Yanchun	Shenzhen Netac Technology Co., Ltd.	Director	Feb. 20, 2017	Feb. 19, 2020
Bai Yanchun	Shijiazhuang ChangShan Beiming Technology Co., Ltd.	Director	Jul. 19, 2017	
Bai Yanchun	Shanghai Huangpu Financial Holdings Co., Ltd.	Director	Jul. 31, 2017	
Bai Yanchun	Beijing Insurance Service Center Co., Ltd.	Independent Director	Jun. 8, 2018	
Zhu Yonghong	Wuhan Iron & Steel Group Finance Corporation Limited	Chairman of the Board	May 2015	
Zhu Yonghong	Wugang Group Kunming Steel & Iron Co., Ltd.	Chairman of the Board	Mar. 2016	
Zhu Yonghong	Hebi Fuyuan Clean Coal Co., Ltd.	Deputy chairman	Nov. 2016	Apr. 2018
Zhu Yonghong	Huabao Investment Co., Ltd.	Chairman of the Board	Aug. 2017	
Zhu Yonghong	China Pacific Insurance (Group) Co., Ltd.	Chairman of the Supervisory Committee	Jun. 2018	

Section VIII Directors, Supervisors, Senior Executives and Employees

Zhu Yonghong	Hwabao Trust Co., Ltd.	Chairman of the Board	Dec. 2018	
Zhu Yonghong	Baosteel Group Finance Co., Ltd.	Chairman of the Board	Dec. 2018	
Yu Hansheng	Wuhan Iron and Steel Company Limited	Supervisor	Apr. 2017	
He Meifen	Shanghai Baosight Software Corporation	Supervisor	Apr. 2010	
He Meifen	Baosteel Zhanjiang Steel Co., Ltd.	Supervisor	Nov. 2012	
He Meifen	Baosteel Group Finance Co., Ltd.	Director	Mar. 2014	
Chu Shuangjie	Shanghai Jiaotong University	Postgraduate supervisor	Sep. 2007	
Chu Shuangjie	Electrical Steel Branch of the Chinese Society for Metals	Deputy-director Member	Oct. 2011	
Chu Shuangjie	The Chinese Society for Metals	Member of Council	Oct. 2012	
Chu Shuangjie	Baosteel Zhanjiang Iron & Steel Co., Ltd.	Director	Dec. 2012	Feb. 2018
Chu Shuangjie	China Auto Lightweight Technology Innovation Strategic Alliance	Member of Council	Mar. 2013	
Chu Shuangjie	Baosteel America Co., Ltd.	Director	Jan. 2015	Feb. 2018
Chu Shuangjie	Baosteel Europe Co., Ltd.	Director	Jan. 2015	Feb. 2018
Chu Shuangjie	PetroChina Northwest United Pipeline Co., Ltd.	Director	Jan. 2015	
Liu An	Hangzhou Steel Corporation	Director	Nov. 2016	Nov. 2019
Liu An	Wuhan Iron & Steel Group Co., Ltd.	Deputy General Manager	Feb. 2017	
Liu An	Wuhan Iron & Steel Group Co., Ltd.	General Manager	Feb. 2017	Mar. 2019
Liu An	Wuhan Iron & Steel Group Co., Ltd.	Secretary of the Party Committee	Mar. 2019	
Sheng Genghong	Baosteel Zhanjiang Steel Co., Ltd.	Chairman of Board of Directors, Secretary of Party Committee & General Command of Engineering Commanding Department	May 2016	
Yao Linlong	Shanghai Jiangnan Changxing Heavy Industry Co., Ltd.	Director	Apr. 2011	Nov. 2018
Yao Linlong	Shanghai Baosteel International Economic & Trading Co., Ltd.	Executive Director, Manager	Jul. 2012	
Yao Linlong	Changshu Baosheng Fineblanking Steel Co., Ltd.	Chairman of the Board	Jan. 2017	
Yao Linlong	Hangzhou Baowei Auto Parts Co., Ltd.	Chairman of the Board	Mar. 2017	
Yao Linlong	Baosteel-NSC/Arcelor Automotive Steel Sheets Co., Ltd.	Chairman of the Board	May 2018	
Yao Linlong	Guangzhou JFE Steel Sheet Co., Ltd.	Deputy chairman	May 2018	
Wu Kunzong	Xinhua Life Insurance Corporation	Director	Jul. 2014	
Wu Kunzong	Baosteel Zhanjiang Steel Co., Ltd.	Director	Jun. 2016	
Wu Kunzong	Shanghai Baosight Software Corporation	Director	Jul. 2017	
Wu Kunzong	Shanghai Rural Commercial Bank Co., Ltd.	Director	Feb. 2018	
Wu Kunzong	The Listed Companies Association of Shanghai	Director of Chief Financial Officer Committee	Nov. 2018	
Wang Juan	Shanghai Meishan Steel Corporation	Director	Apr. 2014	Oct. 2018
Wang Juan	Baosteel Group Finance Co., Ltd.	Director	May 2014	
Wang Juan	Shanghai National Accounting Institute	Postgraduate supervisor	Dec. 2014	
Wang Juan	Shanghai Baosteel International Economic & Trading Co., Ltd.	Supervisor	Jan. 2015	Oct. 2018
Wang Juan	Shanghai Ouyeel Financial Information Service Corporation	Director	Apr. 2017	
Wang Juan	Baosteel Special Steel Long Material Co., Ltd.	Director	Aug. 2017	
Wang Juan	Bao-Trans Enterprises Ltd.	Chairman of Board	Jan. 2018	
Wang Juan	The Listed Companies Association of Shanghai	Vice Chairman	Jun. 28, 2018	
Wang Juan	The Listed Companies Association of Shanghai	Vice Chairman of Committee of Secretary of the Board	Nov. 8, 2018	
Instructions about employment conditions in other units				

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

√ Applicable Not applicable

Decision-making procedure

Basis

The annual payable remunerations of senior executives, directors and supervisors to be paid by the Company will be set and approved by Board of Directors in accordance with their annual performance and with the "Performance Evaluation Method for Senior Executives", "Remuneration Management Method for Senior Executives".

Remunerations payable

The annual payable remunerations of those to be paid by shareholding companies and other related companies would be defined by these companies. The remunerations actually received by and payable to the Directors, Supervisors and Senior Executives from the Company for the report year totaled RMB 33.9095 million (pre-tax)

Total remunerations actually received by the Directors, Supervisors and Senior Executives by the end of reporting period RMB 33.9095 million

IV. Change in directors, superiors and senior executives

√ Applicable Not applicable

Name	Position	Change	Reason of change
Dai Zhihao	Chairman	Leave office	Resigned in Nov. 2018
Zou Jixin	Chairman	Hired	Newly hired in Jan. 2019
Zou Jixin	President	Leave office	Resigned in Jan. 2019
Hou Angui	Director, president	Hired	Newly hired in Jan. 2019
Zhou Jianfeng	Director	Hired	Newly hired in Jan. 2019
Wu Xiaodi	Director	Hired	Newly hired in May 2018 due to the change of the term of office
Lu Xiongwen	Independent director	Hired	Newly hired in May 2018 due to the change of the term of office
Xie Rong	Independent director	Hired	Newly hired in May 2018 due to the change of the term of office
Bai Yanchun	Independent director	Hired	Newly hired in May 2018 due to the change of the term of office
Yao Linlong	Vice president	Hired	Newly hired in Apr. 2018
Wang Juan	Secretary of board of directors	Hired	Newly hired in Apr. 2018
Yuh-Chang Hwang	Independent director	Leave office	Resigned in May 2018 due to the change of the term of office
Liu Wenbo	Independent director	Leave office	Resigned in May 2018 due to the change of the term of office
Li Li	Independent director	Leave office	Resigned in May 2018 due to the change of the term of office
Zhu Junsheng	Director	Leave office	Resigned in Jan. 2019
Liu Guowang	Supervisor	Leave office	Resigned in Jan. 2019
Zhang Yong	Employee supervisor	Leave office	Resigned in Nov. 2018
Zhao Changxu	Director	Leave office	Resigned in May 2018 due to the change of the term of office
Wang Jing	Vice president	Leave office	Resigned in Apr. 2018
Zhi Xiwei	Vice president	Leave office	Resigned in Apr. 2018
Wu Yiming	Secretary of board of directors	Leave office	Resigned in Jan. 2018

V. Punishment by Securities regulatory authorities in the previous three years

 Applicable Not applicable

Section VIII Directors, Supervisors, Senior Executives and Employees

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

(I) Employees

Number of employees in service in the parent company	15,766
Number of employees in service in the main subsidiaries	40,392
Total number of employees in service	56,158
Number of retired employees to be covered by the parent company and main subsidiaries	

Professional composition

Category of professional composition	Number of professionals
Production personnel	37,191
Sales personnel	2,004
Technical personnel	13,160
Financial personnel	658
Administrative personnel	3,145
Total	56,158

Educational background

Category of educational background	Number (people)
Master's degree or above	3,650
Bachelor's degree	19,313
College degree	18,391
Secondary vocational school education or below	14,804
Total	56,158

(II) Compensation Policy

Applicable Not applicable

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

(III) Training Scheme

Applicable Not applicable

In 2018, based on the company's strategy development and the management tasks as well as national laws and regulations requirements, we adopted the principle of "classification" and the work idea of "adapting to multi-base management requirements, highlighting reform and innovation supports, focusing on core ability enhancement, strengthen the orientation of solving problems, and stimulating vitality and creation of the organization". We organized various kinds of training and continued to optimize project design, improve the growth traction mechanism and drive talent training work of multiple bases.

(IV) Labor Outsourcing Information

Applicable Inapplicable

Section IX Corporate Governance

I. Corporate Governance

Applicable Not applicable

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

In May 2018, Baosteel completed the general election of the board of directors and board of supervisors. Upon the approval on the first extraordinary shareholders' general meeting of 2019 convened on Jan. 28, 2019, the company adjusted some directors. After that, the 7th board of directors of the company has a total of 11 directors, including 5 independent directors, accounting for 45%. Besides, Mr. Buck Pei is an external director dispatched by SASAC to Baowu Iron & Steel Group who is concurrently a director of the company board. The 7th board of supervisors of the company has 5 supervisors in total, including 2 employee supervisors, accounting for 40%.

Independent directors of the company actively participated in the construction of special committees of the board of directors and played an important role in the special committees under the board of directors. The company adjusted the members of the special committee in January 2019. As of the disclosure date of this report, the board of directors of the company has 4 special committees, among which the strategy and risk management committee is composed of 6 directors, including one independent director; the audit committee is composed of 7 directors, including 5 independent directors and the independent director accounting professor Xie Rong is the director; the remuneration and assessment committee is all composed of 6 external directors, including 5 independent directors and independent director Lu Xiongwen is the director of the committee; the nomination committee is composed of 5 directors, including 3 independent directors and independent director Zhang Kehua is the director of the committee. The audit committee, remuneration and assessment committee and nomination committee are all headed by independent directors, effectively ensuring the independence and impartiality of the audit, assessment and appointment of directors and senior executives.

The company has been continuously promoting and improving the internal basic management system. In order to further optimize the decision-making process of the company's external donation and sponsorship business and clarify the management responsibilities of the company's party committee, the company has revised the Management Measures on External Donation and Sponsorship. In order to better adapt to the company's multi-manufacturing-base management mode and internal and external business environment changes, and constantly standardize and strengthen the risk prevention ability, the company has revised the Measures for Comprehensive Risk Management.

In 2018, Baosteel was selected into the "China's top 50 best boards" jointly released by Fortune and Aon Hewitt Management Consulting and was awarded as "Top 100 Enterprises in China" granted by China Top 10 Listed Company Summit Forum. The company has also been included in the first session of "Innovative China- Top 10 Listed Companies" jointly released by Panorama Network and the School of Economics of Fudan University.

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

Applicable Inapplicable

II. Brief introduction of shareholders' meeting

Session	Date	Reference websites	Disclosure date
First temporary shareholders' meeting in 2018	Feb. 9, 2018	http://www.sse.com.cn/	Feb. 10, 2018
Annual shareholders' meeting of 2017	May 25, 2018	http://www.sse.com.cn/	May 26, 2018
Second temporary shareholders' meeting in 2018	Sep. 18, 2018	http://www.sse.com.cn/	Sep. 19, 2018

Notes to Shareholders Meeting Information

Applicable Inapplicable

III. Directors' Duty Fulfillment

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

Director name	Independent Director or not	Required number of board meetings for the year	Attendance of the board meetings				Attendance of the shareholders' meetings	
			Attendance in person	Attendance by correspondence	Entrusting a representative	Absence	Two successive absence	Times of attendance of the meetings
Dai Zhihao	No	7	6	2	I	No	0	
Zou Jixin	No	8	8	3		No	2	
Zhang Jingang	No	8	8	3		No	0	
Zhu Junsheng	No	8	8	3		No	1	
Wu Xiaodi	No	5	5	2		No	0	
Buck Pei	No	8	8	3		No	0	
Xia Dawei	Yes	8	8	3		No	0	
Zhang Kehua	Yes	8	8	3		No	0	
Lu Xiongwen	Yes	5	4	2	I	No	0	
Xie Rong	Yes	5	5	2		No	0	
Bai Yanchun	Yes	5	5	2		No	0	
Zhao Changxu	No	3	2	I	I	No	0	
Yuh-Chang Hwang	Yes	3	3	I		No	0	
Liu Wenbo	Yes	3	2	I	I	No	0	
Li Li	Yes	3	3	I		No	0	

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

Applicable Inapplicable

Number of Board Meetings held in the year	8
Including: number of on-site meetings	5
Number of meetings in communication mode	3
Number of on-site meetings combined with other ways of communication	0

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

Applicable Not applicable

(III) Others

Applicable Not applicable

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

Applicable Not applicable

The Strategy and Risk Management Committee believes that the company should pay close attention to the progress of Sino-US trade frictions and make full and profound thinking and preparation for trade risks. The company should seriously evaluate the impact of electrification, lightweight and intellectualization on the automotive steel market, and strengthen the research and development of new materials. When designing Zhanjiang Iron & Steel blast furnace project, the company should fully absorb mature practices and experience in technology, process, environmental protection and other aspects of the existing blast furnace, and ensure adequate investment in environmental protection based on high standards. In addition, the Committee believes that the company should be based on the long-term, fully assess the risks, do a good job in analysis, adaptation, communication, so that the development of urban steel mills can complement with government planning.

The Compensation and Assessment Committee believes that when setting contents of the index of "special promotion of smart manufacturing", the company should further consolidate and try to quantify it to reduce the subjective evaluation factors. In face of the impact brought by

Section IX Corporate Governance

intelligent driving, electric vehicles and other development trends on automotive board products, the weight of strategic and relative indicators should be increased in the future performance indicator setting.

The Audit Committee believes that the company should constantly improve the internal control system and strengthen risk control with the help of the system. The Internal Audit Department should emphasize the management risk orientation, start from the place most likely to go wrong, and constantly improve the audit means and methods. Internal audit has played a great role in the integration of Baowu. The company should focus on the internal control system construction of Wuhan Iron & Steel Co., Ltd. and constantly improve the system design and implementation.

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

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Inapplicable

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

Applicable Not applicable

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

VIII. Disclosure of Internal Control Self-Evaluation Report

Applicable Not applicable

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

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

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

Applicable Not applicable

IX. Audit Report for the Company's Internal Control

Applicable Not applicable

Ernst & Young Huaming Certified Public Accountants (special general partnership) conducted the internal control audit and gave its audit report for the Company, and the content of the report was disclosed at www.sse.com.cn.

If the internal control auditing report has been disclosed: yes

X. Others

Applicable Not applicable

Section X Corporate Bond

Applicable Inapplicable

I. Basic Information of Corporate Bond

Unit: Yuan Currency: RMB

Bond name	Abbreviation	Code	Issue date	Expiry date	Bond balance	Interest rate (%)	Principal and interest payment method	Trade place
14 year corporate bond of Wuhan Iron & Steel Corporation	14 year Wuhan Iron & Steel Corporation bond	122366	July 1, 2015	July 1, 2018	-	4.38	Pay interests on annual basis, pay principal and last period of interest at the end of last period	Shanghai Stock Exchange

Interest payment and cashing of corporate bonds

Applicable Inapplicable

Registering date of principal-and-interest-paying creditor's rights in 2018: on June 27, 2018, according to the "Announcement of Face Interest Rate of Corporate Bonds of 2014 Publicly Issued by Wuhan Iron & Steel Corporation", the face interest rate of "14 year corporate bond of Wuhan Iron & Steel Corporation" was 4.38%. The face value of "14 corporate bond of Wuhan Iron & Steel Corporation" in every hand was RMB 1,000, and the principal and interest paid was RMB 1,043.80 (including tax). The total amount of principal and interest paid was RMB 7,306,600,000.00 (including tax).

The issuer has remitted bond cashing and interest in full promptly to the bank account designate by CSDC Shanghai Branch within the reporting period and has completed the payment on July 2, 2018.

The bond has been delisted from the Shanghai stock exchange on July 2, 2018.

Notes to other information of corporate bonds

Applicable Inapplicable

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

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

Other notes:

Applicable Inapplicable

III. Use of Funds Raised from Corporate Bonds

Applicable Inapplicable

IV. Rating of Corporate Bonds

Applicable Inapplicable

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

Applicable Inapplicable

VI. Holding of Corporate Bonds Holdings Meeting

Applicable Inapplicable

VII. Duty Performance of Entrusted Manager of Corporate Bonds

Applicable Inapplicable

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

Applicable Inapplicable

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

Applicable Inapplicable

X. Bank Credit Line Information of the Company during Reporting Period

Applicable Inapplicable

XI. Performance of Related Agreement or Commitment in Corporate Bonds Raising Specification during Reporting Period

Applicable Inapplicable

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

Applicable Inapplicable

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AUDITOR'S REPORT

Ernst & Young Hua Ming (2019) Shen Zi No. 60469248_B01

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

1. Opinion

We have audited the financial statements of Baoshan Iron & Steel Co., Ltd. ("the Company"), which comprise the consolidated and Company's balance sheets as at 31 December 2018, and the consolidated and Company's income statements, the consolidated and Company's statements of changes in owners' equity and the consolidated and Company's cash flow statements for the year then ended, and the notes to the financial statements.

In our opinion, the accompanying financial statements of the Company are prepared and present fairly, in all material respects, the consolidated and Company's financial position as at 31 December 2018, and the consolidated and the Company's results of operations and cash flows for the year then ended in accordance with the Accounting Standards for Business Enterprises.

2. Basis for Opinion

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

3. Key Audit Matters

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

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including those related to these key audit matters. Accordingly, our audit includes the implementation of audit procedures designed to address the assessed risk of material misstatement of financial statements. The results of our audit procedures, including those to address the following key audit matters, provide a basis for the presentation of audit opinions for the overall financial statements.

The provision for decline in value of inventories.

Description

As at 31 December 2018, the balance of inventories was RMB43,379,492,626.17, and the balance of provision for decline in value of inventories was RMB1,874,102,704.61, as disclosed in Note V.7 to the financial statements.

At the balance sheet date, inventories of the Company are measured at the lower of cost and net realizable value. If the net realizable value is below the cost of inventories, a provision for decline in value of inventories is made, as disclosed in Note III. 13 to the financial statements.

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

How our audit addressed the key audit matters:

We mainly performed the following audit procedures:

- (1) Assessing the internal control related to the provision for decline in value of inventories and test the effectiveness of the internal control;
- (2) Evaluating whether the Company's method of identifying the inventories with a risk of decline in value is reasonable; reviewing the management's method of estimating net realizable value of inventories and relevant parameters used in estimating the net realizable value of inventories;

Section XI Financial Report

(3) On sample basis, reviewing the net realizable value test of management, including the acquisition of future selling price of unit price to test the reasonableness of the estimated prices, the implementation of reasonable test for further processing costs, and the implementation of reasonable test for selling expenses and relevant taxes;

(4) Checking the accuracy of the calculation table of the provision for decline in value of inventories made by the Company; and

(5) Observing stock taking procedures and implementing spot checking procedures to check whether there were obsolete inventories that were not considered in the price reduction calculation.

Expected termination benefits

Description

The balances of termination benefits in current liabilities and non-current liabilities of the consolidated financial statements were RMB414,844,735.77 and RMB961,074,719.60 respectively as at 31 December 2018, which totaled RMB1,375,919,455.37, and increased by RMB464,164,077.14 with an increasing rate of 51%, compared with the total closing balance of RMB911,755,378.23 in the prior year; as disclosed in Note V.29 and Note V.37 to the financial statements.

In view of the great increase in the balance of termination benefits during the year and significant judgments and estimations required in the recognition and measurement of termination benefits, we determine the expected termination benefits as a key audit matter.

How our audit addressed the key audits matters:

We mainly performed the following audit procedures:

- (1) Assessing the internal control related to termination benefits and testing the effectiveness of the internal control;
- (2) Checking the policy and plan for termination benefits and assessing whether the accounting treatment complies with the relevant accounting standards; and
- (3) Obtaining the calculation worksheet of the termination benefits executed by the Company, and with the assistance of the internal valuation experts of the firm, examining the assessment method, actuarial assumptions and overall calculation results of the Company's termination benefit plan.

Revenue recognition

Description

The current year, the amount of revenue was RMB304,779,462,646.47, of which sales of goods were RMB294,121,868,410.25, representing 96.5% of the total revenue, as disclosed in Note V.48 to the financial statements.

The revenue incurred by selling goods had a significant impact on the financial statements. The performance of iron and steel industry is positively correlated with the economic environment and steel prices fluctuate widely. Therefore, we determine revenue recognition as a key audit matter.

How our audit addressed the key audit matters:

We mainly performed the following audit procedures:

- (1) Assessing the internal control related to the revenue recognition and test the effectiveness of the internal control;
- (2) Performing analytical review procedures to analyze the rationality of revenue and the changes of gross profit margin;
- (3) Testing the income transactions recorded before and after the balance sheet date, and evaluating whether the income is recorded in the correct accounting period;
- (4) Selecting randomly income transaction records, checking supporting documents such as warehouse lists, receiving notes to verify the authenticity and accuracy of sales of goods;

(5) Selecting randomly contracts and orders, inspecting key terms such as delivery methods and transfer of goods rights agreed in contracts and orders, and evaluating whether revenue recognition policies comply with the relevant provisions of accounting standards; and

(6) Testing the return of sales after the balance sheet date to check the existence of significant sales returns and to assess the impact on the financial statements.

4. Other Information

The management of the Company is responsible for other information. The other information comprises the information included in the annual report, but excludes the financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

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

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

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

Section XI Financial Report

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Ernst & Young Hua Ming LLP

Beijing, China

Chinese Certified Public Accountant:

(Engagement partner)

Zhou Youmei

Chinese Certified Public Accountant

Xu Lele

24 April 2019

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

Consolidated Balance Sheet

AT 31 December 2018

Unit: Yuan Currency: RMB

ASSETS	Note V	Closing Balance	Opening Balance
Current assets:			
Cash and bank balances	1	16,959,171,653.98	17,857,363,941.27
Financial assets at fair value through profit or loss	2	2,025,074,853.86	1,726,166,623.63
Notes receivable and accounts receivable	3	41,826,205,117.19	43,936,399,772.39
Including: Notes receivable		29,130,196,898.24	31,857,024,088.54
Accounts receivable		12,696,008,218.95	12,079,375,683.85
Prepayments	4	6,328,023,809.67	8,018,401,078.40
Other receivables	5	3,176,459,039.28	2,759,865,430.00
Including: Interest receivable		14,226,030.25	13,568,978.49
Dividends receivable		16,429,765.43	45,043,206.68
Financial assets purchased under resale agreements	6	500,000,000.00	3,583,919,000.00
Inventories	7	41,505,389,921.56	39,488,037,616.60
Non-current assets due within one year	8	-	547,982,220.29
Other current assets	9	7,768,245,389.89	15,374,474,805.32
Total current assets		120,088,569,785.43	133,292,610,487.90
Non-current assets:			
Loans and advances to customers	10	5,580,901,203.10	3,941,771,480.10
Available-for-sale financial assets	11	12,637,230,889.65	13,016,772,119.86
Long-term receivables	12	302,259,703.90	323,443,628.36
Long-term equity investments	13	18,985,069,558.92	17,286,462,494.34
Investment properties	14	466,585,011.76	437,906,877.45
Fixed assets	15	150,718,491,669.54	154,221,659,305.18
Construction in progress	16	7,765,259,043.39	10,095,065,654.83
Intangible assets	17	12,313,714,412.80	12,384,059,562.20
Goodwill	18	524,024,603.46	520,886,853.98
Long-term prepaid expenses	19	1,393,063,252.51	1,330,650,683.79
Deferred tax assets	20	2,897,420,484.50	2,413,983,183.78
Other non-current assets	21	1,468,016,192.69	969,360,283.40
Total non-current assets		215,052,036,026.22	216,942,022,127.27
Total assets		335,140,605,811.65	350,234,632,615.17

Consolidated Balance Sheet-continued

AT 31 December 2018

Unit: Yuan Currency: RMB

LIABILITIES AND EQUITY	Note V	Closing Balance	Opening Balance
Current Liabilities:			
Short-term borrowings	23	38,324,057,065.49	60,282,446,151.02
Customer deposits and deposits from banks and other financial institutions	24	8,802,169,865.15	8,471,020,955.41
Taking from banks and other financial institutions	25	-	400,000,000.00
Financial liabilities at fair value through profit and loss (FVTPL)		629,641.69	371,853,492.51
Notes payable and accounts payable	26	45,930,563,669.04	39,673,341,441.64
Receipts in advance	27	19,853,241,501.99	23,744,883,795.03
Financial assets sold under repurchase agreements	28	142,071,814.59	130,556,138.69
Employee benefits payable	29	2,683,454,050.18	2,365,608,949.15
Taxes payable	30	4,431,480,822.53	4,699,230,756.94
Other payables	31	1,896,508,138.46	2,607,501,607.46
Including: Interest payable		359,359,786.14	582,058,272.27
Dividends payable		660,334.78	50,674,285.20
Non-current liabilities due within one year	32	5,162,332,379.53	20,407,281,386.07
Other current liabilities	33	6,076,755,143.04	52,914,690.00
Total current liabilities		133,303,264,091.69	163,206,639,363.92
Non-current Liabilities:			
Long-term borrowings	34	5,610,231,171.28	413,368,004.28
Bonds payable	35	3,000,000,000.00	8,553,245,927.39
Long-term payables	36	927,504,518.00	974,276,884.50
Long-term employee benefits payable	37	1,124,563,460.90	781,049,807.00
Provisions	38	-	1,989,562.11
Deferred income	39	1,089,170,358.84	1,116,879,279.02
Deferred tax liabilities	20	840,782,711.34	714,779,247.74
Total non-current liabilities		12,592,252,220.36	12,555,588,712.04
Total liabilities		145,895,516,312.05	175,762,228,075.96
Shareholders' equity:			
Share capital	40	22,267,915,125.00	22,268,111,875.00
Other equity instruments	41	-	77,717,323.62
Capital reserve	42	49,581,655,764.24	48,714,559,218.40
Less: Treasury shares	43	665,644,518.00	712,416,884.50
Other comprehensive income	44	(348,278,735.39)	(301,403,547.57)
Special reserve	45	37,950,958.62	41,582,048.73
Surplus reserve	46	32,628,859,658.50	29,774,721,062.00
Retained earnings	47	73,260,095,692.16	64,569,632,340.12
Total shareholders' equity attributable to equity holders of the Company		176,762,553,945.13	164,432,503,435.80
Minority interests		12,482,535,554.47	10,039,901,103.41
Total shareholders' equity		189,245,089,499.60	174,472,404,539.21
Total liabilities and shareholders' equity		335,140,605,811.65	350,234,632,615.17

The accompanying notes form part of the financial statements.

The financial statements were signed by:

Legal representative: **Zou Jixin**Person in charge of the accounting body: **Wu Kunzong**Accounting supervisor: **Wang Juan**

Balance Sheet of the Company

AT 31 December 2018

Unit: Yuan Currency: RMB

ASSETS	Note XV	Closing Balance	Opening Balance
Current assets:			
Cash and bank balances		9,408,059,019.15	11,927,358,284.13
Financial assets at FVTPL		36,354,838.66	734,096,000.00
Notes receivable and accounts receivable	1	37,570,031,378.95	30,340,108,750.83
Including: Notes receivable		20,513,571,758.90	19,504,576,992.77
Accounts receivable		17,056,459,620.05	10,835,531,758.06
Prepayments		1,517,502,941.55	1,945,468,308.57
Other receivables	2	662,225,166.29	452,318,432.15
Including: Interest receivable		82,540,335.24	82,540,335.24
Dividends receivable		-	-
Inventories		13,521,669,741.10	11,103,486,717.45
Non-current assets due within one year		2,063,508,380.96	-
Other current assets		28,827,643,909.07	41,427,207,910.87
Total current assets		93,606,995,375.73	97,930,044,404.00
Non-current assets:			
Available-for-sale financial assets		9,033,789,096.20	9,340,528,096.20
Long-term receivables		143,029,367.15	2,223,327,009.32
Long-term equity investments	3	82,050,320,071.06	78,708,570,251.16
Fixed assets		46,289,827,418.22	42,849,063,926.97
Construction in progress		2,974,343,266.06	4,666,329,360.69
Intangible assets		3,460,000,274.54	3,543,280,357.44
Long-term prepaid expenses		33,868,724.42	31,070,463.38
Deferred tax assets		1,024,118,330.84	1,005,228,434.07
Other non-current assets		469,684,885.08	2,721,183,386.49
Total non-current assets		145,478,981,433.57	145,088,581,285.72
Total assets		239,085,976,809.30	243,018,625,689.72

Balance Sheet of the Company - continued

AT 31 December 2018

Unit: Yuan Currency: RMB

LIABILITIES AND EQUITY	Note XV	Closing Balance	Opening Balance
Current liabilities:			
Short-term borrowings		28,694,000,000.00	34,916,707,000.00
Financial liabilities at FVTPL		-	331,882,154.88
Notes payable and accounts payable		22,652,979,694.79	28,211,794,064.04
Receipts in advance		10,889,502,048.45	14,375,910,316.12
Employee benefits payable		1,431,007,220.86	1,395,413,171.14
Taxes payable		1,081,036,407.58	1,964,136,800.32
Other payables		524,195,958.69	736,643,721.99
Including: Interest payable		281,376,299.09	329,510,733.76
dividends payable		-	-
Non-current liabilities due within one year		5,000,000,000.00	2,000,000,000.00
Other current liabilities		6,025,500,000.00	-
Total current liabilities		76,298,221,330.37	83,932,487,228.49
Non-current liabilities:			
Long-term borrowings		4,249,000,000.00	50,000,000.00
Bonds payable		3,000,000,000.00	8,000,000,000.00
Long-term payables		908,224,518.00	954,996,884.50
Long-term employee benefits payable		224,761,034.91	189,439,129.01
Deferred income		388,305,218.79	366,420,337.96
Deferred tax liabilities		578,062,193.22	561,037,857.08
Total non-current liabilities		9,348,352,964.92	10,121,894,208.55
Total liabilities		85,646,574,295.29	94,054,381,437.04
Shareholders' equity			
Share capital		22,267,915,125.00	22,268,111,875.00
Capital reserve		56,595,284,290.30	56,360,561,245.89
Less: Treasury shares		665,644,518.00	712,416,884.50
Other comprehensive income		(98,865,566.55)	(42,593,990.71)
Surplus reserve		32,628,859,658.50	29,774,721,062.00
Retained earnings		42,711,853,524.76	41,315,860,945.00
Total shareholders' equity		153,439,402,514.01	148,964,244,252.68
Total liabilities and shareholders' equity		239,085,976,809.30	243,018,625,689.72

Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2018

Unit: Yuan Currency: RMB

	Note V	Amount for current year	Amount for prior period
I. Total operating income		305,204,866,810.21	289,497,791,860.43
Including: Operating income	48	304,779,462,646.47	289,092,900,259.28
Interest income		410,823,212.47	392,745,524.75
Fee and commission income		14,580,951.27	12,146,076.40
II. Total operating costs		281,929,347,788.10	267,977,947,591.25
Including: Operating costs	48	259,084,996,014.67	248,425,102,399.15
Interest expenses		169,590,516.73	174,760,042.55
Fee and commission expenses		3,881,986.17	4,043,601.08
Taxes and levies	49	1,623,496,443.44	1,879,904,404.45
Selling expenses	50	3,492,708,128.90	3,366,451,987.33
Financial expenses	51	5,926,621,238.07	5,424,541,673.78
Research and development expenses	52	7,030,591,170.37	4,207,433,798.89
Financial expenses	53	4,366,071,309.65	3,370,418,534.10
Including: Interest expenses		3,060,248,761.78	3,634,233,937.77
Interest income		236,324,528.27	168,683,587.80
Impairment losses of assets	54	231,390,980.10	1,125,291,149.92
Add: Other income	55	595,201,794.44	546,199,583.81
Investment income	56	4,122,898,284.88	3,042,271,247.77
Including: Income from investments			
in associates and joint ventures		1,358,700,020.07	672,629,885.10
Profit or loss arising from changes in fair value	57	189,689,171.79	(184,144,674.11)
Profit or loss arising from disposal of assets		-	-
III. Operating profit		28,183,308,273.22	24,924,170,426.65
Add: Non-operating income	58	311,558,092.84	274,526,446.84
Less: Non-operating expenses	59	678,808,731.27	1,163,566,737.88
IV. Total profit		27,816,057,634.79	24,035,130,135.61
Less: Income tax expenses	60	4,537,916,749.89	3,631,992,918.56
V. Net profit		23,278,140,884.90	20,403,137,217.05
Categorized by operation continuity:			
Net profit from continuing operations		23,278,140,884.90	20,403,137,217.05
Categorized by ownership:			
Net profit attributable to owners of the Company		21,565,163,754.79	19,170,337,569.64
Profit or loss attributable to minority interests		1,712,977,130.11	1,232,799,647.41
Other comprehensive income, net of tax		(36,602,358.89)	(18,454,491.59)
VI. Other comprehensive income attributable to owners of the Company, net of tax	44	(46,875,187.82)	(18,452,339.98)
Items that will not be subsequently reclassified to profit or loss:		(2,150,755.42)	5,575,231.86
Changes arising from re-measurement of defined benefit plan		(2,150,755.42)	5,575,231.86
Items that will be reclassified subsequently to profit or loss		(44,724,432.40)	(24,027,571.84)
Share of other comprehensive income of the investee that will be reclassified to profit or loss under the equity method		54,019,248.24	(36,282,078.82)
Profit or loss on changes in the fair value of available-for-sale financial assets		(293,052,667.67)	115,131,972.11
Translation differences of financial statements denominated in foreign currencies		194,308,987.03	(102,877,465.13)
Other comprehensive income attributable to minority interests, net of tax	44	10,272,828.93	(2,151.61)
VII. Total comprehensive income:		23,241,538,526.01	20,384,682,725.46
Total comprehensive income attributable to owners of the Company		21,518,288,566.97	19,151,885,229.66
Total comprehensive income attributable to minority interests		1,723,249,959.04	1,232,797,495.80
VIII. Earnings per share:	61		
Basic earnings per share (RMB/share)		0.97	0.86
Diluted earnings per share (RMB/share)		0.97	0.86

Income Statement of the Company

FOR THE YEAR ENDED 31 DECEMBER 2018

Unit: Yuan Currency: RMB

	Note XV	Amount for current year	Amount for prior period
I. Operating income	4	131,362,437,134.44	125,587,444,953.47
Less: Operating costs	4	114,206,599,679.32	107,998,735,505.62
Taxes and levies		482,372,871.72	670,896,478.57
Selling expenses		780,801,598.43	712,450,377.52
Administrative expenses		2,106,698,988.89	1,509,137,492.94
Research and development expenses		3,244,557,770.51	2,528,861,206.33
Financial expenses		1,668,170,252.18	(386,013,540.41)
Including: Interest expenses		2,169,934,824.00	1,914,928,228.57
Interest income		1,773,747,914.21	1,775,195,400.82
Impairment losses of assets		64,057,763.14	(205,005,524.69)
Add: Other income		266,149,579.90	229,581,760.63
Investment income	5	6,506,661,389.08	(743,212,058.91)
Including: Income from investments in associates and joint ventures		1,018,556,474.97	215,577,662.48
Profit or loss arising from changes in fair value		395,300,719.56	(397,314,522.65)
Profit or loss arising from disposal of assets		-	-
II. Operating profit		15,977,289,898.79	11,847,438,136.66
Add: Non-operating income		106,563,747.06	42,080,079.84
Less: Non-operating expenses		220,681,204.52	718,179,168.18
III. Total profit		15,863,172,441.33	11,171,339,048.32
Less: Income tax expenses		1,592,479,458.82	1,770,155,663.68
IV. Net profit		14,270,692,982.51	9,401,183,384.64
Net profit from continuing operations		14,270,692,982.51	9,401,183,384.64
V. Other comprehensive income, net of income tax		(56,271,575.84)	(15,598,731.46)
Items that will be reclassified subsequently to profit or loss		(56,271,575.84)	(15,598,731.46)
Share of other comprehensive income of the investee that is to be reclassified to profit or loss under equity method		23,782,674.16	(34,821,981.46)
Profit or loss on changes in fair value of available-for-sale financial assets		(80,054,250.00)	19,223,250.00
VI. Total comprehensive income		14,214,421,406.67	9,385,584,653.18

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2018

Unit: Yuan Currency: RMB

	Note V	Amount for current year	Amount for prior period
I. CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from the sale of goods and the rendering of services		350,238,831,718.83	319,116,903,633.99
Cash receipts from interest, fees and commissions		439,476,969.13	408,507,351.76
Net increase in customer deposits and deposits from banks and other financial institutions		323,947,193.49	-
Net increase in taking from banks and other financial institutions		-	400,000,000.00
Net decrease in balance with the central bank and due from banks and other financial institutions		136,930,638.16	-
Net increase in financial assets sold under a repurchase agreement		11,515,675.90	-
Receipts of tax refunds		698,359,963.44	782,047,922.32
Other cash receipts relating to operating activities	62	1,523,450,746.92	2,251,319,557.07
Sub-total of cash inflows from operating activities		353,372,512,905.87	322,958,778,465.14
Cash payments for goods purchased and services received		271,927,970,872.55	253,133,434,329.18
Net decrease in customer deposits and deposits from banks and other financial institutions		-	844,573,741.14
Net decrease in customer deposits and deposits from banks and other financial institutions		1,613,375,833.09	558,747,482.76
Net decrease in taking from banks and other financial institutions		400,000,000.00	-
Net increase in balance with the central bank and due from banks and other financial institutions		-	525,750,645.89
Cash payments for interest, fees and commissions		130,677,497.20	267,056,426.40
Net decrease in financial assets sold under repurchase agreements		-	21,765,471.17
Cash payments to and on behalf of employees		15,427,365,014.85	14,466,206,112.52
Payments of various types of taxes		13,898,272,423.93	14,194,846,372.86
Other cash payments relating to operating activities	62	4,368,802,140.24	5,869,124,288.85
Sub-total of cash outflows from operating activities		307,766,463,781.86	289,881,504,870.77
Net cash flows from operating activities	63	45,606,049,124.01	33,077,273,594.37
II. CASH FLOWS FROM INVESTING ACTIVITIES			
Cash receipts from disposals and recovery of investments		78,806,529,269.76	102,682,286,576.96
Cash receipts from investment income		2,949,201,784.75	1,864,988,301.78
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		80,469,126.89	368,318,427.75
Other cash receipts relating to investing activities	62	296,087,966.62	4,809,805,533.19
Sub-total of cash inflows from investing activities		82,132,288,148.02	109,725,398,839.68
Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets		12,759,633,089.40	13,276,885,150.12
Cash payments to acquire investments		72,925,694,915.63	106,445,598,785.69
Net cash payments for disposal of subsidiaries and other business units		574,850,105.02	1,543,823,590.55
Other cash payments relating to investing activities	62	58,606,798.68	182,591,544.39
Sub-total of cash outflows from investing activities		86,318,784,908.73	121,448,899,070.75
Net cash flows from investing activities		(4,186,496,760.71)	(11,723,500,231.07)

Consolidated Cash Flow Statement - continued

FOR THE YEAR ENDED 31 DECEMBER 2018

Unit: Yuan Currency: RMB

	Note V	Amount for current year	Amount for prior period
III. CASH FLOWS FROM FINANCING ACTIVITIES			
Cash receipts from capital contributions		426,249,229.00	1,589,871,449.79
Including: Cash receipts from capital contributions from minority owners of subsidiaries		409,462,900.00	924,226,931.79
Cash receipts from borrowings		81,575,193,411.21	99,502,638,450.13
Cash receipts from issue of bonds		30,688,000,000.00	6,712,000,000.00
Other cash receipts relating to financing activities		-	77,970,811.51
Sub-total of cash inflows from financing activities		112,689,442,640.21	107,882,480,711.43
Cash repayments of borrowings		140,090,684,692.58	113,358,750,683.92
Cash payments for distribution of dividends or profits or settlement of interest expenses		13,718,027,861.46	8,405,410,853.67
Including: Payments for distribution of dividends or profits to minority owner of subsidiaries		407,746,946.62	312,513,354.33
Other cash payments relating to financing activities	62	4,041,423,169.48	500,000,000.00
Sub-total of cash outflows from financing activities		157,850,135,723.52	122,264,161,537.59
Net cash flows from financing activities		(45,160,693,083.31)	(14,381,680,826.16)
IV. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
		(104,192,585.11)	(81,357,324.99)
V. NET INCREASE IN CASH AND CASH EQUIVALENTS			
		(3,845,333,305.12)	6,890,735,212.15
Add: Opening balance of cash and cash equivalents		19,912,309,189.73	13,021,573,977.58
VI. CASH AND CASH EQUIVALENTS AT END OF YEAR			
	63	16,066,975,884.61	19,912,309,189.73

Cash Flow Statement of the Company

FOR THE YEAR ENDED 31 DECEMBER 2018

Unit: Yuan Currency: RMB

	Note XV	Amount for current year	Amount for prior period
I. CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from the sale of goods and the rendering of services		139,782,560,730.56	147,434,070,368.04
Receipts of tax refunds		306,681,428.17	13,195,794.10
Other cash receipts relating to operating activities		663,316,501.02	780,674,215.12
Sub-total of cash inflows from operating activities		140,752,558,659.75	148,227,940,377.26
Cash payments for goods purchased and services received		133,544,145,185.19	105,300,809,916.15
Cash payments to and on behalf of employees		6,418,443,998.15	5,989,676,382.79
Payments of various types of taxes		5,355,880,818.10	7,904,650,039.32
Other cash payments relating to operating activities		1,240,759,554.26	648,126,327.37
Sub-total of cash outflows from operating activities		146,559,229,555.70	119,843,262,665.63
Net cash flows from operating activities		(5,806,670,895.95)	28,384,677,711.63
II. CASH FLOWS FROM INVESTING ACTIVITIES			
Cash receipts from disposals and recovery of investments		61,538,000,000.00	66,324,187,360.69
Cash receipts from investment income		5,599,590,431.93	1,901,304,883.28
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		41,891,431.95	82,071,111.33
Other cash receipts relating to investing activities		279,180,861.97	4,899,552,707.15
Sub-total of cash inflows from investing activities		67,458,662,725.85	73,207,116,062.45
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		6,790,197,746.16	5,507,408,158.82
Cash payments to acquire investments		55,123,403,900.00	75,309,500,000.00
Other cash payments relating to investing activities		-	50,916,944.39
Sub-total of cash outflows from investing activities		61,913,601,646.16	80,867,825,103.21
Net cash flows from investing activities		5,545,061,079.69	(7,660,709,040.76)
III. CASH FLOWS FROM FINANCING ACTIVITIES			
Cash receipts from capital contributions		16,786,329.00	665,644,518.00
Cash receipts from borrowings		61,316,493,820.09	62,350,971,300.00
Cash receipts from issue of bonds		30,000,000,000.00	6,000,000,000.00
Other cash receipts relating to financing activities		8,374,680,459.45	-
Sub-total of cash inflows from financing activities		99,707,960,608.54	69,016,615,818.00
Cash repayments of borrowings		89,877,000,648.47	68,673,295,306.03
Cash payments for distribution of dividends or profits or interest expenses		12,043,662,646.18	6,306,453,078.80
Other cash payments relating to financing activities		375,792.50	6,584,713,925.45
Sub-total of cash outflows from financing activities		101,921,039,087.15	81,564,462,310.28
Net cash flows from financing activities		(2,213,078,478.61)	(12,547,846,492.28)
IV. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
		(44,610,970.11)	(10,605,173.29)
V. NET INCREASE IN CASH AND CASH EQUIVALENTS			
		(2,519,299,264.98)	8,165,517,005.30
Add: Opening balance of cash and cash equivalents		11,927,358,284.13	3,761,841,278.83
VI. CASH AND CASH EQUIVALENTS AT END OF YEAR			
		9,408,059,019.15	11,927,358,284.13

Consolidated Statement of Changes in Shareholders' Equity

FOR THE YEAR ENDED 31 DECEMBER 2018

Unit: Yuan Currency: RMB

Item	Amount for current year					Amount for current year					Minority interests	Total shareholders' equity
	Attributable to shareholders of the Company					Attributable to shareholders of the Company						
	Share capital	Capital reserve	Other equity instruments	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Subtotal			
I. Closing balance in prior year	22,268,111,875.00	48,714,559,218.40	77,717,323.62	712,416,884.50	(301,403,547.57)	41,582,048.73	29,774,721,062.00	64,569,632,340.12	164,432,503,435.80	10,039,901,103.41	174,472,404,539.21	
Add business combination involving enterprises under common control	-	-	-	-	-	-	-	-	-	-	-	
II. Balance at 1 January 2018	22,268,111,875.00	48,714,559,218.40	77,717,323.62	712,416,884.50	(301,403,547.57)	41,582,048.73	29,774,721,062.00	64,569,632,340.12	164,432,503,435.80	10,039,901,103.41	174,472,404,539.21	
III. Changes for the year	(196,750.00)	867,096,545.84	(77,717,323.62)	(46,772,366.50)	(46,875,187.82)	(3,631,090.11)	2,854,138,596.50	8,690,463,352.04	12,330,050,509.33	2,442,634,451.06	14,772,684,960.39	
(I) Total comprehensive income	-	-	-	-	(46,875,187.82)	-	-	21,565,163,754.79	21,518,288,566.97	1,723,249,959.04	23,241,538,526.01	
(II) Shareholders' contributions and reduction in capital	(196,750.00)	687,979,739.63	-	(46,772,366.50)	-	-	-	734,555,356.13	1,142,454,715.34	1,877,010,071.47		
1. Capital contributed by shareholders	-	406,079,335.59	-	(46,396,574.00)	-	-	-	452,475,909.59	1,247,530,834.24	1,700,006,743.83		
2. Purchase minority shareholder equity	-	10,565,131.86	-	-	-	-	-	10,565,131.86	(17,520,931.86)	(6,955,800.00)		
3. The amount of share-based payments recorded in owners' equity of subsidiaries	-	271,536,699.45	-	-	-	-	-	271,536,699.45	13,383,045.57	284,919,745.02		
4. Share repurchase	(196,750.00)	(179,042.50)	-	(375,792.50)	-	-	-	-	-	-		
5. Disposal of subsidiaries	-	(22,384.77)	-	-	-	-	-	(22,384.77)	(100,938,232.61)	(100,960,617.38)		
(III) Profit distribution	-	-	-	-	-	-	2,854,138,596.50	(12,874,700,402.75)	(10,020,561,806.25)	(418,646,840.86)	(10,439,208,647.11)	
1. Transfer to surplus reserve	-	-	-	-	-	-	2,854,138,596.50	(2,854,138,596.50)	-	-		
2. Distribution to shareholders	-	-	-	-	-	-	-	(10,020,561,806.25)	(10,020,561,806.25)	(418,646,840.86)	(10,439,208,647.11)	
(IV) Special reserve	-	-	-	-	-	(3,631,090.11)	-	-	(3,631,090.11)	(4,867,790.06)	(8,498,880.17)	
1. Transfers in the year	-	-	-	-	-	588,830,383.55	-	-	588,830,383.55	18,748,407.72	607,578,791.27	
2. Amount utilized in the year	-	-	-	-	-	(592,461,473.66)	-	-	(592,461,473.66)	(23,616,197.78)	(616,077,671.44)	
(V) Others	-	179,116,806.21	(77,717,323.62)	-	-	-	-	-	101,399,482.59	444,407.60	101,843,890.19	
IV. Closing balance in current year	22,267,915,125.00	49,581,655,764.24	-	665,644,518.00	(348,278,735.39)	37,950,958.62	32,628,859,658.50	73,260,095,692.16	176,762,553,945.13	12,482,535,554.47	189,245,089,499.60	

Item	Amount in the same period of prior year					Amount in the same period of prior year					Minority interest	Total shareholders' equity
	Attributable to shareholders of the Company					Attributable to shareholders of the Company						
	Share capital	Capital reserve	Other equity instruments	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Subtotal			
I. Closing balance in prior 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	121,266,024,885.25	10,155,160,014.52	131,421,184,899.77	
Add business combination involving enterprises under common control	-	20,023,263,782.09	-	-	(222,861,382.00)	26,871,120.81	-	8,684,695,948.69	28,511,969,469.59	319,116,514.85	28,831,085,984.44	
II. Balance at 1 January 2017	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	149,777,994,354.84	10,474,276,529.37	160,252,270,884.21	
III. Changes for the year	5,817,718,251.00	(5,077,772,695.87)	77,717,323.62	662,537,616.50	(18,452,339.98)	(10,943,456.70)	1,880,236,676.92	12,648,542,938.47	14,654,509,080.96	(434,375,425.96)	14,220,133,655.00	
(I) Total comprehensive income	-	-	-	-	(18,452,339.98)	-	-	19,170,337,569.64	19,151,885,229.66	1,232,797,495.80	20,384,682,725.46	
(II) Shareholders' contributions and reduction in capital	5,817,718,251.00	(5,133,456,149.23)	-	662,537,616.50	-	-	-	21,724,485.27	(23,252,246.64)	(1,527,761.37)		
1. Capital contributed by shareholders	165,201,550.00	513,537,666.50	-	662,537,616.50	-	-	-	16,201,600.00	(23,252,246.64)	(7,050,646.64)		
2. Share-based payments recognized in owners' equity	-	5,522,885.27	-	-	-	-	-	5,522,885.27	-	5,522,885.27		
3. Issuing new shares of business combination involving enterprises under common control	5,652,516,701.00	(5,652,516,701.00)	-	-	-	-	-	-	-	-		
(III) Profit distribution	-	-	-	-	-	-	1,880,236,676.92	(6,521,794,631.17)	(4,641,557,954.25)	(312,513,354.33)	(4,954,071,308.58)	
1. Transfer to surplus reserve	-	-	-	-	-	-	1,880,236,676.92	(1,880,236,676.92)	-	-		
2. Distribution to shareholders	-	-	-	-	-	-	-	(4,641,557,954.25)	(4,641,557,954.25)	(312,513,354.33)	(4,954,071,308.58)	
(IV) Special reserve	-	-	-	-	-	(10,943,456.70)	-	-	(10,943,456.70)	(2,099,461.10)	(13,042,917.80)	
1. Transfers in the year	-	-	-	-	-	450,775,393.32	-	-	450,775,393.32	9,564,485.41	460,339,878.73	
2. Amount utilized in the year	-	-	-	-	-	(461,718,850.02)	-	-	(461,718,850.02)	(11,663,946.51)	(473,382,796.53)	
(V) Others	-	55,683,453.36	77,717,323.62	-	-	-	-	-	133,400,776.98	(1,329,307,859.69)	(1,195,907,082.71)	
IV. Closing balance in current year	22,268,111,875.00	48,714,559,218.40	77,717,323.62	712,416,884.50	(301,403,547.57)	41,582,048.73	29,774,721,062.00	64,569,632,340.12	164,432,503,435.80	10,039,901,103.41	174,472,404,539.21	

Statement of Changes in Shareholders' Equity of the Company
FOR THE YEAR ENDED 31 DECEMBER 2018

Unit: Yuan Currency: RMB

Item	Amount for current year			Amount for current year				
	Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total shareholders' equity
I. Balance at 1 January 2018	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
II. Changes for the year	(196,750.00)	234,723,044.41	(46,772,366.50)	(56,271,575.84)	-	2,854,138,596.50	1,395,992,579.76	4,475,158,261.33
(I) Total comprehensive income	-	-	-	(56,271,575.84)	-	-	14,270,692,982.51	14,214,421,406.67
(II) Shareholders' contributions and reduction in capital	(196,750.00)	122,098,318.51	(46,772,366.50)	-	-	-	-	168,673,935.01
1. Capital contributed by shareholders	-	37,175,305.56	(46,396,574.00)	-	-	-	-	83,571,879.56
2. Share-based payments recognized in owners' equity	-	257,030,045.02	-	-	-	-	-	257,030,045.02
3. Share repurchase	(196,750.00)	(179,042.50)	(375,792.50)	-	-	-	-	-
4. Business combination involving enterprises under common control	-	(171,927,989.57)	-	-	-	-	-	(171,927,989.57)
(III) Profit distributio	-	-	-	-	-	2,854,138,596.50	(12,874,700,402.75)	(10,020,561,806.25)
1. Transfer to surplus reserve	-	-	-	-	-	2,854,138,596.50	(2,854,138,596.50)	-
2. Distribution to shareholders	-	-	-	-	-	-	(10,020,561,806.25)	(10,020,561,806.25)
(V) Special reserve	-	-	-	-	-	-	-	-
1. Transfers in the year	-	-	-	-	288,358,067.66	-	-	288,358,067.66
2. Amount utilized in the year	-	-	-	-	(288,358,067.66)	-	-	(288,358,067.66)
(VI) Others	-	112,624,725.90	-	-	-	-	-	112,624,725.90
III. Closing balance in current year	22,267,915,125.00	56,595,284,290.30	665,644,518.00	(98,865,566.55)	-	32,628,859,658.50	42,711,853,524.76	153,439,402,514.01

Item	Amount for the same period of prior year			Amount for the same period of prior year				
	Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total shareholders' equity
I. Balance at 1 January 2017	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
II. Changes for the year	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' contributions and reduction in capital	5,817,718,251.00	23,485,196,481.49	662,537,616.50	-	-	-	-	28,640,377,115.99
1. Capital contributed by shareholders	165,201,550.00	497,336,066.50	662,537,616.50	-	-	-	-	-
2. Share-based payments recognized in owners' equity	-	5,522,885.27	-	-	-	-	-	5,522,885.27
3. Business combination involving enterprises under common control	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. Transfer to surplus reserve	-	-	-	-	-	1,880,236,676.92	(1,880,236,676.92)	-
2. Distribution to shareholders	-	-	-	-	-	-	(4,641,557,954.25)	(4,641,557,954.25)
(V) Special reserve	-	-	-	-	-	-	-	-
1. Transfers in the year	-	-	-	-	264,507,027.76	-	-	264,507,027.76
2. Amount utilized in the year	-	-	-	-	(264,507,027.76)	-	-	(264,507,027.76)
(VI) Others	-	(36,647,179.73)	-	-	-	-	-	(36,647,179.73)
III. Closing balance in current year	22,268,111,875.00	56,360,561,245.89	712,416,884.50	(42,593,990.71)	-	29,774,721,062.00	41,315,860,945.00	148,964,244,252.68

Notes To The Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

(I) GENERAL INFORMATION

Baoshan Iron & Steel Company Limited (the "Company") was incorporated and registered on 3 February 2000 in Shanghai, the People's Republic of China ("PRC"), as a limited company, with the registration number of 91310000631696382C, under the law of the PRC. The Company was established by China Baowu Steel Group Corporation Limited (hereinafter "China Baowu") as the sole investor, under the official approval document No. [1999] 1266, as issued by the State Economic and Trade Commission of China.

The Company took over related businesses, assets and liabilities from China Baowu by issuance of 10,635,000,000 ordinary shares to China Baowu with a par value of RMB1.00 each on the date of establishment.

The Company issued 1,877,000,000 ordinary shares (A shares) to the general public with a par value of RMB1.00 each and an offer price of RMB4.18 by means of on line stock exchange listing coupled with off line rationed subscription, from 6 to 24 November 2000, in compliance with the approval document No. [2000] 140, issued by the China Securities Regulatory Commission (the "CSRC").

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

Approved by the CSRC (No. 739 document in 2008), the Company issued RMB10 billion equity warrant bonds with a tenure of six years on 20 June 2008. In this issuance, the original circulating shareholders of unlimited sale (of shares) conditions were given the priority for placing, and the rest of the notes were sold to institutional investors through price inquiry and to online applicants. The notes were issued based on the face value, which was RMB100.00 per stock. The interest was paid once a year and the principal was paid in full at maturity. The annual contract interest rate was 0.8%. Each purchaser of the notes was able to obtain 16 warrants issued by the issuer, the duration of which was 24 months from the day when they were listed, and the exercising period was the last 5 trading days of the duration period. The exercise proportion was 2:1 and the initial exercise price was RMB12.50 per stock. The warrants and bonds were listed and traded on the Shanghai Stock Exchange on 4 July 2008. The exercise price of the warrants was then adjusted to RMB11.80 per stock due to dividend. The exercising period was from 28 June to 3 July 2010. A total of 113,785 warrants were successfully exercised before the stock market closed on 2 July 2010, the last effective exercise date for "Baosteel CWB1", resulting in an increase of 48,088 shares of the Company.

According to "The Board's Resolution of Repurchase Shares of the Company by Centralized Bidding", "The Creditors' Notice about Repurchase Shares of Baoshan Iron & Steel Co., Ltd.", "The Resolution of the second extraordinary shareholders' meeting of Baoshan Iron & Steel Co., Ltd in 2012", and the Company's revised articles of association, the Company repurchased its A-shares on the Shanghai Stock Exchange by centralized bidding with price no more than RMB5.00 per share and amount no more than RMB5 billion in total. The first repurchase began on 21 September 2012, and the Company had had repurchased 414,055,508 shares by the end of 2012. According to the resolution and the Company's revised articles of association, the Company applied for reduction of share capital RMB0.39 billion and finished all procedures with Shanghai Branch of China Securities Depository and Clearing Corporation Limited ("CSDC") on 20 December 2012. The Company renewed the commercial registration in December 2012, and the updated registered share capital was RMB17,122,048,088.00 as at 31 December 2012.

The Company repurchased 626,267,656 shares in 2013, and completed the implementation of the repurchase scheme. In accordance with the resolution of the general shareholders' meeting of the Company and the regulations of the revised articles of association, the Company applied for the decrease of share capital of RMB650,323,164.00 and completed the cancellation of 650,323,164 shares with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited ("CSDC") on 23 May 2013. The Company completed procedures on industrial and commercial registration on 24 June 2013, and the updated registered share capital is RMB16,471,724,924.

The Company reduced the share capital by 23,154,700 shares in 2014, 2015, 2016, 2017 and 2018 due to the repurchase of restricted stocks which had not yet reached the unlock conditions, i.e., 698,900 shares for the year 2014, 3,508,500 for the year 2015, 17,123,900 shares for the year 2016, 1,626,650 shares for the year 2017 and 196,750 shares for the year 2018.

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

On 23 May 2017, the Company held the 18th meeting of the 6th Board of Directors to discuss and approve the "Proposal on the Unlocking of Baosteel's Restricted Stock Plan during the Second Unlocking Period". Accordingly, 12,930,700 restricted stocks of the Company were unlocked during the second unlocking period and were listed and circulated on 19 June 2017.

On 22 December 2017, the Company held the 25th meeting of the 6th Board of Directors to discuss and approve the "Proposal on the Implementation of the Second Phase of A-share Restricted Stock Plan". Accordingly, 166,828,200 of restricted stocks of the Company have been registered on the Shanghai Branch of China Securities Depository and Clearing Corporation Limited on 16 January 2018.

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

On 8 June 2018, the Company held the 1st meeting of the 7th Board of Directors to discuss and approve the "Proposal on the Unlocking of Baosteel's Restricted Stock Plan during the Third Unlocking Period". Accordingly, 11,360,700 restricted stocks of the Company were unlocked during the third unlocking period and were listed and circulated on 19 June 2018.

As at the end of the reporting period, the Company's registered capital and share capital were RMB22,267,915,125.00. Among the 22,101,086,925 ordinary shares without sales restriction of the Company, Baowu Group held 11,300,148,999 shares, Wuhan Iron and Steel Group held 2,982,172,472 shares and Baowu Group held 14,282,321,471 shares directly and indirectly with an equity interest of 64.14%.

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

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

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

The Company and group consolidated financial statements have been approved by the Board of Directors on 24 April 2019.

The scope of consolidation in the consolidated financial statements is determined on the basis of control. The change in scope of consolidated financial statements is detailed in Note VI. The detailed scope of consolidated financial statements is included in Note VII.

(II) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

The Group assessed its ability to continue as a going concern for the 12 months from 31 December 2018 and did not notice any events or circumstances that may cast significant doubt upon its ability to continue as a going concern. Therefore, the financial statements have been prepared on a going concern basis.

(III) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

Accounting policies and accounting estimates are formulated based on the actual characteristics of production and operation. These are reflected in the provision for bad debts in respect of receivables, valuation method of inventories, estimation of depreciation of fixed assets, estimation of amortization of intangible assets, recognition and measurement of revenue, termination benefits, share-based payments, etc.

1. Statement of compliance with the ASBE

The financial statements of the Company have been prepared in accordance with the Accounting Standards for Business Enterprises, and present truly and completely, the Company's and the Group's financial position as at 31 December 2018, and the Company's and the Group's results of operations and cash flows for the year then ended.

2. Basis of accounting and principle of measurement

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurements date, regardless of whether that price is directly observable or estimated using valuation technique. Fair value measurements and/or

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

(III) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

disclosures in the financial statements are determined according to the above basis. Fair value measurements are categorized into Level 1, 2 or 3 based on degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

(1) Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

(2) Level 2 inputs are inputs, other than inputs within Level 1, which are observable for the asset or liability;

(3) Level 3 inputs are unobservable inputs for the asset or liability.

3. Accounting year

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

4. Operating cycle

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

5. Functional currency

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

6. Business combination

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

Business combinations involving enterprises under common control

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

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

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

Business combinations not involving enterprises under common control

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

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

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

Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognized as goodwill as an asset and measured at cost. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is accounted for as follows: firstly, the acquirer reassesses the measurement of the fair values of the acquiree's

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

(III) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination; then, if after that reassessment, the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer recognizes the remaining difference immediately in profit or loss for the current period.

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

7. Preparation of consolidated financial statements

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

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

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

Whenever the business combination occurs in the reporting period, subsidiaries acquired through a business combination involving enterprises under common control or the parties being absorbed under merger by absorption are included in the Group's scope of consolidation as if they had been included in the scope of consolidation from the date when they first came under the common control of the ultimate controlling party. Their operating results and cash flows from the beginning of the earliest reporting period are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

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

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

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

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

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

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

When the Group loses control of a subsidiary in two or more arrangements (transactions), terms and conditions of the arrangements (transactions) and their economic effects are considered. One or more of the following indicate that the Group shall account for the multiple arrangements as a single transaction: (i) they are entered into at the same time or in contemplation of each other; (ii) they form a single transaction designed to achieve an overall commercial effect; (iii) the occurrence of one arrangement is dependent on the occurrence of at least one other arrangement; and (iv) one

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FOR THE YEAR ENDED 31 DECEMBER 2018

(III) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

arrangement considered on its own is not economically justified, but it is economically justified when considered together with other arrangements. If the transactions of disposal of equity interest of a subsidiary are assessed as a single transaction, these transactions are accounted for as one transaction of disposal of a subsidiary. Before losing control, the difference of consideration received on disposal and the share of net assets of the subsidiary continuously calculated from acquisition date are recognized as other comprehensive income. When losing control, the cumulated other comprehensive income is transferred to profit or loss of the period of losing control. If the transactions of disposal of equity investment of a subsidiary are not assessed as a single transaction, these transactions are accounted for as unrelated transactions.

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

A joint arrangement is classified into joint operation and joint venture, depending on the rights and obligations of the parties to the arrangement, which is assessed by considering the structure and the legal form of the arrangement, the terms agreed by the parties in the contractual arrangement and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. The Group accounts for investments in joint ventures using equity method. Refer to Note V 13 for details.

9. Recognition criteria of cash and cash equivalents

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

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

Transactions denominated in foreign currencies

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

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

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

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

Translation of financial statements denominated in foreign currencies

For the purpose of preparing the consolidated financial statements, financial statements of a foreign operation are translated from the foreign currency into RMB using the following method: assets and liabilities on the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date; shareholders' equity items except for retained earnings are translated at the spot exchange rates at the dates on which such items arose; all items in the income statement as well as items reflecting the distribution of profits are translated at the average exchange rate of the transaction period; the opening balance of retained earnings is the translated closing balance of the previous year's retained earnings; the closing balance of retained earnings is calculated and presented on the basis of each translated income statement and profit distribution item. The difference between the translated assets and the aggregate of liabilities and shareholders' equity items is separately presented as the exchange differences arising on translation of financial statements denominated in foreign currencies under the shareholders' equity in the balance sheet.

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

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

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FOR THE YEAR ENDED 31 DECEMBER 2018

(III) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

11. Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. For financial assets and financial liabilities at fair value through profit or loss, transaction costs are immediately recognized in profit or loss. For other financial assets and financial liabilities, transaction costs are included in their initial recognized amounts.

Effective interest method

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

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

Classification, recognition and measurement of financial assets

On initial recognition, the Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

Financial assets at fair value through profit or loss ("FVTPL")

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

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

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

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

Held-to-maturity investments

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified as loans and receivables by the Group include cash and cash equivalents, notes receivable and accounts receivable, other receivables, redemptory monetary capital for sale, non-current assets due within one year and loans and advances to customers as well as long-term receivables.

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

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

(III) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are designated on initial recognition as available for sale and financial assets that are not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. Financial assets classified into available-for-sale financial assets by the Group include available-for-sale debt instruments and available-for-sale equity instruments.

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

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

Impairment of financial assets

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

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

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

Impairment of financial assets measured at amortized cost

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

For a financial asset that is individually significant, the Group assesses the asset individually for impairment. For a financial asset that is not individually

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FOR THE YEAR ENDED 31 DECEMBER 2018

(III) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

significant, the Group assesses the asset individually for impairment or includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset (whether significant or not), it includes the asset in a group of financial assets with similar credit risk characteristics and collectively reassesses them for impairment. Assets for which an impairment loss is individually recognized are not included in a collective assessment of impairment.

Impairment of available-for-sale financial assets

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

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

Impairment of financial assets measured at cost

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

Transfer of financial assets

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

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

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference between (1) the carrying amount of the financial asset transferred; and (2) the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognized in other comprehensive income, is recognized in profit or loss.

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

Classification, recognition and measurement of financial liabilities

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

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

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FOR THE YEAR ENDED 31 DECEMBER 2018

(III) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

Financial liabilities at fair value through profit or loss

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

A financial liability is classified as held for trading if one of the following conditions is satisfied: (1) It has been acquired principally for the purpose of repurchasing in the near term; or (2) On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and there is objective evidence that the Group has a recent actual pattern of short-term profit-taking; or (3) It is a derivative, except for a derivative that is a designated and effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured.

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

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

Other financial liabilities

For a derivative liability that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured, it is subsequently measured at cost. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with gain or loss arising from derecognition or amortization recognized in profit or loss. Financial instruments classified as other financial liabilities by the Group include short-term borrowings, customer deposits and deposits from banks and other financial institution, taking from banks and other financial institutions, notes payable and accounts payable, financial assets sold under repurchase agreements, other payables, non-current liabilities due within one year, short term financing bonds, long-term borrowings, bonds payable and long-term payables.

Derecognition of Financial Liabilities

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

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

Derivatives and embedded derivatives

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

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

Offsetting financial assets and financial liabilities

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

Equity instruments

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

Notes To The Financial Statements – continued

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(III) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

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

Repurchase of share capital

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

Convertible loan notes

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

12. Accounts receivable

Accounts receivable that are individually significant and for which bad debt provision is individually assessed

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

Accounts receivable for which provision for bad debt is recognized on a portfolio basis

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

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

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FOR THE YEAR ENDED 31 DECEMBER 2018

(III) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

Receivables which are not individually significant but provision for bad debt is recognized separately

Reasons for determining individual provision for receivables	There is objective evidence of impairment.
Method of determining provision for receivables	The difference between the estimated recoverable amount and the book value is recognized as bad debt.

13. Inventories

The Group's inventories mainly include raw materials, work in progress, finished goods, spare parts and others. Inventories are initially measured at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other expenditures incurred in bringing the inventories to their present location and condition. The actual cost of inventories upon delivery is calculated using the weighted average method. Packaging materials and low cost and short-lived consumable items are amortized using the immediate write-off method.

The perpetual inventory system is maintained for stock system.

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

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

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

14. Long-term equity investments

Determination criteria of joint control and significant influence

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

Determination of initial investment cost

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

For a long-term equity investment acquired through business combination not involving enterprises under common control, the investment cost of the long-term equity investment is the cost of acquisition. Where equity interests in an acquiree are acquired in stages through multiple transactions ultimately constituting a business combination not involving entities under common control, the acquirer shall determine if these transactions are considered to be "a bundled transaction". If yes, these transactions are accounted for as a single transaction where control is obtained. If no, the sum of carrying amount of equity investments previously held in the acquiree and the new investment cost is deemed as the initial investment cost of long-

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(III) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

term equity investments that was changed to be accounted for using cost method. If the equity previously held was accounted for using the equity method, the corresponding other comprehensive income is not subject to accounting treatment temporarily. If the equity investment previously held was classified as available-for-sale financial assets, the difference between the fair value and carrying amount, together with the accumulated fair value previously included in other comprehensive income are transferred to profit or loss for the period.

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

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

Subsequent measurement and recognition of profit or loss

Long-term equity investment accounted for using the cost method

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

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

Long-term equity investment accounted for using the equity method

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

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

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

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

Disposal of long-term equity investments

On disposal of the long-term equity investments, the difference between book value and market price is recognized in profit or loss for the current period. For long-term equity investments under equity method, if the equity method remains in use, other comprehensive income previously accounted for under the equity method shall be dealt with on the same basis as if the relevant assets or liabilities were disposed of directly by the investee, and recognized in proportion in profit or loss for the current period. Shareholders' equity recognized as a result of changes in shareholders' equity other than the net-off of profit and loss, other comprehensive income and profit allocation of the investee shall be transferred in proportion to current profit and loss.

For long-term equity investments under cost method, if the cost method remains in use, other comprehensive income previously accounted for under the equity method shall be dealt with on the same basis as if the relevant assets or liabilities were disposed of directly by the investee, and recognized in

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(III) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

proportion in profit or loss for the current period. Shareholders' equity recognized as a result of changes in shareholders' equity other than the net-off of profit and loss, other comprehensive income and profit allocation of the investee shall be transferred in proportion to current profit and loss.

The Group loses control on investee due to disposal of part of shares, during preparing separate financial statement, for the investee still under the joint control or significant influence after the disposal, remaining shares shall be accounted under equity method and adjusted as they are accounted under equity method from acquisition date; for the investee no longer under the joint control or significant influence after the disposal, remaining shares shall be accounted according to recognition and measurement of financial instrument, and the difference between fair value at the date of losing control and book value is recognized in profit or loss of current period. Before the Group controls the investee, other comprehensive income previously accounted for under the equity method or recognition and measurement of financial instruments shall be dealt with on the same basis as if the relevant assets or liabilities were disposed of directly by the investee when the Group loses control of the investee; shareholders' equity recognized under equity method as a result of changes in shareholders' equity other than the net-off of profit and loss, other comprehensive income and profit allocation of the investee shall be transferred to current profit and loss when the Group loses control of the investee. Remaining shares after disposal are accounted for under equity method, other comprehensive income and other owners' equity are carried forward in proportion; remaining shares after disposal are accounted for according to recognition and measurement of financial instruments, other comprehensive income and other owners' equity are all carried forward.

For the Group loses joint control or significant influence on investee after part disposal of shares, remaining shares after disposal are accounted according to recognition and measurement of financial instruments, the difference between fair value at the date of losing joint control or significant influence and book value is recognized in profit or loss of the current period. Other comprehensive income previously accounted for under the equity method shall be dealt with on the same basis as if the relevant assets or liabilities were disposed of directly by the investee, and recognized in proportion in profit or loss for the current period. Shareholders' equity recognized as a result of changes in shareholders' equity other than the net-off of profit and loss, other comprehensive income and profit allocation of the investee shall be transferred in proportion to current profit and loss.

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

15. Investment properties

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

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

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

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

16. Fixed assets

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

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

Depreciation of each category of fixed assets

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

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

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(III) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

Estimated net residual value of a fixed asset is the estimated amount that the Group would currently obtain from the 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.

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

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

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

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

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

17. Construction in progress

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

18. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset are capitalized when expenditures for such asset and borrowing costs are incurred and activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced. Capitalization of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is suspended abnormally and when the suspension is for a continuous period of more than 3 months. Capitalization is suspended until the acquisition, construction or production of the asset is resumed. Other borrowing costs are recognized as an expense in the period in which they are incurred.

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

19. Intangible assets

Intangible assets

Intangible assets include land use rights, software, and other assets.

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

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

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(III) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

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

Research and development expenditure

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

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

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

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

20. Impairment of long-term assets

The Group assesses at each balance sheet date whether there is any indication that the long-term equity investment, investment properties, fixed assets, construction in progress, which measured by cost method, and intangible assets with a finite useful life may be impaired. If there is any indication that such assets may be impaired, recoverable amounts are estimated for such assets. Intangible assets with indefinite useful life and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that the assets may be impaired.

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

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

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

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

21. Long-term prepaid expenses

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

22. Assets transferred under repurchase agreements**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.

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(III) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

Financial assets sold under repurchase agreements

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

23. Employee benefit**Short-term employee benefits**

The short-term employee benefits actually occurred are recognized as liabilities, and record into the current profit or loss or in the costs of relevant assets in the accounting period in which employees provide services to the Group. Staff welfare expenses incurred by the Group are recognized in the current profit or loss or the costs of relevant assets based on the actually occurred amounts. Non-monetary staff welfare expenses are measured at fair value.

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

Post-employment benefits

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

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

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

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

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

Under the defined benefit plan, previous service cost are recognized as expense at the earlier of the modification of the defined benefit plan and the recognition of the related restructuring expenses or termination benefits.

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

Termination benefits

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

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

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(III) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

Other long-term employee benefit

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

24. Provisions

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

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

25. Share-based payments and equity instruments

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

Equity-settled share-based payments

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

Implementation, modification and termination of share-based payment arrangement

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

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

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

26. Revenue

Revenue from sales of goods

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

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(III) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

Revenue arising from the rendering of services

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

Royalty revenue

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

Interest revenue

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

27. Government grants

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

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

Government grants related to assets

For details of the Group's asset-related government grants, see Note V.39. As related subsidies are directly related to the construction of fixed assets investment. These government grants are government grants related to assets. A government grant related to an asset is charged against carrying amount of related assets and included in profit or loss over the useful life of the related asset by average allocation method.

Government grants related to income

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

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

Policy preference loan discount

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

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

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

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(III) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

Relocation compensation received for the sake of public interests

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

28. Income tax

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

Current income tax

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

Deferred tax assets and deferred tax liabilities

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

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

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

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

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

Offset of income tax

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

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

29. Leases

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

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

(III) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

The Group as lessee under operating leases

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

The Group as lessor under operating leases

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

The Group as lessee under finance leases

The accounting treatments are set out in Note III. 16.

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

The Group as lessor under finance leases

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

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

30. Discontinued operations

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

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

31. Safety production funds [and funds to maintain simple re-production]

Safety production funds provided according to the regulations are included in costs of related products or profit or loss, and credited to the specialized reserves. They are treated differently as follow when being utilized: (1) the specialized reserves are offset against for those attributable to the expense nature; and (2) the cumulative expenditures are recognized as a fixed asset for those attributable to the fixed asset nature when the working condition for the intended use is reached, and at the same time, specialized reserves are offset against with the full depreciation of the fixed asset, at the same amount.

32. Significant accounting judgements and estimates

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

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

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

(III) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

Key assumptions and uncertainties in accounting estimates

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

Goodwill Impairment

Goodwill is tested for impairment at least annually. The present value of future cash flows of goodwill with related asset group(s) needs to be predicted. When predicting the present value of future cash flows, the Group needs to predict the future cash flows generated by asset group(s), and chooses the appropriate discount rate to determine the present value of future cash flows.

Provision for decline in value of inventories

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

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

Bad debt provision for receivables

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

Deferred tax assets

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

Fixed assets provision

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

33. Changes in accounting policies

In accordance with the "Notice on the Revision of the Issuance of the Financial Statements Format of General Enterprises for Year 2018" (Accounting [2018] No. 15), the Group consolidated "Receivable notes" and "Account receivables" to the newly added "Receivable notes and account receivables", consolidated "Dividends receivable" and "Interest receivable" to "Other receivables", consolidated "Liquidation of fixed assets" to the "Fixed assets", consolidated "Project goods and material" to "Construction in progress", consolidated "Notes payable" and "Account payables" to the newly added "Notes payable and account payables", consolidated "Special payable" to "Long-term payable", and "R&D expenses" are split from "Administrative expenses" in the statement of profit of loss, "Interest expense" and "Interest income" are split from "Financial expenses" and the Group restated the comparative period statement accordingly. This change in accounting policy has no impact on the merger and the Company's net profit and shareholders' equity.

The main impacts of the retrospective adjustments resulting from the changes in the presentation of financial statements and accounting policies on 31

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

(III) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

December 2017 are as follows:

The Group

Unit: Yuan Currency: RMB

Item	Before the changes in accounting policies 1 January 2018	Changes in accounting policies	After changes in accounting policies 1 January 2018
		Reclassification	
Notes receivable	31,857,024,088.54	(31,857,024,088.54)	-
Accounts receivable	12,079,375,683.85	(12,079,375,683.85)	-
Notes receivable and accounts receivable	-	43,936,399,772.39	43,936,399,772.39
Interest receivable	13,568,978.49	(13,568,978.49)	-
Dividends receivable	45,043,206.68	(45,043,206.68)	-
Other receivables	2,701,253,244.83	58,612,185.17	2,759,865,430.00
Construction in progress	9,974,993,262.80	120,072,392.03	10,095,065,654.83
Materials for construction of fixed assets	120,072,392.03	(120,072,392.03)	-
Notes payable	10,517,063,796.47	(10,517,063,796.47)	-
Accounts payable	29,156,277,645.17	(29,156,277,645.17)	-
Notes payable and accounts payable	-	39,673,341,441.64	39,673,341,441.64
Interest payable	582,058,272.27	(582,058,272.27)	-
Dividends payable	50,674,285.20	(50,674,285.20)	-
Other payables	1,974,769,049.99	632,732,557.47	2,607,501,607.46
Long-term payables	712,416,884.50	261,860,000.00	974,276,884.50
Special payables	261,860,000.00	(261,860,000.00)	-
Administrative expenses	9,631,975,472.67	(4,207,433,798.89)	5,424,541,673.78
Research and development expenses	-	4,207,433,798.89	4,207,433,798.89
			-

The Company

Unit: Yuan Currency: RMB

Item	Before the changes in accounting policies 1 January 2018	Changes in accounting policies	After changes in accounting policies 1 January 2018
		Reclassification	
Notes receivable	19,504,576,992.77	(19,504,576,992.77)	-
Accounts receivable	10,835,531,758.06	(10,835,531,758.06)	-
Notes receivable and accounts receivable	-	30,340,108,750.83	30,340,108,750.83
Interest receivable	82,540,335.24	(82,540,335.24)	-
Other receivables	369,778,096.91	82,540,335.24	452,318,432.15
Construction in progress	4,662,382,023.28	3,947,337.41	4,666,329,360.69
Materials for construction of fixed assets	3,947,337.41	(3,947,337.41)	-
Notes payable	3,801,954,041.22	(3,801,954,041.22)	-
Accounts payable	24,409,840,022.82	(24,409,840,022.82)	-
Notes payable and accounts payable	-	28,211,794,064.04	28,211,794,064.04
Interest payable	329,510,733.76	(329,510,733.76)	-
Other payables	407,132,988.23	329,510,733.76	736,643,721.99
Long-term payables	712,416,884.50	242,580,000.00	954,996,884.50
Special payables	242,580,000.00	(242,580,000.00)	-
Administrative expenses	4,037,998,699.27	(2,528,861,206.33)	1,509,137,492.94
Research and development expenses	-	2,528,861,206.33	2,528,861,206.33
			-

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

(IV) TAXES

Major categories of taxes and tax rates

Category of tax	Basis of tax computation	Tax rate
Value-added tax	Taxable revenue of goods sales	6%, 10%, or 16% (Note 1)
City maintenance and construction tax	Actual turnover tax	1%-7%
Educational surtax and surcharge	Actual turnover tax	1%-5%
Enterprise income tax	Taxable income	Note 2
Overhead charges of riverway	Actual turnover tax	Applicable rates set by the government
Property tax	Residual value of the taxable buildings or rental income	Applicable rates set by the government
Individual income tax	Taxable individual income	Applicable rates set by the government

Note1: In accordance with Notice on Adjustment of VAT Rates from the Ministry of Finance and State Administration of Taxation (Cai Shui [2018] No. 32), on 1 May 2018, the tax rates of 17% and 11% originally applicable to VAT sales or imported goods shall be adjusted to 16% and 10% respectively.

Note2: The income tax rate of the Company is 25%. Subsidiaries of the Group are subject to respective applicable income tax rates on taxable income. The overseas subsidiaries of the Group pay enterprise income tax according to the local tax laws.

Shanghai Meishan Iron and Steel Co., Ltd., a subsidiary of the Company, was recognized as a high-tech enterprise in 2018. The certificate number is GR201832004264, and the date of issuance is 28 November 2018. According to the Measures for the Administration of the Recognition of Hi-tech Enterprises and Law of the People's Republic of China on Enterprise Income Tax, the preferential income tax rate of 15% will be enjoyed from 2018 to 2020.

Shanghai Baoxin Software Co., Ltd., a subsidiary of the Company, enjoys the preferential corporate income tax policy in accordance with the Notice on Issues Related to Enterprise Income Tax Preferential Policies for Software and Integrated Circuit Industry and the Notice on Further Encouraging the Development of Enterprise Income Tax Policies for Software Industry and Integrated Circuit Industry. The key software enterprises and integrated circuit design enterprises in the State planning, if they do not enjoy the tax-free concessions in the current year, may enjoy a corporate income tax at a rate of 10%.

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

Unit: Yuan Currency: RMB

Item	Closing balance			Opening balance		
	Foreign Currency	Exchange Rate	Amount in RMB	Foreign currency	Exchange rate	Amount in RMB
Cash:			759,658.49			686,037.28
Bank deposits:	10,455,425,431.55		15,404,501,924.45			16,273,258,182.23
RMB	418,621,781.65	1.0000	10,455,425,431.55	11,142,089,379.44	1.0000	11,142,089,379.44
USD	10,066,518,472.21	6.8632	2,873,085,011.82	529,478,318.62	6.5342	3,459,717,229.50
JPY	72,668,677.31	0.0619	623,117,493.43	9,039,157,468.74	0.0579	523,367,217.44
EUR	162,290,672.79	7.8473	570,252,911.44	92,537,163.81	7.8023	722,002,713.23
AUD		4.8250	783,052,496.21	62,052,977.09	5.0928	316,023,401.72
Other currencies			99,568,580.00			110,058,240.90
Other cash and bank balances:	161,565,420.70		161,714,301.67			54,445,970.22
RMB	-	1.0000	161,565,420.70	54,292,679.23	1.0000	54,292,679.23
USD		/	-	23,459.79	6.5342	153,290.99
Other currencies			148,880.97			-
Statutory reserve deposit with PBOC by Finance Co.			1,392,195,769.37			1,528,973,751.54
Total			16,959,171,653.98			17,857,363,941.27
Including: Subtotal of deposit with overseas banks			3,415,102,873.37			3,691,471,641.39

As at 31 December 2018, apart from statutory reserves from the central bank, other currency funds of the Group consist of guarantee deposit of bank acceptance bills of RMB87,291,738.90 (As at 31 December 2017: RMB28,474,804.85), letter of guarantee deposit of RMB31,431,575.00 (As

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

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

at 31 December 2017: RMB14,880,648.26) and cash for investment, credit card deposit, and other types of margin of RMB42,990,987.77 (As at 31 December 2017: RMB11,090,517.11).

Interest income earned on bank current deposits is calculated by using current deposit interest rate of the bank. The deposit periods for fixed deposits vary from seven days to twelve months depending on the cash requirements of the Group, and earn interest income at respective deposit interest rates of the bank.

2. Financial assets at FVTPL

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Held-for-trading financial assets	2,025,074,853.86	1,726,166,623.63
Investments in debt instruments	877,459,868.00	1,430,136,340.00
Investments in equity instruments	1,087,487,329.12	1,111,038,666.40
Derivative financial assets	60,127,656.74	184,991,617.23
Total	2,025,074,853.86	1,726,166,623.63

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

3. Notes receivable and Accounts receivable

RMB

Item	Closing balance	Opening balance
Notes receivable	29,130,196,898.24	31,857,024,088.54
Accounts receivable	12,696,008,218.95	12,079,375,683.85
Total	41,826,205,117.19	43,936,399,772.39

Notes receivable

Unit: Yuan Currency: RMB

Item	Closing balance	Opening balance
Bank acceptance	24,638,128,850.81	23,399,045,356.81
Commercial acceptance	4,492,068,047.43	8,457,978,731.73
Total	29,130,196,898.24	31,857,024,088.54

As at 31 December 2018, the Group had bank acceptance bills with a carrying amount of RMB23,672,675,247.44 and commercial acceptance bills of RMB13,743,298.90 which had been endorsed but not yet expired. As at 31 December 2018, the Group had bank acceptance bills with a carrying amount of RMB210,050,951.32 and commercial acceptance of RMB157,889,900.00 bills which already discounted but not yet expired. The major risks and rewards associated with these notes receivable have been transferred. As a result, the Group has derecognized these endorsed and discounted due notes receivable.

As at 31 December 2018, the Group has no pledged notes receivable (As at 31 December 2017: RMB2,000,000.00).

Accounts receivable

An aging analysis of accounts receivable based on invoice dates is presented as follows:

Unit: Yuan Currency: RMB

	Closing balance	Opening balance
Within 1 year	12,230,613,994.83	11,318,442,905.67
More than 1 year but not exceeding 2 years	424,861,213.46	561,692,082.31
More than 2 years but not exceeding 3 years	94,664,241.00	142,064,643.03
More than 3 years	1,759,588,725.63	1,865,084,981.47
Subtotal	14,509,728,174.92	13,887,284,612.48
Less: Provision for bad debts in respect of accounts receivable	1,813,719,955.97	1,807,908,928.63
Total	12,696,008,218.95	12,079,375,683.85

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

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

Changes in provision for bad debts of accounts receivable are presented as follows:

Unit: Yuan Currency: RMB

	Closing balance	Opening balance
Opening balance	1,807,908,928.63	1,721,159,925.83
Provision for the year	115,326,520.94	192,292,615.42
Reversed for the year	(114,194,434.03)	(86,815,976.65)
Decrease in disposal subsidiaries	(11,214,817.73)	(11,642,814.86)
Adjustment for exchange differences	15,893,758.16	(7,084,821.11)
Closing balance	1,813,719,955.97	1,807,908,928.63

Unit: Yuan Currency: RMB

	Closing balance				Opening Balance			
	Carrying amount		Bad debt provision		Carrying amount		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivable that are individually significant and for which bad debt provision has been assessed individually	2,442,176,680.34	17	99,530,999.01	4	1,924,539,201.60	14	57,717,392.72	3
Accounts receivables with provision accrued collectively on a portfolio basis	10,688,997,034.51	73	335,634,496.89	3	10,586,938,225.66	76	374,384,350.69	4
Accounts receivable that are not individually significant but for which bad debt provision has been assessed individually	1,378,554,460.07	10	1,378,554,460.07	100	1,375,807,185.22	10	1,375,807,185.22	100
Total	14,509,728,174.92	100	1,813,719,955.97		13,887,284,612.48	100	1,807,908,928.63	

Accounts receivable that are individually significant or not individually significant but for which provision for bad debt is recognized separately are presented as follows:

2018

Unit: Yuan Currency: RMB

	Carrying amount	Bad debt provision	Proportion of provision (%)	Reasons for provision
Individually significant	2,442,176,680.34	99,530,999.01	4	Note 1
Not individually significant but for which bad debt provision has been assessed individually	1,378,554,460.07	1,378,554,460.07	100	Note 2
Total	3,820,731,140.41	1,478,085,459.08		

2017

Unit: Yuan Currency: RMB

	Carrying amount	Bad debt provision	Proportion of provision (%)	Reasons for provision
Individually significant	1,924,539,201.60	57,717,392.72	3	Note 1
Not individually significant but for which bad debt provision has been assessed individually	1,375,807,185.22	1,375,807,185.22	100	Note 2
Total	3,300,346,386.82	1,433,524,577.94		

Note1: The Group assessed the bad debt provision of accounts receivable which are individually significant separately. As at 31 December 2018, no bad debt provision was accrued for accounts receivable that are individually significant (As at 31 December 2017: Nil). By reference to the Note III. 12 for receivables for which bad debt provision is collectively assessed on a portfolio basis according to credit risk characteristics, an amount of RMB99,530,999.01 was accrued as bad debt provision as at 31 December 2018 (As at 31 December 2017: RMB57,717,392.72).

Note2: Provision for bad debt aged over 3 years is fully made due to a slim chance of recollection.

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

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

The aging analysis of bad debt provision on portfolio basis

Unit: Yuan Currency: RMB

	Closing balance				Opening Balance			
	Carrying amount		Bad debt provision		Carrying amount		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	
Within 1 year	9,809,599,092.30	3	275,889,676.24	9,393,903,704.07	3	283,567,149.37		
More than 1 year but not exceeding 2 years	403,824,736.88	5	21,633,049.61	561,692,082.31	7	41,894,481.65		
More than 2 years but not exceeding 3 years	94,645,816.07	40	38,111,771.04	142,064,643.03	34	48,922,719.67		
More than 3 years	380,927,389.26	-	-	489,277,796.25	-	-		
Total	10,688,997,034.51	3	335,634,496.89	10,586,938,225.66	4	374,384,350.69		

The write-off for accounts receivable during the current year was RMB863,615.97 (2017: Nil).

As at 31 December 2018, the balance of the accounts receivable from the top five customers was RMB2,442,176,680.34 (As at 31 December 2017: RMB1,924,539,201.60), which accounted for 17% of all accounts receivable (As at 31 December 2017: 14%). The bad debt provision is RMB99,530,999.01 (As at 31 December 2017: RMB57,717,392.72).

As at 31 December 2018, accounts receivable with a total carrying amount of RMB8,453,252.58 (As at 31 December 2017: RMB36,560,834.94) were mortgaged for a short-term borrowing of RMB8,453,252.58 (As at 31 December 2017: RMB36,560,834.94) by means of bank guarantee and the bad debt provision was RMB402,535.84 (As at 31 December 2017: RMB1,740,992.14). Refer to Note VIII. 1.

As at 31 December 2018, no accounts receivables were derecognized due to the transfer of financial assets (As at 31 December 2017: Nil).

4. Prepayments

Aging analysis of prepayments is as follows:

Unit: Yuan Currency: RMB

	2018		2017	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	6,082,894,181.79	96	7,786,828,284.52	98
More than 1 year but not exceeding 2 years	184,506,417.80	3	179,812,367.35	2
More than 2 years but not exceeding 3 years	35,043,534.93	1	26,339,609.69	-
More than 3 years	25,579,675.15	-	25,420,816.84	-
Total	6,328,023,809.67	100	8,018,401,078.40	100

As at 31 December 2018, prepayments with an age of more than one year were mainly for purchase of large equipment to be used for projects under construction.

As at 31 December 2018, the prepayments to the five largest suppliers amounted to RMB2,779,604,863.06 (As at 31 December 2017: RMB4,013,741,862.55), accounting for 50% of all prepayments (As at 31 December 2017: 50%).

5. Other receivables

Unit: Yuan Currency: RMB

	Closing balance	Opening balance
Interest receivable	14,226,030.25	13,568,978.49
Dividends receivable	16,429,765.43	45,043,206.68
Other receivables	3,145,803,243.60	2,701,253,244.83
Total	3,176,459,039.28	2,759,865,430.00

Interest receivable

RMB

	Closing balance	Opening balance
Time deposit	6,951,660.22	5,918,528.54
Loans	7,169,000.16	5,791,279.44
Others	105,369.87	1,859,170.51
Total	14,226,030.25	13,568,978.49

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

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

Dividends receivable

Unit: Yuan Currency: RMB

	Closing balance	Opening balance
Changxin Fund Management Co., Ltd.	14,198,580.00	-
Nanjing Tiemei Transportation Trade Co., Ltd.	2,231,185.43	5,231,185.43
Taicang Wugang Wharf Co., Ltd.	-	26,464,682.63
CISDI Engineering Co., Ltd.	-	12,554,000.00
Wuxi Bao-Mit Steel Distribution Co., Ltd.	-	793,338.62
Total	16,429,765.43	45,043,206.68

Other receivable

Aging analysis of other receivables is as follows:

Unit: Yuan Currency: RMB

	Closing balance	Opening balance
Within 1 year	2,817,027,761.98	2,290,259,072.30
More than 1 year but not exceeding 2 years	65,387,170.25	65,054,358.78
More than 2 years but not exceeding 3 years	51,214,328.84	310,603,502.97
More than 3 years	394,132,685.30	157,333,956.88
Subtotal	3,327,761,946.37	2,823,250,890.93
Less: Provision for bad debt in respect of other receivables	181,958,702.77	121,997,646.10
Total	3,145,803,243.60	2,701,253,244.83

Changes in provision for bad debts in respect of other receivables are as follows

Unit: Yuan Currency: RMB

	Closing balance	Opening balance
Opening balance	121,997,646.10	192,783,779.26
Provision for the year	136,350,404.51	13,641,716.10
Reversed for the year	(74,715,685.93)	(71,466,403.10)
Decrease in disposal subsidiaries	(522,278.47)	(12,984,023.78)
Adjustment for exchange differences	(1,151,383.44)	22,577.62
Closing balance	181,958,702.77	121,997,646.10

Unit: Yuan Currency: RMB

	Closing balance				Opening Balance			
	Carrying amount		Bad debt provision		Carrying amount		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Other receivables that are individually significant and for which bad debt provision has been assessed individually	1,895,136,981.53	57	119,949,635.14	6	1,333,756,242.27	47	-	-
Other receivables with provision accrued collectively on a portfolio basis	1,399,522,728.78	42	28,906,831.57	2	1,453,598,838.29	52	86,101,835.73	6
Other receivables that are not individually significant but for which bad debt provision has been assessed individually	33,102,236.06	1	33,102,236.06	100	35,895,810.37	1	35,895,810.37	100
Total	3,327,761,946.37	100	181,958,702.77	5	2,823,250,890.93	100	121,997,646.10	6

Other receivables that are individually significant or not individually significant but for which bad debt provision has been assessed individually:

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

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

2018

Unit: Yuan Currency: RMB

	Carrying amount	Bad debt provision	Proportion of provision (%)	Reasons for provision
Individually significant	1,895,136,981.53	119,949,635.14	6	Note 1
Not individually significant but for which bad debt provision has been assessed individually	33,102,236.06	33,102,236.06	100	Note 2
Total	1,928,239,217.59	153,051,871.20		

2017

Unit: Yuan Currency: RMB

	Carrying amount	Bad debt provision	Proportion of provision (%)	Reasons for provision
Individually significant	1,333,756,242.27	-	-	Note 1
Not individually significant but for which bad debt provision has been assessed individually	35,895,810.37	35,895,810.37	100	Note 2
Total	1,369,652,052.64	35,895,810.37		

Note1: Other receivables with significant balances mainly consist of deposits paid to customs, advances of project expense and receivables with low risk of collection such as amounts due from related parties within the Group. The carrying amount of other receivables with significant balances for the Group was RMB1,895,136,981.53 (31 December 2017: RMB1,333,756,242.27), and the carrying amount of the bad debt provision was RMB119,949,635.14 (No bad debt provision was made as at 31 December 2017). The management of the Group believes that sufficient bad debt provision has been made for such other receivables.

Note2: The possibility of collecting the above-mentioned long-aged other receivables is very low. Therefore, the Company made a full bad debt provision for the above other receivables.

The aging analysis of bad debt provision on portfolio basis:

Unit: Yuan Currency: RMB

	Closing balance			Opening Balance		
	Other receivables		Bad debt provision	Other receivables		Bad debt provision
	Amount	Proportion (%)	Amount	Amount	Proportion (%)	Amount
Within 1 year	1,053,175,409.85	1	11,159,973.46	1,092,291,567.21	1	12,485,683.32
More than 1 year but not exceeding 2 years	65,387,170.25	19	12,432,043.18	65,054,358.78	5	3,283,888.58
More than 2 years but not exceeding 3 years	18,476,661.60	29	5,314,814.93	174,814,765.79	40	70,332,263.83
More than 3 years	262,483,487.08	-	-	121,438,146.51	-	-
Total	1,399,522,728.78	2	28,906,831.57	1,453,598,838.29	6	86,101,835.73

Other receivables are classified by nature as follows:

Unit: Yuan Currency: RMB

	Closing balance	Opening balance
Substitute advance	1,013,714,408.61	845,719,046.95
Deposit	638,691,447.25	263,686,027.27
Asset disposal payment	539,742,296.44	381,295,907.04
Taxes for pending certification and provisional valuation	286,551,885.56	566,995,933.01
Reserve fund	16,726,536.19	14,557,473.80
Others	832,335,372.32	750,996,502.86
Subtotal	3,327,761,946.37	2,823,250,890.93
Less: Provision for bad debts in respect of other receivables	181,958,702.77	121,997,646.10
Total	3,145,803,243.60	2,701,253,244.83

There was no write-off for other receivables during the current year.

As at 31 December 2018, other receivables from the five largest customers amounted to RMB1,895,136,981.53 (As at 31 December 2017: RMB1,333,756,242.27), accounting for 57% of all other receivables (As at 31 December 2017: 47%).

At the end of the reporting period, no other receivables were related to government grants, no other receivables were derecognized due to the transfer of financial assets, and no assets or liabilities have been formed due to the transfer of other receivable and the related continuous involvement.

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

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

6. Financial assets purchased under resale agreements

Unit: Yuan Currency: RMB

	Closing balance	Opening balance
Financial assets purchased under resale agreements	500,000,000.00	3,583,919,000.00

7. Inventories

Unit: Yuan Currency: RMB

	Closing balance			Opening balance		
	Gross carrying amount	Provision for decline in value of inventories	Carrying amount	Gross carrying amount	Provision for decline in value of inventories	Carrying amount
Raw materials	11,424,351,562.59	(100,914,905.15)	11,323,436,657.44	9,791,770,393.36	(17,987,879.79)	9,773,782,513.57
Work-in-progress	12,573,721,776.67	(542,470,843.13)	12,031,250,933.54	11,642,073,752.75	(506,802,464.20)	11,135,271,288.55
Finished goods	14,806,998,252.21	(730,597,637.71)	14,076,400,614.50	15,206,117,969.43	(1,226,806,001.64)	13,979,311,967.79
Spare parts and others	4,574,421,034.70	(500,119,318.62)	4,074,301,716.08	4,984,598,402.65	(384,926,555.96)	4,599,671,846.69
Total	43,379,492,626.17	(1,874,102,704.61)	41,505,389,921.56	41,624,560,518.19	(2,136,522,901.59)	39,488,037,616.60

Provision for decline in value of inventories

2018

Unit: Yuan Currency: RMB

	Opening balance	Provision in the current year	Reversals	Write-off	Other movement	Exchange differences arising from translation of financial statements	Closing balance
Raw materials	17,987,879.79	100,671,794.60	(17,682,707.49)	(62,061.75)	-	-	100,914,905.15
Work-in-progress	506,802,464.20	233,332,759.28	(197,651,007.51)	-	-	(13,372.84)	542,470,843.13
Finished goods	1,226,806,001.64	196,716,229.96	(690,089,092.53)	(3,424,135.34)	-	588,633.98	730,597,637.71
Spare parts and others	384,926,555.96	319,971,798.45	(102,064,164.66)	(102,661,498.95)	(53,372.18)	-	500,119,318.62
Total	2,136,522,901.59	850,692,582.29	(1,007,486,972.19)	(106,147,696.04)	(53,372.18)	575,261.14	1,874,102,704.61

2017

Unit: Yuan Currency: RMB

	Opening balance	Provision in the current year	Reversals	Write-off	Other movement	Exchange differences arising from translation of financial statements	Closing balance
Raw materials	263,509,295.64	21,856,716.73	(273,194,590.34)	-	-	5,816,457.76)	17,987,879.79
Work-in-progress	519,498,645.09	213,159,290.93	(223,467,264.95)	(843,482.23)	-	(1,544,724.64)	506,802,464.20
Finished goods	773,426,914.40	682,712,166.01	(157,548,326.54)	(71,370,036.21)	(530,000.00)	115,283.98)	1,226,806,001.64
Spare parts and others	262,106,962.67	191,202,377.34	(8,212,658.09)	(54,814,784.98)	(19,626.41)	(5,335,714.57)	384,926,555.96
Total				(127,028,303.42)	(549,626.41)	(948,697.47)	2,136,522,901.59

Provision for decline in value of inventories

Unit: Yuan Currency: RMB

	Basis of making provision for decline in value of inventories	Reasons for reversal of decline in value of inventories for the period	Proportion of amount of reversal for the period to the closing balance of the relevant category of inventories
Raw materials	Carrying amount higher than net realizable value	Market price rebound or product cost reduction	0%
Work-in-progress	Carrying amount higher than net realizable value	Market price rebound or product cost reduction	2%
Finished goods	Carrying amount higher than net realizable value	Market price rebound or product cost reduction	5%
Spare parts and others	Carrying amount higher than net realizable value	Market price rebound or product cost reduction	2%

No inventory was used as guarantee as at 31 December 2018 (As at 31 December 2017: Nil), and no interest expense was capitalized in the closing balance of inventory as at 31 December 2018 (As at 31 December 2017: Nil).

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

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

8. Non-current assets due within one year

	Closing balance	Opening balance
Trust financial products	-	500,000,000.00
Long-term receivables due within one year	-	47,982,220.29
Total	-	547,982,220.29

Unit: Yuan Currency: RMB

9. Other current assets

	Closing balance	Opening balance
Financial products (Note)	4,633,159,726.02	10,762,000,000.00
Deductible VAT input	2,828,519,012.05	4,554,429,294.19
Prepaid corporate income tax	223,465,806.56	37,581,980.41
Others	83,100,845.26	20,463,530.72
Total	7,768,245,389.89	15,374,474,805.32

Unit: Yuan Currency: RMB

Note: Financial products are financial instruments mainly invested in the money market with non-guaranteed floating income and no active market quotation, high credit grade bonds and trust plans (beneficiary rights), etc. The Group recognized the above financial products as other current assets due to the maturity of such products being within one year.

10. Loans and advances to customers

	Closing balance	Opening balance
Loans	1,133,981,589.47	483,153,438.36
Discounts	4,466,220,979.53	3,465,972,646.92
Impairment loss for loans	(19,301,365.90)	(7,354,605.18)
Total	5,580,901,203.10	3,941,771,480.10

Unit: Yuan Currency: RMB

Impairment loss for loans

	Opening balance	Provision in the current year	Reversals	Write-off	Closing balance
2018	7,354,605.18	11,946,760.72	-	-	19,301,365.90
2017	65,387,995.89	-	(58,033,390.71)	-	7,354,605.18

Unit: Yuan Currency: RMB

11. Available-for-sale financial assets

	Closing balance			Opening balance		
	Amount	Provision	Book value	Carrying value	Provision	Book value
Available-for-sale debt instruments	2,207,841,843.70	(50,240,011.70)	2,157,601,832.00	2,168,550,310.20	(50,240,011.70)	2,118,310,298.50
Available-for-sale equity instruments	11,178,980,587.73	(699,351,530.08)	10,479,629,057.65	11,600,694,410.84	(702,232,589.48)	10,898,461,821.36
Including: Fair Value measurement	1,524,067,895.24	(682,297,503.21)	841,770,392.03	1,942,291,033.95	(682,297,503.21)	1,259,993,530.74
Cost measurement	9,654,912,692.49	(17,054,026.87)	9,637,858,665.62	9,658,403,376.89	(19,935,086.27)	9,638,468,290.62
Total	13,386,822,431.43	(749,591,541.78)	12,637,230,889.65	13,769,244,721.04	(752,472,601.18)	13,016,772,119.86

Unit: Yuan Currency: RMB

Closing balance of available-for-sale financial assets measured at fair value:

	Closing balance	Opening balance		
		Available-for-sale debt instruments	Available-for-sale equity instruments	
Amortized cost of debt instruments at the end of the year / Cost of equity instruments		1,471,637,240.39	2,221,637,708.63	3,693,274,949.02
Fair value at the end of the year		841,770,392.03	2,157,601,832.00	2,999,372,224.03
Accumulated amount recognized in other comprehensive income arising from the change of fair value		52,430,654.85	(13,795,864.93)	38,634,789.92
Impairment provision accrued		682,297,503.21	50,240,011.70	732,537,514.91

Unit: Yuan Currency: RMB

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

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

Closing balance of available-for-sale financial assets measured at cost:

Unit: Yuan Currency: RMB

	Carrying balance					Provision					Proportion in the investee (%)	Cash bonus
	Opening balance	Increase	Decrease	Exchange differences arising from translation of financial statements	Closing balance	Opening balance	Increase	Decrease	Exchange differences arising from translation of financial statements	Closing balance		
PetroChina Pipeline Ltd.	8,643,900,787.20	-	-	-	8,643,900,787.20	-	-	-	-	-	3.52	909,845,017.22
Yongcheng Coal Power Group Longyu Energy Development Co., Ltd.	370,269,254.56	-	-	-	370,269,254.56	-	-	-	-	-	12.96	-
Yongcheng coal (Group) Co., Ltd.	279,000,000.00	-	-	-	279,000,000.00	-	-	-	-	-	7.78	-
Bao Hua Rui mining Limited by Share Ltd.	103,282,213.00	-	-	-	103,282,213.00	-	-	-	-	-	50.00	18,166,113.00
Shanghai Luojing Ore Terminal Co., Ltd.	88,734,096.00	-	-	-	88,734,096.00	-	-	-	-	-	12.00	-
Henan Zhenglong Coal Industry Co., Ltd.	45,569,714.27	-	-	-	45,569,714.27	-	-	-	-	-	4.91	-
Changxin Fund Management Co., Ltd.	25,005,000.00	-	-	-	25,005,000.00	3,881,651.48	-	-	-	3,881,651.48	15.15	14,198,580.00
Baometal S.R.L	15,746,601.86	-	-	90,819.00	15,837,420.86	-	-	-	-	-	10.00	-
Shanghai Ouye Data Technology Co., Ltd.	17,386,503.26	-	-	-	17,386,503.26	4,005,183.07	-	-	-	4,005,183.07	49.00	-
GLOBAL ORE Pte Ltd.	16,089,737.40	-	-	1,068,262.60	17,158,000.00	3,426,457.80	-	-	430,660.60	3,857,118.40	14.29	-
Wuhan Huagong Venture Capital Co., Ltd.	12,300,000.00	-	-	-	12,300,000.00	-	-	-	-	-	9.88	-
CISDI Engineering Co., Ltd. (CISDI)	9,508,999.34	-	-	-	9,508,999.34	-	-	-	-	-	6.28	-
Yantai iron and steel processing Co., Ltd. Po	5,600,000.00	-	-	-	5,600,000.00	-	-	-	-	-	10.00	-
Corex	5,000,000.00	-	-	-	5,000,000.00	-	-	-	-	-	6.25	-
Dongbei Special Steel Group Co., Ltd.	-	3,280,704.00	-	-	3,280,704.00	-	-	-	-	-	0.03	-
Steam (Beijing) Automotive Lightweight Technology Research Co., Ltd.	3,000,000.00	-	-	-	3,000,000.00	-	-	-	-	-	6.90	-
Shanghai Baosteel Xinyue Human Resources Service Co., Ltd.	1,500,000.00	-	-	-	1,500,000.00	-	-	-	-	-	15.00	-
China First Capital Management Inc.	3,000,000.00	-	-	-	3,000,000.00	1,710,073.92	-	-	-	1,710,073.92	5.00	-
Jinchuan Automation Engineering Co., Ltd.	1,000,000.00	-	-	-	1,000,000.00	-	-	-	-	-	7.13	598,843.78
Yangtze River Economic United Development (Group) Co., Ltd.	980,000.00	-	-	-	980,000.00	-	-	-	-	-	0.11	28,000.00
Anhui Huishang Metal Co., Ltd.	3,000,000.00	-	-	-	3,000,000.00	3,000,000.00	-	-	-	3,000,000.00	3.53	-
Shanghai Baoxin Digital Technology Co., Ltd.	600,000.00	-	-	-	600,000.00	600,000.00	-	-	-	600,000.00	15.00	-
Hanyang Spare Parts Co., Ltd.	3,311,720.00	-	3,311,720.00	-	-	3,311,720.00	-	3,311,720.00	-	-	-	-
Huarun land (Beijing) Co., Ltd.	1,618,750.00	-	1,618,750.00	-	-	-	-	-	-	-	-	120,762.22
Shanghai Huayi Information Technology Co., Ltd.	3,000,000.00	-	3,000,000.00	-	-	-	-	-	-	-	-	-
Total	9,658,403,376.89	3,280,704.00	7,930,470.00	1,159,081.60	9,654,912,692.49	19,935,086.27	-	3,311,720.00	430,660.60	17,054,026.87		942,957,316.22

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

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

Provision movement of available-for-sale financial during reporting period

Unit:Yuan Currency: RMB

	2018		Total
	Available-for-sale debt instruments	Available-for-sale equity instruments	
Opening balance	702,232,589.48	50,240,011.70	752,472,601.18
Provision in current year	-	-	-
Including: Transfer from other comprehensive income	-	-	-
Decrease in current year	3,311,720.00	-	3,311,720.00
Including: Transfer from fair value rebound	-	-	-
Exchange differences arising from translation of financial statements of foreign operations	430,660.60	-	430,660.60
Closing balance	699,351,530.08	50,240,011.70	749,591,541.78

12. Long-term receivables

Unit:Yuan Currency: RMB

	Closing balance			Opening balance		
	Carrying balance	Impairment provision	Book value	Carrying balance	Impairment provision	Book value
Finance lease receivables	-	-	-	47,982,220.29	-	47,982,220.29
Including: Unrealized finance income	-	-	-	(2,017,779.71)	-	(2,017,779.71)
Less: Finance lease receivables due within one year	-	-	-	47,982,220.29	-	47,982,220.29
Accounts receivable from employee borrowings for down payments of first-time homebuyers (Note1)	302,259,703.90	-	302,259,703.90	323,443,628.36	-	323,443,628.36
Total	302,259,703.90	-	302,259,703.90	323,443,628.36	-	323,443,628.36

Note1: Employee borrowings for down payments of first-time homebuyers are provided to some employees with different loan limits at the interest rate of 50% of that of the Housing Provident Fund. The tenure is within 10 years. Advance repayment or monthly repayment shall be made starting from the third year after the borrowing. Employees shall make full repayment within 8 years.

In this reporting period, no long-term receivable is derecognized due to the transfer of financial assets (2017: Nil).

In this reporting period, no asset and liability was formed due to continuing involvement of the transfer of long-term account receivable (2017: Nil).

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

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

13. Long-term equity investments

Unit: Yuan Currency: RMB

Investees	Opening balance	Movement in the current year				Closing balance	Closing balance of impairment		
		Increase	Decrease	Profit and loss recognized under equity method	Other comprehensive adjustments			Other equity movements	Cash dividend and profits announced
I. Joint ventures									
Bao Steel Xinri Iron Auto Sheet Co., Ltd. (BNA)	1,958,806,392.36	-	-	244,523,779.28	-	(4,370,997.51)	-	2,198,959,174.13	-
JFE Steel Sheet	1,828,476,390.31	-	-	268,454,733.64	-	3,534,160.40	-	2,100,465,284.35	35,000,000.00
Bao-Island Enterprise	596,092,196.30	-	-	26,876,291.20	30,013,518.50	-	-	652,982,006.00	-
Wuhan Pingmei Wugang Joint Coking Co., Ltd.	755,252,298.80	-	-	(140,284,002.87)	-	-	-	614,968,295.93	-
Baowei Auto Part	192,924,103.27	-	-	15,379,630.52	-	-	(30,000,000.00)	178,303,733.79	-
Wuhan Iron and Steel Petrochemical Industrial Gas Co., Ltd.	71,285,562.03	-	-	8,832,906.33	-	1,090,340.99	-	81,208,809.35	-
Shandong Baohua	69,233,207.48	-	-	10,785,188.51	-	695,441.06	-	80,713,837.05	-
Baosheng Fineblanking	63,760,121.58	-	-	(14,424,482.46)	-	-	-	49,335,639.12	-
Wuhan Baozhang Auto Steel Part Co.	23,222,031.65	-	-	2,535,144.01	-	-	-	25,757,175.66	-
Changshu Weishike Daheng Metal Material Technology Co., Ltd.	23,876,891.97	-	-	26,150.83	-	-	-	23,903,042.80	-
Changsha Baosheng	2,032,926.39	-	-	(2,032,926.39)	-	-	-	-	-
Wuhan Iron and Steel Zhejiang Gold Trading Co., Ltd.	52,055,060.56	-	(50,000,000.00)	-	-	-	(2,055,060.56)	-	-
Subtotal	5,637,017,182.70	-	(50,000,000.00)	420,672,412.60	30,013,518.50	948,944.94	(32,055,060.56)	6,006,596,998.18	35,000,000.00
II. Associates									
Shanghai Rural Commercial Bank Co., Ltd. (Note 1)	4,491,500,000.00	-	-	748,075,396.44	-	103,182,719.04	(128,000,000.00)	5,214,758,115.48	-
Wuhan Iron & Steel Group Finance Corporation Limited	1,551,282,606.75	-	-	146,527,229.41	-	-	-	1,697,809,836.16	-
China Pingmei Shenma Energy And Chemical Group Co., Ltd.	1,560,946,799.52	-	-	(197,898,204.78)	-	-	-	1,363,048,594.74	-
Ouyeel Cloud Commerce Corporation Limited	1,340,383,130.85	-	-	(37,426,301.91)	(3,788,837.18)	(127,312.36)	-	1,299,040,679.40	-
Henan Pingbao	662,807,448.59	-	-	111,047,488.06	-	57,864,461.59	(28,000,000.00)	803,719,398.24	-
TWB Company L.L.C.	709,102,461.15	-	-	80,062,312.18	33,451,244.67	-	(58,443,957.26)	4,271,533.95	768,443,594.69
Wuhan Iron and Steel Group Metal Resource Co., Ltd. (Note2)	-	456,791,469.40	-	(2,261,599.54)	-	-	-	454,529,869.86	-
Taicang Wugang Dock Co., Ltd.	307,141,436.84	-	-	25,947,260.05	-	-	-	16,144,016.75	349,232,713.64
Ouyeel Finance Co., Ltd.	297,870,514.75	-	-	5,443,479.38	(5,656,677.75)	-	(1,380,765.56)	296,276,550.82	-
Weld Company	128,088,008.57	-	-	20,602,013.76	-	-	(19,855,000.00)	128,835,022.33	-
Shanghai Ouye Logistics Co., Ltd.	125,722,095.60	-	-	(10,872,877.22)	-	-	-	114,849,218.38	-
Vietnam Can Making	77,492,633.78	-	-	12,551,996.67	-	-	-	(3,517,352.70)	86,527,277.75
Guangqi Baoshang	65,206,988.27	-	-	22,677,751.32	-	(158,930.09)	(8,087,670.53)	79,638,138.97	-
Wuxi Baomit	68,724,168.60	-	-	876,448.89	-	-	(1,704,050.22)	67,896,567.27	-
Dalian Jiaxiang Technology Co., Ltd.	41,784,097.24	-	-	1,023,271.60	-	-	(3,000,000.00)	39,807,368.84	-
Sichuan Daxing	26,960,691.91	-	-	3,724,453.81	-	1,227,716.32	(990,000.00)	30,922,862.04	-
MIBao Metal Processing Zhengzhou CO., Ltd.	28,121,718.07	-	-	3,441,034.52	-	-	(1,054,546.26)	30,508,206.33	-
Guangdong Zhanjiang Port Longteng Shipping Co., Ltd.	30,246,123.59	-	-	1,484,768.72	-	-	(2,922,275.38)	28,808,616.93	-
Wuxi Summit-Bao Metal Products Co., Ltd.	26,637,368.75	-	-	1,605,320.44	-	-	-	28,242,689.19	-
Taicang Wuhan Steel Distribution Co., Ltd.	25,559,718.54	-	-	(291,910.70)	-	-	-	26,554,751.52	-
Beijing Qingke Chuangtong Information Technology Co., Ltd.	12,151,376.66	-	-	2,972,115.58	-	-	-	15,123,492.24	-
Shanghai Baoneng Information Technology Co., Ltd.	10,125,912.84	-	-	725,699.42	-	-	-	10,851,612.26	-
Suzhou Chuanglian Electric Drive Co., Ltd.	-	10,000,000.00	-	74,979.74	-	-	-	10,074,979.74	-
Hubei Pingwu Industry and Trade Co., Ltd.	9,776,980.11	-	-	(369,107.39)	-	-	-	9,407,872.72	-
Shanghai JinShang Network Technology Co., Ltd.	8,866,092.01	-	-	28,426.93	-	-	(359,105.37)	8,535,413.57	-
Shanghai Zhiji Information Technology Co., Ltd.	10,380,316.79	-	-	(3,440,346.14)	-	-	-	6,939,970.65	-
Shanghai Batchsight Pharmaceutical Technology Co., Ltd.	4,443,915.24	1,600,000.00	-	12,175.11	-	-	-	6,056,090.35	-
Guangzhou Nansha Gangbao Wharf Co., Ltd.	5,869,260.96	-	-	(661,123.84)	-	-	-	5,208,137.12	-
Wuhan Baohan Welding Equipment Co., Ltd.	3,835,956.57	-	-	573,184.01	-	-	-	4,409,140.58	-
Renwei Software	3,596,543.38	-	-	727,815.17	-	-	-	4,324,358.55	-
Wuhan Ansheng Economic&Trade Co., Ltd.	3,994,876.13	-	-	(358,770.57)	-	-	-	3,636,105.56	-
Shanghai Runyi Incubator Management Corporation Limited	3,006,868.34	-	-	375,633.66	-	-	-	3,382,502.00	-
Tianjin Zhongzhi Tiancheng Technology Co., Ltd.	4,736,635.15	-	-	(1,489,885.33)	-	-	-	3,246,749.82	-
Nanjing Tiemei Transportation Trade Co., Ltd.	2,026,085.82	-	-	1,145,103.10	-	-	-	3,171,188.92	-
Wuhai Yellow River Yiteng Pigment Carbon Black Co., Ltd.	1,657,890.66	-	-	129,664.62	-	-	(82,170.38)	1,705,384.90	-
Wuhan Wugang Dansk Technology Magnetic Material Co., Ltd.	14,969,099.37	-	(17,054,548.53)	2,085,449.16	-	-	-	-	-
Wuhan Wugang Jinzi Steel Processing Co., Ltd.	11,480,001.06	-	(10,637,264.20)	(842,736.86)	-	-	-	-	-
Equity transferred from old system trade right due to non-radable share reform	7,949,489.18	-	-	-	-	-	-	7,949,489.18	-
Subtotal	11,684,445,311.64	468,391,469.40	(27,691,812.73)	938,027,607.47	24,005,729.74	161,988,654.50	(253,879,540.96)	18,185,141.68	13,013,472,560.74
Total	17,321,462,494.34	468,391,469.40	(77,691,812.73)	1,358,700,020.07	54,019,248.24	162,937,599.44	(285,934,601.52)	19,020,069,558.92	35,000,000.00

Note1: The other equity changes of Shanghai Rural Commercial Bank Co., Ltd. in the current year are caused by the introduction of other investors to increase capital and shares.

Note2: After disposing of some equity investments, the Company lost control of the original subsidiary company, and the remaining equity of the original subsidiary is accounted for according to the equity method.

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

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

Liquidity of long term investment and investment income does not have material limitation.

Provision for impairment of long-term equity investments is presented as follows:

2018/2017

Unit: Yuan Currency: RMB				
	Opening balance	Increase during the year	Decrease during the year	Closing balance
Guangzhou JFE Steel Sheet Company Ltd.	35,000,000.00	-	-	35,000,000.00

14. Investment properties

Subsequent measure under the cost model:

Unit: Yuan Currency: RMB			
	Houses and buildings	Land use rights	Total
Total original carrying amount			
Opening balance	300,837,076.19	318,321,681.83	619,158,758.02
Increase in the current year	559,593,004.59	-	559,593,004.59
Transfer from construction in progress	559,593,004.59	-	559,593,004.59
Decrease in the current year	-	(221,466,981.57)	(221,466,981.57)
Transfer to fixed assets	-	(7,027,253.77)	(7,027,253.77)
Transfer to intangible assets	-	(214,439,727.80)	(214,439,727.80)
Closing balance	860,430,080.78	96,854,700.26	957,284,781.04
Accumulated depreciation and accumulated amortisation:			
Opening balance	104,381,070.49	76,870,810.08	181,251,880.57
Increase in the current year	354,560,817.40	3,191,063.98	357,751,881.38
Provision	28,573,159.87	3,191,063.98	31,764,223.85
Transfer to fixed assets	325,987,657.53	-	325,987,657.53
Decrease in the current year	-	(48,303,992.67)	(48,303,992.67)
Disposals or retirements	-	(2,447,839.72)	(2,447,839.72)
Transfer to intangible assets	-	(45,856,152.95)	(45,856,152.95)
Closing balance	458,941,887.89	31,757,881.39	490,699,769.28

Unit: Yuan Currency: RMB

	Houses and buildings	Land use rights	Total
Provision for impairment			
Opening balance	-	-	-
Increase in the current year	-	-	-
Decrease in the current year	-	-	-
Closing balance	-	-	-
Carrying amount			
Closing balance	401,488,192.89	65,096,818.87	466,585,011.76
Opening balance	196,456,005.70	241,450,871.75	437,906,877.45

As at 31 December 2018, buildings and land use right with a net value of RMB46,205,118.96 has not yet been obtained the certificate of titles (2017: RMB50,042,179.56).

15. Fixed assets

Unit: Yuan Currency: RMB

	Closing balance	Opening balance
Fixed assets	150,718,491,669.54	154,221,659,305.18
Liquidation of fixed assets	-	-
Total	150,718,491,669.54	154,221,659,305.18

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

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

Unit: Yuan Currency: RMB

	Houses and buildings	Machinery and equipment	Transportation vehicles	Office and other equipment	Total
Original carrying amount					
Opening 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
Increase in the current year	2,378,725,387.51	9,531,635,021.76	2,067,034,978.35	2,470,482,414.74	16,477,877,802.36
Acquisition	422,131,973.19	160,152,160.38	111,637,717.24	419,827,723.34	1,113,749,574.15
Transfer from construction in progress	1,929,857,971.14	9,371,482,861.38	1,954,165,372.37	2,050,654,691.40	15,306,160,896.29
Translation differences of financial statements denominated in foreign currencies	26,735,443.18	-	1,231,888.74	-	27,967,331.92
Reclassified	1,418,923,173.00	(10,257,203,085.07)	4,585,782,587.63	4,252,497,324.44	-
Decrease in the current year	(1,163,825,483.18)	(4,373,005,473.30)	(745,239,516.58)	(493,074,525.08)	(6,775,144,998.14)
Disposal or retirement	(81,065,360.14)	(3,847,682,727.80)	(742,871,036.95)	(486,007,048.56)	(5,157,626,173.45)
Transfer to investment property	(559,593,004.59)	-	-	-	(559,593,004.59)
Transfer to other non-current assets	(501,200.00)	-	-	-	(501,200.00)
Disposal of subsidiaries	(522,665,918.45)	(513,042,877.99)	(2,368,479.63)	(2,613,474.53)	(1,040,690,750.60)
Translation differences of financial statements denominated in foreign currencies	-	(12,279,867.51)	-	(4,454,001.99)	(16,733,869.50)
Closing balance	85,533,849,829.38	264,333,954,099.77	28,339,294,296.38	30,319,470,127.93	408,526,568,353.46
Accumulated depreciation					
Opening 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
Increase in the current year	3,230,043,117.58	11,677,238,737.26	2,008,130,132.11	1,612,861,921.39	18,528,273,908.34
Provision	3,222,959,820.19	11,675,376,164.53	2,008,078,882.44	1,611,144,136.56	18,517,559,003.72
Translation differences of financial statements denominated in foreign currencies	7,083,297.39	1,862,572.73	51,249.67	1,717,784.83	10,714,904.62
Reclassified	479,520,306.36	(6,119,547,256.49)	3,242,727,429.67	2,397,299,520.46	-
Decrease in the current year	(576,908,392.26)	(3,656,753,275.26)	(704,788,887.75)	(466,467,199.34)	(5,404,917,754.61)
Disposal or retirement	(69,022,860.67)	(3,375,652,247.03)	(702,980,430.22)	(465,316,807.74)	(4,612,972,345.66)
Transfer to investment property	(325,987,657.53)	-	-	-	(325,987,657.53)
Disposal of subsidiaries	(181,897,874.06)	(281,101,028.23)	(1,808,457.53)	(1,150,391.60)	(465,957,751.42)
Closing balance	44,767,649,892.86	168,613,963,813.42	21,315,147,999.35	21,457,628,102.44	256,154,389,808.07
Provision for impairment					
Opening balance	185,125,848.27	1,355,524,134.48	29,222,109.43	31,270,497.54	1,601,142,589.72
Increase in the current year	55,309,050.23	162,991,153.08	463,547.25	12,748,230.24	231,511,980.80
Provision	55,212,653.26	162,391,237.24	463,547.25	12,748,230.24	230,815,667.99
Translation differences of financial statements denominated in foreign currencies	96,396.97	599,915.84	-	-	696,312.81
Decrease in the current year	(7,815,201.02)	(160,619,381.64)	(4,389,428.26)	(6,143,683.75)	(178,967,694.67)
Disposal or retirement	(1,453,439.96)	(146,976,616.59)	(4,389,428.26)	(5,720,988.89)	(158,540,473.70)
Disposal of subsidiaries	(6,361,761.06)	(13,642,765.05)	-	(720.06)	(20,005,246.17)
Translation differences of financial statements denominated in foreign currencies	-	-	-	(421,974.80)	(421,974.80)
Closing balance	232,619,697.48	1,357,895,905.92	25,296,228.42	37,875,044.03	1,653,686,875.85
Carrying amount					
Closing balance	40,533,580,239.04	94,362,094,380.43	6,998,850,068.61	8,823,966,981.46	150,718,491,669.54
Opening balance	41,079,906,042.60	101,363,977,893.99	5,633,414,812.23	6,144,360,556.36	154,221,659,305.18

(I) Temporarily idle fixed assets

As at 31 December 2018 and 31 December 2017, the total carrying amount of temporarily idle fixed assets was nil.

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

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

(2) Fixed assets under finance leases at the end of the year

As at 31 December 2018, the Group did not have fixed assets under finance leases (As at 31 December 2017: RMB3,361,146,104.60).

(3) Carrying amounts of fixed assets leased under operating leases:

Unit: Yuan Currency: RMB

	Closing balance	Opening balance
Buildings	1,014,306,331.65	973,064,239.14
Machinery and equipment	83,681,131.64	195,600,774.81
Transportation vehicles	28,672,690.16	17,431,140.72
Office and other equipment	13,814,803.89	8,439,902.13
Total	1,140,474,957.34	1,194,536,056.80

(4) Fixed assets of which certificates of title have not been obtained:

As at 31 December 2018, the property right of the buildings, amounting to RMB2,702,500,320.80 (31 December 2017: RMB2,632,974,331.09), was still in the process of being transferred to the Group.

(5) Fixed assets used as collateral:

As at 31 December 2018, fixed assets with a carrying amount of RMB846,345,791.90 (31 December 2017: RMB546,513,885.89), and land use rights with a carrying amount of RMB99,058,629.46 (31 December 2017: RMB93,944,620.66) were pledged for a short-term borrowing of RMB248,892,366.13 (31 December 2017: RMB305,548,500.57), a long-term borrowing of RMB264,114,304.60 (31 December 2017: RMB23,927,888.37) and a borrowing due within one year of RMB34,681,395.00 (31 December 2017: RMB39,241,416.51).

16. Construction in progress

Unit: Yuan Currency: RMB

	Closing balance	Opening balance
Materials for construction of fixed assets	81,426,309.25	120,072,392.03
Construction in progress	7,683,832,734.14	9,974,993,262.80
Total	7,765,259,043.39	10,095,065,654.83

Materials for construction of fixed assets

Unit: Yuan Currency: RMB

	Closing balance			Opening balance		
	Carrying balance	Impairment provision	Book value	Carrying balance	Impairment provision	Book value
Special materials	333,612.44	(280,136.39)	53,476.05	286,485.84	(280,136.39)	6,349.45
Special equipment	30,323,454.60	-	30,323,454.60	111,277,437.14	-	111,277,437.14
Others	51,049,378.60	-	51,049,378.60	8,788,605.44	-	8,788,605.44
Total	81,706,445.64	(280,136.39)	81,426,309.25	120,352,528.42	(280,136.39)	120,072,392.03

Construction in progress

Unit: Yuan Currency: RMB

	Closing balance			Opening balance		
	Carrying balance	Impairment provision	Book value	Carrying balance	Impairment provision	Book value
Technical upgrade and infrastructure construction	8,737,047,748.16	(1,053,215,014.02)	7,683,832,734.14	11,012,506,028.57	(1,037,512,765.77)	9,974,993,262.80

Changes in significant construction in progress:

Unit: Yuan Currency: RMB

	Budget	Opening balance	Increase in the current period	Transfer to investment properties	Transfer to intangible assets	Transfer to long-term prepaid expenses	Decrease in disposal of subsidiaries	Translation differences arising from translation of financial statements dominated in foreign currencies	Closing balance
Technical upgrade and infrastructure construction	33,477,393,315.50	11,012,506,028.57	13,296,082,075.82	(15,306,160,896.29)	(44,298,285.18)	(205,225,427.86)	(14,502,202.92)	(1,353,543.98)	8,737,047,748.16

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

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

Unit: Yuan Currency: RMB

	Capital sources	Amount invested as a proportion of budget amount (%)	Accumulated capitalized interest	Including: Capitalized interest for the period	Capitalization rate for the period (%)
Technical upgrade and infrastructure construction	Self-funding and borrowing	26	169,018,993.43	14,259,198.23	4.75

Impairment of construction in progress

Unit: Yuan Currency: RMB

	Opening balance	Provision in current year	Decrease in current year	Closing balance
Nantong Steel	1,037,020,394.17	30,668,709.03	(14,966,460.78)	1,052,722,642.42
Chemical Co., Ltd.	492,371.60	-	-	492,371.60
Total	1,037,512,765.77	30,668,709.03	(14,966,460.78)	1,053,215,014.02

17. Intangible assets

Unit: Yuan Currency: RMB

	Land use rights	Software	Ore mining rights	Others	Total
Total original carrying amount					
Opening balance	13,257,785,312.27	677,553,619.82	796,016,818.39	301,366,280.61	15,032,722,031.09
Increase in the current year	443,125,558.16	36,644,174.38	-	798,757.95	480,568,490.49
Purchase	197,954,517.80	21,360,849.93	-	798,757.95	220,114,125.68
Transfer from investment property	214,439,727.80	-	-	-	214,439,727.80
Transfer from construction in progress	29,585,204.17	14,713,081.01	-	-	44,298,285.18
Translation differences arising from translation of financial statements denominated in foreign currencies	1,146,108.39	570,243.44	-	-	1,716,351.83
Decrease in the current year	(48,835,111.67)	(1,616,228.35)	(8,884,563.33)	-	(59,335,903.35)
Disposal	(48,835,111.67)	(1,616,228.35)	-	-	(50,451,340.02)
Translation differences arising from translation of financial statements denominated in foreign currencies	-	-	(8,884,563.33)	-	(8,884,563.33)
Closing balance	13,652,075,758.76	712,581,565.85	787,132,255.06	302,165,038.56	15,453,954,618.23
Accumulated amortization					
Opening balance	1,840,107,704.04	454,678,089.86	262,496,366.82	77,733,108.10	2,635,015,268.82
Increase in the current year	317,745,329.17	84,414,166.94	98,935,727.44	7,552,481.26	508,647,704.81
Provision	271,861,918.35	83,685,069.87	98,935,727.44	7,552,481.26	462,035,196.92
Transfer from investment property	45,856,152.95	-	-	-	45,856,152.95
Translation differences arising from translation of financial statements denominated in foreign currencies	27,257.87	729,097.07	-	-	756,354.94
Decrease in the current year	(8,700,672.09)	(1,616,228.35)	(6,753,290.99)	-	(17,070,191.43)
Disposal	(8,700,672.09)	(1,616,228.35)	-	-	(10,316,900.44)
Translation differences arising from translation of financial statements denominated in foreign currencies	-	-	(6,753,290.99)	-	(6,753,290.99)
Closing balance	2,149,152,361.12	537,476,028.45	354,678,803.27	85,285,589.36	3,126,592,782.20
Provision for impairment					
Opening balance	-	37,046.57	-	13,610,153.50	13,647,200.07
Increase in the current year	-	223.16	-	-	223.16
Translation differences arising from translation of financial statements denominated in foreign currencies	-	223.16	-	-	223.16
Decrease in the current year	-	-	-	-	-
Closing balance	-	37,269.73	-	13,610,153.50	13,647,423.23
Carrying amount					
Closing balance	11,502,923,397.64	175,068,267.67	432,453,451.79	203,269,295.70	12,313,714,412.80
Opening balance	11,417,677,608.23	222,838,483.39	533,520,451.57	210,023,019.01	12,384,059,562.20

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

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

As at 31 December 2018, intangible assets formed through internal research and development amounted to RMB88,057,215.62 (31 December 2017: RMB104,114,811.05).

As at 31 December 2018, intangible assets without certificates amounted to RMB328,578,365.93 (31 December 2017: RMB334,380,593.68).

As at 31 December 2018, the balance of mortgaged intangible assets was RMB99,058,629.46 (31 December 2017: RMB93,944,620.66), refer to Note V.15 for detail.

18. Goodwill

Unit: Yuan Currency: RMB

	Opening balance	Translation differences of financial statements denominated in foreign currencies	Closing balance
M & A ThyssenKrupp laser welding business	520,886,853.98	3,137,749.48	524,024,603.46

When the Group conducts an impairment test on the relevant asset group portfolio, it classifies goodwill into asset groups within the consolidation scope that are relevant to the business for impairment testing. The cash flow forecast is the forecast for the next 5 years based on the development trend of the laser welding business industry, the Company's financial budget and future planning goals. The cash flow after 5 years is assumed to remain unchanged. The discount rate of the above assets was determined after the consideration of the comprehensive factors such as market maturity and risk premium degree in different countries. Based on the recoverable amount measured by the above income method, and comparison with the relevant book value, it is confirmed that no impairment loss occurred in the current period.

19. Long-term prepaid expenses

Unit: Yuan Currency: RMB

	Opening balance	Increase in current year	Amortization in current year	Translation differences of financial statements denominated in foreign currencies	Closing balance
Decoration fees	504,831,243.12	202,923,167.45	(79,464,926.96)	2,964.21	628,292,447.82
Leasing expenses	54,616.10	-	(54,931.10)	315.00	-
Relocation expense of Meishan steel coke oven (Note)	754,662,915.96	-	(25,366,820.76)	-	729,296,095.20
Huangshi Phase II Codling Rolling High voltage power expense	147,856.50	-	(147,856.50)	-	-
Upfront expenses of ore mining	36,168,431.50	16,325,996.16	(51,111,898.09)	(1,382,529.57)	-
Others	34,785,620.61	12,031,821.90	(11,341,964.53)	(768.49)	35,474,709.49
Total	1,330,650,683.79	231,280,985.51	(167,488,397.94)	(1,380,018.85)	1,393,063,252.51

Note: According to the "Agreement on Relocating Residents in Health Protection Area of Shanghai Meishan Iron and Steel Co., Ltd. in the 11th Five-Year Period" signed by Shanghai Meishan Iron and Steel Co., Ltd. ("Meishan Steel"), Banqiao sub-district office of Nanjing Yuhuatai District and Nanjing Yuhua Economic and Technological Development Zone Management Committee on 16 October 2012, residents within 1 kilometer from Meishan steel coke oven construction project are compensated by Meishan Steel at RMB880,000,000.00. As at the end of 2018, the accumulated amount of RMB860,000,000.00 has been paid. The above compensation undertaken by Meishan Steel will be amortized in accordance with the remaining lives of the major assets of the related construction project.

20. Deferred tax assets/Deferred tax liabilities

Unoffset deferred tax assets:

Unit: Yuan Currency: RMB

	Closing balance		Opening balance	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Deferred tax assets				
Provision for impairment losses of assets	4,595,563,449.92	1,111,397,577.50	3,906,802,492.21	977,344,783.17
Unrealized profit from inter-group transactions	797,419,140.68	199,354,785.17	341,961,203.72	85,490,300.93
Deductible losses	3,979,673.27	994,918.32	20,399,624.20	5,099,906.05
Differences between depreciation and amortization of fixed assets and intangible assets	1,146,106,516.53	286,492,595.17	1,069,255,308.16	267,313,827.04
Salaries and termination benefits	2,000,963,850.08	493,091,980.01	1,110,983,781.19	276,876,743.09
Losses from changes in fair values	375,285,908.00	93,821,477.00	582,841,122.54	145,109,503.17
Others	2,989,900,490.50	712,267,151.33	2,681,518,624.48	656,748,120.33
Total	11,909,219,028.98	2,897,420,484.50	9,713,762,156.50	2,413,983,183.78

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

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

Unoffset deferred liabilities:

Unit: Yuan Currency: RMB

	Closing balance		Opening balance	
	Temporary taxable difference	Deferred tax liabilities	Temporary taxable difference	Deferred tax liabilities
Deferred tax liabilities				
Overdue tax payment from investment income	2,058,954,089.77	479,237,013.33	3,003,933,527.95	554,630,107.08
Gains from changes in fair values	556,213,613.64	139,053,403.41	472,120,345.08	118,030,086.27
Appreciation of assessment on assets of business combination involving enterprise not under common control	65,295,184.46	18,180,112.45	99,825,892.04	24,956,473.01
Production test cost	740,223,485.21	185,055,871.30	-	-
Ore mining rights	5,929,587.27	1,778,876.18	57,278,538.24	14,319,634.56
Others	71,496,999.59	17,477,434.67	11,084,985.72	2,842,946.82
Total	3,498,112,959.94	840,782,711.34	3,644,243,289.03	714,779,247.74

Details of deferred tax assets and deferred tax liabilities after offset:

Unit: Yuan Currency: RMB

	Deductible or taxable temporary differences after offset at the end of the reporting period	Deductible or taxable temporary differences after offset at the beginning of the reporting period
Deferred tax assets	2,897,420,484.50	2,413,983,183.78
Deferred tax liabilities	840,782,711.34	714,779,247.74

Details of temporary unrecognized deductible deferred tax assets:

Unit: Yuan Currency: RMB

	Closing balance	Opening balance
Deductible temporary differences		
Provision for impairment losses of assets	1,771,071,368.87	3,616,247,059.80
Deductible losses	5,258,419,094.54	7,952,151,639.96
Others	777,550,147.69	2,001,749,924.43
Total	7,807,040,611.10	13,570,148,624.19

Deductible losses, for which no deferred tax assets are recognized, will expire in the following years:

Unit: Yuan Currency: RMB

	Closing balance	Opening balance
2018	-	2,109,319,469.81
2019	1,986,622,816.33	2,012,846,886.29
2020	2,644,976,288.38	3,317,591,364.01
2021	400,551,712.49	440,946,899.28
2022	63,698,150.83	71,447,020.57
2023	162,570,126.51	-
Total	5,258,419,094.54	7,952,151,639.96

21. Other non-current assets

Unit: Yuan Currency: RMB

	Closing balance	Opening balance
Prepayment for construction equipment	234,302,861.83	84,152,724.31
Loans due from Bao-Island Enterprise	117,905,780.14	117,905,780.14
Luojiang assets to be disposed of (Note 1)	134,034,795.80	176,311,254.81
Assets of Tinplate Plant to be disposed of (Note 2)	351,779,104.94	403,277,606.35
Trust and finance fund (Note 3)	570,000,000.00	150,000,000.00
Others	59,993,649.98	37,712,917.79
Total	1,468,016,192.69	969,360,283.40

Note1: As the plant of the Company in Luojiang Area stopped production in 2012, relevant assets have entered into the stage of disposal and of reuse.

Note2: The tinplate plant of the Group was shut down for environment protection reason in accordance with the regulation of the government in 2017, and relevant assets have entered into the stage of disposal and of reuse. Among the above assets, the balance of assets to be disposed of tinplate plant is RMB412,976,709.09, and the balance of impairment provision has been confirmed to be RMB61,197,604.15.

Note3: The Group purchased a product named "Profitable Steady Portfolio Investment Trust Plan" of Huabao Trust Co., Ltd., with an annual interest rate of 4.275%, of which RMB450,000,000.00 will expire on 25 March 2021, and RMB120,000,000.00 will expire on 24 December 2021.

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

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

22. Provision for impairment of assets

	Unit: Yuan Currency: RMB									
	Opening balance	Increase in current period			Reversal	Disposal/ Write-off	Decrease in disposal subsidiaries	Other decrease	Differences from translation of foreign currency	Closing balance of carrying amount
		Provision	Other increase							
Bad debt provision	1,929,906,574.73	251,676,925.45	-	188,910,119.96	-	11,737,096.20	-	14,742,374.72	1,995,678,658.74	
Provision for write-down of inventories	2,136,522,901.59	850,692,582.29	-	1,007,486,972.19	106,147,696.04	53,372.18	-	575,261.14	1,874,102,704.61	
Provision for impairment of available-for-sale financial assets	752,472,601.18	-	-	-	3,311,720.00	-	-	430,660.60	749,591,541.78	
Provision for impairment of long-term equity investments	35,000,000.00	-	-	-	-	-	-	-	35,000,000.00	
Provision for impairment of fixed assets	1,601,142,589.72	230,815,667.99	-	-	158,540,473.70	20,005,246.17	-	274,338.01	1,653,686,875.85	
Provision for impairment of construction in progress	1,037,792,902.16	30,668,709.03	-	-	14,966,460.78	-	-	-	1,053,495,150.41	
Provision for loan losses	7,354,605.18	11,946,760.72	-	-	-	-	-	-	19,301,365.90	
Provision for impairment of intangible investments	13,647,200.07	-	-	-	-	-	-	223.16	13,647,423.23	
Provision for impairment of other non-current assets	9,210,177.38	51,987,426.77	-	-	-	-	-	-	61,197,604.15	
Total	7,523,049,552.01	1,427,788,072.25	-	1,196,397,092.15	282,966,350.52	31,795,714.55	-	16,022,857.63	7,455,701,324.67	

23. Short-term borrowings

	Unit: Yuan Currency: RMB	
	Closing balance	Opening balance
Unsecured and non-guaranteed loans	38,066,711,446.78	59,928,336,815.51
Mortgage loans (Note 1)	248,892,366.13	305,548,500.57
Secured loans with securities under the custody of lenders (Note 2)	8,453,252.58	36,560,834.94
Guaranteed loans	-	12,000,000.00
Total	38,324,057,065.49	60,282,446,151.02

At the balance sheet date, the interest rate of the Group's short-term borrowings dominated in RMB ranged from 2.915% to 4.785% per annum (2017: 3.350% to 4.785% per annum); in USD from one-month LIBOR+0.4% to three-month LIBOR+2.25% per annum (2017: one-month LIBOR+0.4% to three-month LIBOR+2.45% per annum); in Euro from 0% to 1.80% per annum (2017: 0.05% to 1.10% per annum); in KRW from 2.9% to 3.1% per annum.

Note1: Details of mortgage loans are set out in Note V.15(5).

Note2: Details of secured loans with securities under the custody of lenders are set out in Note VIII.1.

24. Customer deposits and deposits from banks and other financial institutions

	Unit: Yuan Currency: RMB	
	Closing balance	Opening balance
Current deposits	3,721,858,947.64	2,040,333,953.49
Fixed deposits	5,080,310,917.51	6,430,687,001.92
Total	8,802,169,865.15	8,471,020,955.41

25. Borrowings from banks and other financial institutions

	Unit: Yuan Currency: RMB	
	Closing balance	Opening balance
Borrowings from domestic banks	-	400,000,000.00

26. Notes payable and Accounts payable

	Unit: Yuan Currency: RMB	
	Closing balance	Opening balance
Notes payable	16,244,031,888.47	10,517,063,796.47
Accounts payable	29,686,531,780.57	29,156,277,645.17
Total	45,930,563,669.04	39,673,341,441.64

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

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

Notes payable

	Closing balance	Opening balance
Commercial acceptances	14,307,493,805.06	10,060,327,304.34
Bank acceptances	1,936,538,083.41	456,736,492.13
Total	16,244,031,888.47	10,517,063,796.47

The above notes payable will due in 2019.

Accounts payable

No interest is charged on accounts payable.

	Closing balance	Opening balance
Accounts payable for equipment	9,306,336,963.44	9,652,838,209.98
Accounts payable for raw materials	20,380,194,817.13	19,503,439,435.19
Total	29,686,531,780.57	29,156,277,645.17

As at 31 December 2018, accounts payable aged over one year totaling RMB2,697,211,760.08 (2017: RMB1,480,748,539.39), were mainly the construction fees for technical revamping and infrastructure projects with a long period of construction.

27. Details of receipts in advance are as follows

	Closing balance	Opening balance
Receipts in advance	19,853,241,501.99	23,744,883,795.03

As at 1 December 2018 and 31 December 2017, significant receipts in advance with aging of more than one year was nil.

28. Financial assets sold under repurchase agreements

	Closing balance	Opening balance
Financial assets sold under repurchase agreements	142,071,814.59	130,556,138.69

29. Employee benefits payable

	Closing balance	Increase in the current year	Decrease in the current year	Closing balance
Short-term employee benefits	2,080,411,790.06	13,430,271,708.32	13,242,517,128.62	2,268,166,369.76
Post-retirement benefit (defined contribution plan)	364,918.61	1,729,076,986.18	1,728,998,960.14	442,944.65
Termination benefits	284,832,240.48	1,060,336,501.43	930,324,006.14	414,844,735.77
Total	2,365,608,949.15	16,219,685,195.93	15,901,840,094.90	2,683,454,050.18

Details of short-term employee benefit:

	Closing balance	Increase in the current year	Decrease in the current year	Closing balance
Wages or salaries, bonuses, allowances and subsidies	1,632,548,309.60	10,469,816,371.32	10,340,211,315.93	1,762,153,364.99
Staff welfare	-	567,563,420.04	567,563,420.04	-
Social security contributions	832,730.58	935,636,031.36	935,712,704.04	756,057.90
Including: Medical insurance	124,428.46	657,700,456.25	657,620,269.90	204,614.81

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

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

	2018	2017	2016	2015
Work injury insurance	7,205.25	58,312,217.41	58,308,424.48	10,998.18
Maternity insurance	8,957.29	64,545,962.88	64,540,862.32	14,057.85
Disability employment insurance	181,727.77	42,020,458.86	42,188,560.84	13,625.79
Others	510,411.81	113,056,935.96	113,054,586.50	512,761.27
Housing funds	62,483.34	860,282,145.78	860,213,740.18	130,888.94
Labor union and education fund	307,229,912.53	359,054,409.07	299,983,455.37	366,300,866.23
Short-term paid absences	-	159,563,680.49	159,563,680.49	-
Others	139,738,354.01	78,355,650.26	79,268,812.57	138,825,191.70
Total	2,080,411,790.06	13,430,271,708.32	13,242,517,128.62	2,268,166,369.76

As of 31 December 2018, the employee benefits payable of the Group, amounting to RMB943,562,068.71 (2017: RMB943,562,068.71) were in line with pay-to-performance. There were no overdue employee benefits payable or non-monetary benefits as of 31 December 2018.

Defined contribution plan:

	Closing balance	Increase in the current year	Decrease in the current year	Closing balance
Basic pension insurance	232,387.25	1,461,493,751.07	1,461,414,711.36	311,426.96
Unemployment insurance	9,635.80	43,524,421.64	43,525,771.71	8,285.73
Annuity fund	122,895.56	224,058,134.47	224,058,477.07	123,231.96
Total	364,918.61	1,729,076,986.18	1,728,998,960.14	442,944.65

The Group has participated in a pension fund insurance and unemployment insurance plan administered by local governments. According to the plan, the Group deposits a part of employee's monthly basic salary into the insurance every month. Besides the above-mentioned expense above, the Group does not have any responsibility for any further payments. The relevant expenditure will be accounted into profit and loss or capitalized.

In the current year, the Group was required to deposit RMB1,461,493,751.07 and RMB43,524,421.64 into the pension insurance and unemployment insurance plan, respectively (2017: RMB1,397,841,911.68 and RMB43,195,708.43). As of 31 December 2018, the Group has outstanding payments of RMB311,426.96 and RMB8,285.73, respectively (2017: RMB232,387.25 and RMB9,635.80) for the pension insurance and unemployment insurance plan. The relevant subsequent payments will be settled after the reporting period.

For details of the enterprise annuity plan, refer to Note XIV. I.

30. Taxes payable

	Closing balance	Opening balance
Value-added tax	2,192,083,416.25	2,292,161,243.72
Enterprise income tax	1,299,310,230.73	1,510,450,971.68
Individual income tax	161,171,674.60	181,209,490.05
City construction and maintenance tax	137,179,551.22	158,008,337.79
Property tax	121,960,935.58	98,333,715.00
Others	519,775,014.15	459,066,998.70
Total	4,431,480,822.53	4,699,230,756.94

31. Other payables

	Closing balance	Opening balance
Interest payable	359,359,786.14	582,058,272.27
Dividends payable	660,334.78	50,674,285.20
Other payables	1,536,488,017.54	1,974,769,049.99
Total	1,896,508,138.46	2,607,501,607.46

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

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

Interest payable

	Closing balance	Opening balance
Interest payable on medium-term notes	217,345,205.47	230,653,698.62
Interest payable on borrowings	142,014,580.67	137,562,539.28
Interest payable on corporate bonds of Wuhan Iron & Steel	-	153,300,000.00
Interest payable on corporate bonds of Bao-trans	-	60,142,034.37
Interest payable on convertible bonds of Baoxin	-	400,000.00
Total	359,359,786.14	582,058,272.27

Unit: Yuan Currency: RMB

Dividends payable

	Closing balance	Opening balance
Guizhou Aluminum Plant	603,743.23	603,743.23
Wuhan Iron & Steel Group Asset Management Co., Ltd.	34,547.92	43,797,939.11
MITSUI & CO., LTD.	21.42	5,619,417.93
China Metallurgical Southern Wuhan Iron & Steel Group Design Institute Co., Ltd.	-	631,162.72
Others	22,022.21	22,022.21
Total	660,334.78	50,674,285.20

Unit: Yuan Currency: RMB

Other payables

	Closing balance	Opening balance
Construction fees payable	534,607,980.60	628,116,222.32
Guarantee and deposit fees	529,993,640.06	790,231,850.71
Advances	165,676,098.49	255,733,038.76
Others	306,210,298.39	300,687,938.20
Total	1,536,488,017.54	1,974,769,049.99

Unit: Yuan Currency: RMB

The other payables aged more than one year amount to RMB596,068,850.59 (2017: RMB135,203,522.09), which are mainly composed of deposits payable and

construction fees payable that the Company has not paid due to the service contracts being long-term.

32. Non-current liabilities due within one year

	Closing balance	Opening balance
Long-term borrowings due within one year	142,332,379.53	229,136,603.63
Bonds payable due within one year	5,000,000,000.00	16,151,545,772.29
Long-term payables due within one year	20,000,000.00	4,026,599,010.15
Total	5,162,332,379.53	20,407,281,386.07

Unit: Yuan Currency: RMB

Long-term borrowings due within one year

As at 31 December 2018, the Group held balance of long-term borrowings due within one year of RMB142,332,379.53 (31 December 2017: RMB229,136,603.63).

See Note V.15(5) for more details of collateral for the long-term borrowings.

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

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

Long-term bonds payable due within one year

Unit:Yuan Currency:RMB

Name	Par value	Issue date	Terms of financing bills	Issue amount	Issue amount	Interest payable at the beginning of the year	Interest accrued based on par value	Amortization of premiums or discounts and Exchange gains and losses	Interest payable at the end of the year	Payment in the current year	Closing balance
Bao-trans bonds (Note 1)	USD 500,000,000.00	2013/12/5	5 years	USD 500,000,000.00	3,257,448,492.68	6,125,812.50	122,250,750.00	174,459,944.82	-	3,560,285,000.00	-
Bao-trans bonds (Note 2)	EUR 500,000,000.00	2015/2/23	3 years	EUR 500,000,000.00	3,902,392,104.71	54,016,221.87	12,555,761.41	364,433,797.11	-	4,333,397,885.10	-
14 WISCO Debt (Note 3)	7,000,000,000.00	2015/7/1	3 years	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	-
Medium-term notes (15Baosteel MTN001) (Note4)	2,000,000,000.00	2015/10/26	3 years	RMB 2,000,000,000.00	2,000,000,000.00	13,308,493.15	60,291,506.85	-	-	2,073,600,000.00	-
Medium-term notes (16Baostee IMTN001) (Note5)	5,000,000,000.00	2016/3/22	3 years	RMB 5,000,000,000.00	5,000,000,000.00	122,158,904.11	157,000,000.00	-	122,158,904.11	157,000,000.00	5,000,000,000.00
Total					21,151,545,772.29	348,909,431.63	505,398,018.26	547,188,567.03	122,158,904.11	17,430,882,885.10	5,000,000,000.00

Note1: In December 2013, according to the "Proposal on Developing Direct Financing" approved in the 2012 Annual general shareholders' meeting held on 26 April 2013, Bao-trans Co., Ltd. ("Bao-trans"), a subsidiary of the Company was allowed to issue bonds denominated in US dollar in Hong Kong with the amount of USD 0.5 billion and duration of 5 years. Bao-trans issued bonds at a discount of 99.199% of the principal amounting to USD0.5 billion at a fixed interest rate 3.75% per annum on 5 December 2013. Interest will be paid semi-annually on 12 June and 12 December respectively. The bonds were due and paid on 12 December 2018.

Note2: According to the "Proposal on Developing Direct Financing in Domestic and Foreign Markets" approved in the 1st temporary shareholders' meeting held on 26 January 2015, Bao-trans Co., Ltd. ("Bao-trans"), a subsidiary of the Company was approved to issue Euro bonds of no more than 1 billion Euros (inclusive 1 billion Euros) in sub-issuance abroad. On 23 February 2015, Bao-trans issued the Euro bonds at a discount of 99.713% of the principal. The amount of the bonds issued was Euro 500 million. The fixed interest rate is 1.625% per annum, the interest will be paid on every 23 February annually and the bonds were due and paid on 23 February 2018.

Note3: Approved by [2015] No. 418 Document of China Securities Regulatory Commission, the Company was allowed to publicly issue corporate bonds with a nominal value of no more than RMB 7 billion. The actual amount of corporate bonds issued by Wuhan Iron & Steel Co., Ltd. in 2015 (hereinafter referred to as "14 Wuhan Iron & Steel Bonds") was RMB 7

billion, with a price of RMB 100 each, a period of 3 years and a coupon rate of 4.38%. 14 Wuhan Iron & Steel Bonds were secured by unconditional and non-cancellable joint liability guarantees by Wuhan Iron & Steel Group and Baosteel Co., Ltd. The bonds were due and paid on 2 July 2018.

Note4: Baosteel Co., Ltd. held its first temporary shareholders' meeting on 26 January 2015 to review and approve the "Proposal on Developing Direct Financing in Domestic and Foreign Markets" and agreed that the Company could apply to issue medium-term notes with a total principal amount not exceeding RMB20 billion (including RMB20 billion) in the National Association of Financial Market Institutional Investors. The Company issued medium-term notes amounting RMB2 billion at par value, with tenure of 3 years and annual interest rate of 3.68%. Interest was paid annually and the principal is paid in lump sum when it is due. The value date was 26 October 2015, and the principal was paid on 26 October 2018.

Note5: On 22 March 2016, the Company issued the first period of medium-term notes of 2016 in the National Association of Financial Market Institutional Investors. The Company issued medium-term notes amounting to RMB 5 billion at par value in the current year, with a tenure of 3 years and an annual interest rate of 3.14%. Interest was paid annually and the principal was paid in the whole sum when it is due. The value date is 22 March 2016, and the principal will be paid on 22 March 2019.

Long-term payables due within one year

Unit:Yuan Currency:RMB

	Closing balance	Opening balance
Payables on compensation for relocation	20,000,000.00	40,000,000.00
Finance lease payables	-	3,986,599,010.15
Total	20,000,000.00	4,026,599,010.15

33. Other current liabilities

Unit:Yuan Currency:RMB

	Closing balance	Opening balance
Short-term financing bills (Note 1)	6,025,500,000.00	-
Others	51,255,143.04	52,914,690.00
Total	6,076,755,143.04	52,914,690.00

Note1: Changes of short-term financing bills

Unit:Yuan Currency:RMB

Name	Par value	Issue date	Terms	Issue amount	Opening balance	Issue in the current period	Accrued interest based on book value	The premium and discount amortization	Payment in the current year	Closing balance
Bonds payable-super-short-term financing bills	2,000,000,000.00	2018/5/4	50 days	2,000,000,000.00	-	2,000,000,000.00	10,684,931.51	-	2,010,684,931.51	-
Bonds payable-super-short-term financing bills	2,000,000,000.00	2018/5/18	90 days	2,000,000,000.00	-	2,000,000,000.00	18,739,726.03	-	2,018,739,726.03	-
Bonds payable-super-short-term financing bills	2,000,000,000.00	2018/6/21	64 days	2,000,000,000.00	-	2,000,000,000.00	13,676,712.33	-	2,013,676,712.33	-
Bonds payable-super-short-term financing bills	3,000,000,000.00	2018/7/23	59 days	3,000,000,000.00	-	3,000,000,000.00	14,547,945.21	-	3,014,547,945.21	-
Bonds payable-super-short-term financing bills	2,000,000,000.00	2018/8/7	50 days	2,000,000,000.00	-	2,000,000,000.00	6,493,150.68	-	2,006,493,150.68	-
Bonds payable-super-short-term financing bills	2,000,000,000.00	2018/8/10	59 days	2,000,000,000.00	-	2,000,000,000.00	8,340,821.92	-	2,008,340,821.92	-
Bonds payable-super-short-term financing bills	2,000,000,000.00	2018/8/17	70 days	2,000,000,000.00	-	2,000,000,000.00	11,506,849.32	-	2,011,506,849.32	-
Bonds payable-super-short-term financing bills	3,000,000,000.00	2018/9/17	58 days	3,000,000,000.00	-	3,000,000,000.00	14,015,342.47	-	3,014,015,342.47	-
Bonds payable-super-short-term financing bills	2,000,000,000.00	2018/9/20	55 days	2,000,000,000.00	-	2,000,000,000.00	8,769,863.01	-	2,008,769,863.01	-
Bonds payable-super-short-term financing bills	2,000,000,000.00	2018/10/9	30 days	2,000,000,000.00	-	2,000,000,000.00	4,602,739.73	-	2,004,602,739.73	-
Bonds payable-super-short-term financing bills	1,000,000,000.00	2018/10/23	148 days	1,000,000,000.00	-	1,000,000,000.00	5,139,726.03	-	-	1,005,139,726.03
Bonds payable-super-short-term financing bills	2,000,000,000.00	2018/10/24	55 days	2,000,000,000.00	-	2,000,000,000.00	8,287,671.23	-	2,008,287,671.23	-
Bonds payable-super-short-term financing bills	3,000,000,000.00	2018/11/12	118 days	3,000,000,000.00	-	3,000,000,000.00	12,168,493.15	-	-	3,012,168,493.15
Bonds payable-super-short-term financing bills	2,000,000,000.00	2018/11/13	104 days	2,000,000,000.00	-	2,000,000,000.00	8,191,780.82	-	-	2,008,191,780.82
Total	30,000,000,000.00			30,000,000,000.00	-	30,000,000,000.00	145,165,753.44	-	24,119,665,753.44	6,025,500,000.00

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

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

According to the Proposal on Applying for DFI Registration and Issuance and Increasing the Issue Line of Corporate Bonds approved in the 2016 Annual general meeting of shareholders held on 23 May 2017, the Company was approved to apply for the qualification of DFI registration and issuance to the Association of Interbank Market Dealers. On 4 January 2018, the Company received the Notice of Acceptance of Registration issued by the Association of Dealers ([2017] DFI33) accepting the registration of the Company's debt financing instruments. The registration period shall be valid for 2 years from the signing date of the notice. On 4 May 2018, the Company completed the first issuance of the super-short-term financing bills amounting to RMB2 billion in 2018 at a par value of RMB100 per bill, with a tenure of 50 days and an annual rate of 3.9% which was due and paid on 23 June 2018. On 18 May 2018, the Company completed the second issuance of the super-short-term financing bills amounting to RMB2 billion in 2018 at a par value of RMB100 per bill, with a tenure of 90 days and an annual rate of 3.8%. On 21 June 2018, the Company completed the third issuance of the super-short-term financing bills amounting to RMB2 billion at a par value of RMB100 per bill, with a tenure of 64 days and an annual rate of 3.9%. On 23 July 2018, the Company completed the fourth issuance of the super-short-term financing bills amounting to RMB3 billion at a par value of RMB100 per bill, with a tenure of 59 days and an rate of 3.0%. On 7 August 2018, the Company completed the fifth issuance of the super-short-term financing bills amounting to RMB2 billion at a par value of RMB100 per bill, with a tenure of 50 days and an annual rate of 2.37%. On 10 August 2018, the Company completed the sixth issuance of the super-short-term financing bills amounting to RMB2 billion at a par value of RMB100 per

34. Long-term borrowings

	Closing balance	Opening balance
Unsecured and non-guaranteed loans	5,186,201,690.50	185,919,340.00
Guaranteed loans	159,915,176.18	203,520,775.91
Secured loans with securities under the custody of the Group (Note 1)	264,114,304.60	23,927,888.37
Total	5,610,231,171.28	413,368,004.28

Unit: Yuan Currency: RMB

At the balance sheet date, the interest rate of the Group's long-term borrowings dominated in USD ranged from 1.55% to 4.8533% per annum (2017: 1.55% to 3.00% per annum); in JPY at 1% per annum (2017: 1%); in KRW at 3.097% per annum (2017: 2.87%); in RMB ranged from 4.275% to 5.39% per annum (2017: 4.1325% to 5.39% per annum); in Euro from 1.15% to 1.80% per annum (2017: 1.15%).

Note1: Details of mortgage loans are set out in Note V.15(5).

35. Bonds payable

	Closing balance	Opening balance
Medium-term notes	3,000,000,000.00	8,000,000,000.00
Baoxin convertible bonds	-	553,245,927.39
Total	3,000,000,000.00	8,553,245,927.39

Unit: Yuan Currency: RMB

Movement of bonds payable in 2018:

Name	Par value	Quantity	Issue date	Term of the bonds	Issue amount	Opening balance	Issue in the current year	Opening interest payable	Accrued interest based on par value	Amortization of premiums or discounts	Transfer to non-current liabilities due within one year	Interest payment in the current year	Closing interest payable	Closing balance
Medium-term notes (16Baosteel MTN001) (Note 1)	100.00	50,000,000	2016/3/22	3 years	5,000,000,000.00	5,000,000,000.00	-	122,158,904.11	157,000,000.00	-	5,000,000,000.00	157,000,000.00	122,158,904.11	-
Medium-term notes (17Baosteel MTN001) (Note 2)	100.00	30,000,000	2017/2/21	3 years	3,000,000,000.00	3,000,000,000.00	-	95,186,301.36	111,000,000.00	-	-	111,000,000.00	95,186,301.36	3,000,000,000.00
Total					8,000,000,000.00	8,000,000,000.00	-	217,345,205.47	268,000,000.00	-	5,000,000,000.00	268,000,000.00	217,345,205.47	3,000,000,000.00

Unit: Yuan Currency: RMB

Name	Par value	Issue date	Terms of financing bills	Issue amount	Opening balance	Issue in the current year	Accrued interest based on par value	Amortization of premiums or discounts	Transfer to shares	Redemption in the current year	Closing balance
Baoxin Convertible Bonds (110039) (Note 3)	100.00	2017/11/23	6 years	1,400,000,000.00	553,245,927.39	716,850,738.76	712,000.00	(134,855,368.76)	1,106,522,297.39	28,689,000.00	-
Total				1,400,000,000.00	553,245,927.39	716,850,738.76	712,000.00	(134,855,368.76)	1,106,522,297.39	28,689,000.00	-

Unit: Yuan Currency: RMB

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

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

bill, with a tenure of 59 days and an annual rate of 2.58%. On 17 August 2018, the Company completed the seventh issuance of the super-short-term financing bills amounting to RMB2 billion at a par value of RMB100 per bill, with a tenure of 70 days and an annual rate of 3.0%. On 17 September 2018, the Company completed the eighth issuance of the super-short-term financing bills amounting to RMB3 billion at a par value of RMB100 per bill, with a tenure of 58 days and an annual rate of 2.94%. On 20 September 2018, the Company completed the ninth issuance of the super-short-term financing bills amounting to RMB2 billion at a par value of RMB100 per bill, with a tenure of 55 days and an annual rate of 2.91%. On 9 October, the Company completed the tenth issuance of the super-short-term financing bills amounting to RMB2 billion at a par value of RMB100 per bill, with a tenure of 30 days and an annual rate of 2.8%. On 23 October 2018, the Company completed the eleventh issuance of the super-short-term financing bills amounting to RMB1 billion at a par value of RMB100 per bill, with a tenure of 148 days and an annual rate of 3.25%. On 24 October 2018, the Company completed the twelfth issuance of the super-short-term financing bills amounting to RMB2 billion at a par value of RMB100 per bill, with a tenure of 55 days and an annual rate of 2.75%. On 12 November 2018, the Company completed the thirteenth issuance of the super-short-term financing bills amounting to RMB3 billion at a par value of RMB100 per bill, with a tenure of 118 days and an annual rate of 3.15%. On 13 November 2018, the Company completed the fourteenth issuance of the super-short-term financing bills amounting to RMB2 billion at a par value of RMB100 per bill, with a tenure of 104 days and an annual rate of 3.25%.

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

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

Movement of bonds payable in 2017:

Unit: Yuan Currency: RMB

Name	Par value	Quantity	Issue date	Term of the bonds	Issue amount	Opening balance	Issue in the current year	Opening interest payable	Accrued interest based on par value	Amortization of premiums or discounts	Transfer to non-current liabilities due within one year	Interest payment in the current year	Closing interest payable	Closing balance
Medium-term notes (16Baosteel MTN001)(Note 1)	100.00	50,000,000	2016/3/22	3 years	5,000,000,000.00	5,000,000,000.00	-	122,158,904.11	157,000,000.00	-	-	157,000,000.00	122,158,904.11	5,000,000,000.00
Medium-term notes (17Baosteel MTN001)(Note 2)	100.00	30,000,000	2017/2/21	3 years	3,000,000,000.00	-	3,000,000,000.00	-	95,186,301.36	-	-	-	95,186,301.36	3,000,000,000.00
Total					8,000,000,000.00	5,000,000,000.00	3,000,000,000.00	122,158,904.11	252,186,301.36	-	-	157,000,000.00	217,345,205.47	8,000,000,000.00

Unit: Yuan Currency: RMB

Name	Par value	Issue date	Terms of financing bills	Issue amount	Opening balance	Issue in the current year	Accrued interest based on par value	Amortization of premiums or discounts	Transfer to shares	Redemption in the current year	Closing balance
Baoxin Convertible Bonds (110039) (Note 3)	100.00	2017/11/23	6 years	712,000,000.00	-	563,071,806.65	400,000.00	(9,825,879.26)	-	-	553,245,927.39
Total				712,000,000.00	-	563,071,806.65	400,000.00	(9,825,879.26)	-	-	553,245,927.39

Note1: As at 22 March 2016, the Company placed the first issuance of medium-term notes amounting RMB5 billion at par value, with a tenure of 3 years and an annual interest rate of 3.14%. Interests is paid annually and the principle is paid in whole sum when it is due. The value date is 22 March 2016, and the principle will be paid on 22 March 2019. In 2018, the notes were transferred to non-current liabilities due within one year.

Note2: As at 21 February 2017, the Company placed the first issuance of medium-term notes amounting RMB3 billion at par value, with a tenure of 3 years and an annual interest rate of 3.70%. Interests is paid annually and the principle is paid in whole sum when it is due. The value date is 21 February 2017, and the principle will be paid on 21 February 2020.

Note3: A total of 86,380,658 shares of convertible corporate bonds issued by Shanghai Baoxin Software (Security is abbreviated as the "Baoxin Convertible Debt", with the convertible code "110039"; Conversion is abbreviated as "Baoxin Conversion" with the code of conversion "190039") have been converted into shares, and all the non-converted shares have been redeemed by 6 July 2018.

36. Long-term payables

Unit: Yuan Currency: RMB

	Closing balance	Opening balance
Long-term payables	665,644,518.00	712,416,884.50
Special payables	261,860,000.00	261,860,000.00
Total	927,504,518.00	974,276,884.50

Long-term payables

Unit: Yuan Currency: RMB

	Closing balance	Opening balance
Finance lease payables	-	4,199,455,427.15
Less: Unrecognized finance costs	-	212,856,417.00
Less: Long-term finance lease payables due within one year	-	3,986,599,010.15
Accounts payable for relocation expense	20,000,000.00	40,000,000.00
Less: Long-term payables due within one year	20,000,000.00	40,000,000.00
Repurchase obligation of equity incentive plan (Note 1)	665,644,518.00	712,416,884.50
Total	665,644,518.00	712,416,884.50

Note1: Deloitte Touche Tohmatsu Certified Public Accountants LLP issued the Capital Verification Report of Baoshan Iron and Steel Co., Ltd. (Deshibao Yan Zi (17) No. 00590) on 25 December 2018, verifying as at 22 December 2017, the designated account of the company has received a total amount of RMB665,644,518.00 from 1,067 equity incentive targets who subscribed for 166,828,200 shares, including RMB166,828,200.00 in share capital and RMB498,816,318.00 in equity premium; see Note XI. 1 for details.

Special payables

The movements in special payables are as follows:

Unit: Yuan Currency: RMB

	Opening balance	Increase in current year	Decrease in current year	Closing balance
Government appropriation	261,860,000.00	44,350,000.00	44,350,000.00	261,860,000.00

The Group's special accounts payable are the special funds allocated by the Ministry of Finance as the operation budget of state-owned capital.

Notes To The Financial Statements – continued

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

37. Long-term employment benefits payable

Unit: Yuan Currency: RMB

	Closing balance	Opening balance
Termination benefits from defined benefit plans-net liability	150,084,540.60	141,462,620.89
Termination benefits	961,074,719.60	626,923,137.75
Other long-term employment benefits	13,404,200.70	12,664,048.36
Total	1,124,563,460.90	781,049,807.00

38. Provisions

Unit: Yuan Currency: RMB

	Closing balance	Opening balance
Provisions	-	1,989,562.11

39. Deferred income

Unit: Yuan Currency: RMB

	Opening balance	Increase in the current year	Decrease in current year	Closing balance
Government grants	1,116,879,279.02	145,013,537.59	172,722,457.77	1,089,170,358.84

The liabilities related to government grants are as follows:

Unit: Yuan Currency: RMB

	Opening balance	Additions	Recognized in other income	Decrease in disposal of subsidiaries	Other movements	Closing balance	Asset related/ Income related
Government grants for technical upgrade	1,087,515,277.08	82,986,899.08	(118,979,874.50)	(20,311,034.30)	2,655,299.04	1,033,866,566.40	Asset related
Others	29,364,001.94	62,026,638.51	(12,450,117.04)	-	(23,636,730.97)	55,303,792.44	Asset related/ Income related
Total	1,116,879,279.02	145,013,537.59	(131,429,991.54)	(20,311,034.30)	(20,981,431.93)	1,089,170,358.84	

40. Share capital

2018

Unit: Yuan Currency: RMB

	Opening balance	Changes in the current year			Closing balance
		New issue of shares	Others	Subtotal	
I. Restricted share	178,385,650.00	-	(11,557,450.00)	(11,557,450.00)	166,828,200.00
II. Tradable shares					
Ordinary shares denominated in RMB (Note 3)	22,089,726,225.00	-	11,360,700.00	11,360,700.00	22,101,086,925.00
III. Total shares (Note 4)	22,268,111,875.00	-	(196,750.00)	(196,750.00)	22,267,915,125.00

2017

Unit: Yuan Currency: RMB

	Opening balance	Changes in the current year			Closing balance
		New issue of shares	Others	Subtotal	
I. Restricted share	26,114,800.00	166,828,200.00	(14,557,350.00)	152,270,850.00	178,385,650.00
II. Tradable shares					
Ordinary shares denominated in RMB (Note 3)	16,424,278,824.00	5,652,516,701.00	12,930,700.00	5,665,447,401.00	22,089,726,225.00
III. Total shares (Note 4)	16,450,393,624.00	5,819,344,901.00	(1,626,650.00)	5,817,718,251.00	22,268,111,875.00

Note1: Pursuant to "Merger Agreement for Equity Exchange" signed between the Company and Wuhan Iron & Steel, the Company merged Wuhan Iron & Steel and completed the transaction on 1 March 2017. The Company issued additional 5,652,516,701 A shares for this merger.

Note2: On 23 May 2017, the Company held the 18th meeting of the 6th Board of Directors to discuss and approve the "Proposal on the Unlocking of Baosteel's

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

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

Restricted Stock Plan during the Second Unlocking Period". Accordingly, 12,930,700 restricted stocks of the Company were unlocked during the second unlocking period and were listed and circulated on 19 June 2017.

Note3: On 8 June 2018, the Company held the 1st meeting of the 7th Board of Directors to discuss and approve the "Proposal on the Unlocking of the Company's first phase of Restricted Stock Plan during the Third Unlocking Period". Accordingly, 11,360,700 restricted stocks of the Company were unlocked during the third period and were listed and circulated on 19 June 2018.

Note4: According to the relevant provisions of the "A-share Restricted Stock Plan of Baoshan Iron and Steel Co., Ltd. (Draft)" and the "First Granting Scheme of the A-share Restricted Stock Plan of Baoshan Iron and Steel Co., Ltd. (Revised Draft)", approved by the shareholders at the Company's first extraordinary shareholders' meeting in 2014, as well as the "Proposal on Adjusting the Incentive Participants of the First Phase of Restricted Stock Plan" discussed and approved by Board of Directors at the Company's 24th meeting of the 6th Board of Directors, the company repurchased and cancelled 88,150 shares and 108,600 shares held by Huang Jianguo and Chen Xiaodan, who are the incentive participants of the first granting scheme of the A-share restricted stock plan at the granting price.

The Company held the 14th meeting of the 6th Board of Directors on 30 November 2016 and approved the "Proposal on Adjusting the Incentive Participants of the Restricted Stock Plan". The Company repurchased and cancelled at the granting price the 253,400 restricted shares held by Zhu Hanming, which have not reached the unlocking conditions. The above-mentioned 253,400 restricted shares have all been transferred to the Company's repurchase-only securities account and were cancelled on 7 February 2017.

The Company held the 20th meeting of the 6th Board of Directors on 24 August 2017 and approved the "Proposal on Adjusting the Incentive Participants of the Restricted Stock Plan". The Company repurchased and cancelled at the granting price the 1,373,250 restricted shares held by the incentive participants, such as Ye Meng, which have not reached the unlocking conditions. The above-mentioned 1,373,250 restricted shares have all been transferred to the Company's repurchase-only securities account and were cancelled on 12 December 2017.

The Company held the 24th meeting of the 6th Board of Directors on 8 December 2017, and approved the "Proposal on Adjusting the Incentive Participants of the First Phase of Restricted Stock Plan", the Company repurchased and cancelled at the granting price the 196,750 shares which did not reach the unlocking condition held by Huang Jianguo and Chen Xiaodan, who are the incentive participants of the first granting scheme of the A-share restricted stock plan. All the above restricted stocks have been transferred to the Company's repurchase-only securities account and were cancelled on 12 March 2018.

The Company held the 25th meeting of the 6th Board of Directors on 22 December 2017, and approved the "Proposal on the Implementation of the Second Phase of A-share Restricted Stock Plan". The Company granted 166,828,200 restricted shares which have been registered at China Securities Registration and Settlement Co., Ltd. Shanghai branch on 16 January 2018.

The Company held the 1st meeting of the seventh Board of Directors on 8 June 2018, and approved the "Proposal of the Unlocking of Baosteel's Restricted Stock Plan during the Third Unlocking Period". Accordingly, 11,360,700.00 restricted shares of the Company were unlocked during the third period and were listed and circulated on 19 June 2018.

As at the end of the reporting period, the share capital of the Company amounts to RMB22,267,915,125.00. Among the 22,101,086,925 tradable shares of the Company, 11,300,148,999 shares and 2,982,172,472 shares were held by Baowu Group and Wuhan Iron & Steel Group. Baowu Group held a total of 14,282,321,471 shares directly and indirectly, accounting for 64.14% of total share capital.

41. Other equity instruments

Unit: Yuan Currency: RMB

	Closing balance	Opening balance
Convertible equity component (Note)	-	77,717,323.62

Note: In accordance with the "Approval on Shanghai Baoxin Software Co., Ltd. to Publicly Issue Convertible Corporate Bonds" issued by China Securities Regulatory Commission (Zheng Jian License [2017] No. 1707), Shanghai Baoxin Software Co., Ltd. (hereinafter referred to as "Baoxin Software"), a subsidiary of the Company, publicly issued convertible corporate bonds with a total face value of RMB721 million under resale agreements on 23 November 2017. There were 7.12 million of shares in total, with RMB100 per share, and a coupon rate of 0.3% for the first year, 0.5% for the second year, 1.0% for the third year, 1.3% for the fourth year, 1.5% for the fifth year, and 1.8% for the sixth year. The annual interest payment date of each year is the first day of the issuance of the convertible bonds issued and the principal shall be paid off in one time when the bonds expire. The transfer period shall start from the first trading day after six months since the date to the maturity date of the convertible bonds. The subject shares are RMB ordinary shares (A shares) of Baoxin Software publicly issued at the Shanghai Stock Exchange and the initial transfer price was RMB18.46 per share.

The period of Baoxin Debt-to-Equity Conversion is from 4 July 2018 to 6 July 2018. As at 6 July 2018, 86,380,658 shares have been converted into equity, and all the non-converted shares have been redeemed. As at 31 December 2018, there was no other equity components of convertible bonds.

42. Capital reserve

2018

Unit: Yuan Currency: RMB

	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
Capital premium	46,466,661,784.11	890,704,078.67	(37,376,732.83)	47,319,989,129.95
Including: Reserve from conversion of state-owned shares	5,726,556,609.73	-	-	5,726,556,609.73
Share premium (Note 1)	36,058,170,208.31	416,644,467.45	(201,427.27)	36,474,613,248.49
Difference arising from business combination under common control	4,554,177,279.77	-	-	4,554,177,279.77
Share-based payment recognized in capital reserve (Note 2)	35,461,496.63	308,712,005.01	(37,175,305.56)	306,998,196.08
Provision for equity investment (Note 3)	92,296,189.67	165,347,606.21	-	257,643,795.88
Other capital reserves	2,247,897,434.29	13,769,200.00	-	2,261,666,634.29
Total	48,714,559,218.40	904,473,278.67	(37,376,732.83)	49,581,655,764.24

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

2017

Unit:Yuan Currency:RMB

	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
Capital premium	51,556,901,300.74	564,314,017.33	(5,654,553,533.96)	46,466,661,784.11
Including: Reserve from conversion of state-owned shares	5,726,556,609.73	-	-	5,726,556,609.73
Share premium (Note 1)	35,544,632,541.81	513,537,666.50	-	36,058,170,208.31
Difference arising from business combination under common control	10,206,693,980.77	-	(5,652,516,701.00)	4,554,177,279.77
Share-based payment recognized in capital reserve (Note 2)	29,938,611.36	7,559,718.23	(2,036,832.96)	35,461,496.63
Provision for equity investment(Note 3)	49,079,557.07	43,216,632.60	-	92,296,189.67
Other capital reserves	2,235,430,613.53	12,466,820.76	-	2,247,897,434.29
Total	53,792,331,914.27	576,780,838.09	(5,654,553,533.96)	48,714,559,218.40

Note1: The increase of share premium is mainly due to the conversion of convertible corporate bonds issued by Shanghai Baoxin Software Co., Ltd., a subsidiary of the company, into corporate stocks this year, which resulted in a change in the proportion of shareholding of minority shareholders, and an increase in the share premium of RMB368,904,030.04. The Company's first-term stock incentive plan lifts the ban and increases the capital premium of RMB37,175,305.56. A subsidiary of the company, Shanghai Baosteel International Economic and Trade Co., Ltd., increases the share premium of RMB10,565,131.85 by a discount purchase of minority shareholders' shares.

Note2: Increase in capital reserve was caused by the share-based payment recognized in capital reserve, refer to Note XI Share-based payment for detail.

Note3: The change of provision for equity investment is the change of capital reserve of joint ventures and associates in accordance with the equity method. See Note V.13 for details.

43. Treasury shares

Unit:Yuan Currency:RMB

	Closing balance	Increase in the year	Decrease in the year	Closing balance
Equity incentive plan	712,416,884.50	-	46,772,366.50	665,644,518.00

44. Other comprehensive income

The cumulative balance of other comprehensive income attributable to the parent company in the consolidated balance sheet:

Unit:Yuan Currency:RMB

	1 January 2017	Change for year 2017	31 December 2017	Change for year 2018	31 December 2018
Changes arising from remeasurement of the defined benefit plan	(30,156,184.80)	5,575,231.86	(24,580,952.94)	(2,150,755.42)	(26,731,708.36)
Other comprehensive income reclassified into profit and loss under the equity method	(23,694,677.74)	(36,282,078.82)	(59,976,756.56)	54,019,248.24	(5,957,508.32)
Change of fair value of available-for-sale financial assets	219,334,073.43	115,131,972.11	334,466,045.54	(293,052,667.67)	41,413,377.87
Translation differences of financial statements denominated in foreign currencies	(449,004,418.48)	(102,877,465.13)	(551,881,883.61)	194,308,987.03	(357,572,896.58)
Others	570,000.00	-	570,000.00	-	570,000.00
Total	(282,951,207.59)	(18,452,339.98)	(301,403,547.57)	(46,875,187.82)	(348,278,735.39)

Other comprehensive income incurred in the current period:

2018

Unit:Yuan Currency:RMB

	Incurred pre-tax	Less: Amount recognized in other comprehensive income in previous periods and recognized in profit and loss in the current period	Less: Income tax	Attributable to parent company	Attributable to minority interests
Other comprehensive income that will not be reclassified subsequently to profit or loss	(2,150,755.42)	-	-	(2,150,755.42)	-

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

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

Changes arising from remeasurement of the defined benefit plan	(2,150,755.42)	-	-	(2,150,755.42)	-
Other comprehensive income that will be reclassified to profit or loss	(129,653,127.64)	-	(98,055,938.53)	(44,724,432.40)	10,272,828.93
Other comprehensive income reclassified into profit and loss under the equity method	54,019,248.24	-	-	54,019,248.24	-
Change of fair value of available-for-sale financial assets	(394,080,564.40)	-	(98,055,938.53)	(293,052,667.67)	(2,971,958.20)
Translation differences of financial statements denominated in foreign currencies	207,553,774.16	-	-	194,308,987.03	13,244,787.13
Total	(134,658,297.42)	-	(98,055,938.53)	(46,875,187.82)	10,272,828.93

2017

Unit:Yuan Currency:RMB

	Incurred pre-tax	Less: Amount recognized in other comprehensive income in previous periods and recognized in profit and loss in the current period	Less: Income tax	Attributable to parent company	Attributable to minority interests
Other comprehensive income that will not be reclassified subsequently to profit or loss	(978,452.67)	-	(6,553,684.53)	5,575,231.86	-
Changes arising from remeasurement of the defined benefit plan	(978,452.67)	-	(6,553,684.53)	5,575,231.86	-
Other comprehensive income that will be reclassified to profit or loss	29,457,322.16	14,387,814.43	39,099,231.18	(24,027,571.84)	(2,151.61)
Other comprehensive income reclassified into profit and loss under the equity method	(36,282,078.82)	-	-	(36,282,078.82)	-
Change of fair value of available-for-sale financial assets	165,732,903.65	14,387,814.43	39,099,231.18	115,131,972.11	(2,886,114.07)
Translation differences of financial statements denominated in foreign currencies	(99,993,502.67)	-	-	(102,877,465.13)	2,883,962.46
Total	28,478,869.49	14,387,814.43	32,545,546.65	(18,452,339.98)	(2,151.61)

45. Special reserve

2018

Unit:Yuan Currency:RMB

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Safe production cost	41,582,048.73	588,830,383.55	592,461,473.66	37,950,958.62

2017

Unit:Yuan Currency:RMB

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Safe production cost	52,525,505.43	450,775,393.32	461,718,850.02	41,582,048.73

The Group extracted the special reserve based on the "The Management Methods of the Extract and Use of the Enterprise Security Costs of Production" ([2012] No. 16) for the production safety fee.

46. Surplus reserve

2018

Unit:Yuan Currency:RMB

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Statutory surplus reserve	13,251,634,361.11	1,427,069,298.25	-	14,678,703,659.36
Discretionary surplus reserve	16,523,086,700.89	1,427,069,298.25	-	17,950,155,999.14
Total	29,774,721,062.00	2,854,138,596.50	-	32,628,859,658.50

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

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

2017

Unit: Yuan Currency: RMB

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Statutory surplus reserve	12,311,516,022.65	940,118,338.46	-	13,251,634,361.11
Discretionary surplus reserve	15,582,968,362.43	940,118,338.46	-	16,523,086,700.89
Total	27,894,484,385.08	1,880,236,676.92	-	29,774,721,062.00

According to Corporation Laws and the Article of Association of the Company, the Company is required to transfer 10% of its net profit to the statutory surplus reserve. The discretionary surplus reserve is appropriated subsequent to the appropriation of statutory surplus reserve and subject to approval. Upon approval, the discretionary surplus reserve can be used to make up the losses from previous years or increase the Company's share capital.

47. Retained earnings

Unit: Yuan Currency: RMB

	2018	2017
Retained earnings at beginning of year before restatement	64,569,632,340.12	43,236,393,452.96
Business combinations involving enterprises under common control (Note 1)	-	8,684,695,948.69
Retained earnings at beginning of year after restatement	64,569,632,340.12	51,921,089,401.65
Net profit attributable to owners of the Company for the year	21,565,163,754.79	19,170,337,569.64
Less: Appropriation to statutory surplus reserve	1,427,069,298.25	940,118,338.46
Appropriation to discretionary surplus reserve (Note V. 46)	1,427,069,298.25	940,118,338.46
Dividend payable on ordinary shares in cash (Note 2)	10,020,561,806.25	4,641,557,954.25
Retained earnings at end of year	73,260,095,692.16	64,569,632,340.12

Note1: Due to the change of merger scope caused by business combinations involving enterprises under common control, retained earnings at beginning of year 2017 increased by RMB8,684,695,948.69.

Note2: According to the resolution of the Company's annual shareholders' meeting of 2017 on 25 May 2018, the Company had paid a total dividend of RMB10,020,561,806.25 (including taxes) to all shareholders registered on the equity registration date and confirmed in the dividend announcement on 8 June 2018.

48. Operating income and operating costs

Unit: Yuan Currency: RMB

	Amount recognized in the current year		Amount recognized in the prior year	
	Income	Cost	Income	Cost
Principal businesses	302,726,741,865.17	257,250,594,098.18	287,855,324,526.12	247,262,079,652.93
Other businesses	2,052,720,781.30	1,834,401,916.49	1,237,575,733.16	1,163,022,746.22
Total	304,779,462,646.47	259,084,996,014.67	289,092,900,259.28	248,425,102,399.15

Revenue is listed as follows:

Unit: Yuan Currency: RMB

	2018	2017
Sales of goods	294,121,868,410.25	277,473,621,941.19
Provide services	7,762,176,882.65	8,507,043,568.37
Others	2,895,417,353.57	3,112,234,749.72
Total	304,779,462,646.47	289,092,900,259.28

49. Taxes and levies

Unit: Yuan Currency: RMB

	Amount recognized in the current year	Amount recognized in the prior year
City construction and maintenance tax	415,418,564.59	539,975,426.28
Education surcharges	313,986,846.61	434,547,693.93
Property tax	399,634,582.32	318,020,459.35

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

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

Land use tax	174,147,910.15	148,556,625.26
Stamp tax	293,549,032.49	293,873,825.41
Others	26,759,507.28	144,930,374.22
Total	1,623,496,443.44	1,879,904,404.45

50. Selling expenses

Unit: Yuan Currency: RMB

	Amount recognized in the current year	Amount recognized in the prior year
Shipping and storage expenses	1,898,770,045.61	1,730,434,938.80
Payroll	956,841,402.68	987,973,549.57
Depreciation and amortization expenses	42,437,068.83	73,590,196.17
Others	594,659,611.78	574,453,302.79
Total	3,492,708,128.90	3,366,451,987.33

51. Administrative expenses

Unit: Yuan Currency: RMB

	Amount recognized in the current year	Amount recognized in the prior year
Payroll	3,737,573,082.17	3,287,046,545.90
Depreciation and amortization expenses	769,952,316.42	678,979,952.84
Inventory (gains) losses on current assets	285,337,694.89	168,761,182.01
Others	1,133,758,144.59	1,289,753,993.03
Total	5,926,621,238.07	5,424,541,673.78

52. Research and development expenses

Unit: Yuan Currency: RMB

	Amount recognized in the current year	Amount recognized in the prior year
Material and energy costs	3,136,807,342.77	1,482,723,236.42
Payroll	1,348,395,216.00	1,083,273,816.65
Depreciation and amortization expenses	1,125,216,262.06	706,614,028.78
Others	1,420,172,349.54	934,822,717.04
Total	7,030,591,170.37	4,207,433,798.89

53. Financial expenses

Unit: Yuan Currency: RMB

	Amount recognized in the current year	Amount recognized in the prior year
Interest expenses	3,074,507,960.01	3,700,446,962.66
Less: Interest income	236,324,528.27	168,683,587.80
Less: Capitalized interest expenses	14,259,198.23	66,213,024.89
Foreign exchange losses (gains)	1,463,242,752.46	(158,874,958.66)
Others	78,904,323.68	63,743,142.79
Total	4,366,071,309.65	3,370,418,534.10

In 2018, the amount of capitalized interest expenses included in construction in process was RMB14,259,198.23 (2017: RMB66,213,024.89).

54. Impairment losses of assets

Unit: Yuan Currency: RMB

	Amount recognized in the current year	Amount recognized in the prior year
Bad debt losses	62,766,805.49	47,651,951.77
Provision for decline in value of inventories/(reverse of provision)	(156,794,389.90)	446,507,711.09
Impairment of available-for-sale financial assets	-	4,005,183.07

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

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

Impairment of fixed assets	230,815,667.99	664,939,502.73
Impairment of construction in progress	30,668,709.03	-
Loan losses/(reverse of provision)	11,946,760.72	(58,033,390.71)
Impairment of other current assets	-	11,010,014.59
Impairment of other non-current assets	51,987,426.77	9,210,177.38
Total	231,390,980.10	1,125,291,149.92

55. Other income

Unit: Yuan Currency: RMB

	Amount recognized in the current year	Amount recognized in the prior year
Government subsidies related to daily activities	595,201,794.44	546,199,583.81

Government subsidies related to day-to-day activities as follow:

Unit: Yuan Currency: RMB

	Amount recognized in the current year	Amount recognized in the prior year	Assets related/Income related
Government grants for technical upgrade projects	118,979,874.50	120,220,342.64	Asset related
Others	476,221,919.94	425,979,241.17	Asset related/Income related
Total	595,201,794.44	546,199,583.81	

56. Investment income

Unit: Yuan Currency: RMB

	Amount recognized in the current year	Amount recognized in the prior year
Gains on long-term equity investments under the equity method	1,358,700,020.07	672,629,885.10
Investment income arising from disposal of long-term equity investments	3,123,272.69	3,208,939.46
Investment income during the period in which the available-for-sale financial assets were held	994,996,874.00	601,425,128.67
Investment income arising from disposal of an available-for-sale financial asset	15,181,794.60	-
Gains or losses arising from disposal of subsidiaries and remeasurement of residual equity at fair value	121,154,565.79	854,646,304.81
Stock investment income	11,433,691.20	3,673,827.88
Bond investment income	315,007,522.08	9,661,717.37
Fund investment income	43,312,361.27	46,784,129.05
Gains or losses from disposal of derivative financial instruments (note)	528,193,122.28	(63,774,547.27)
Investment gains from other financial products	730,126,466.55	913,802,370.00
Others	1,668,594.35	213,492.70
Total	4,122,898,284.88	3,042,271,247.77

Note: This item mainly consists of investment gains and losses arising from a forward exchange transaction.

57. Gains from changes in fair value

Unit: Yuan Currency: RMB

	Amount recognized in the current year	Amount recognized in the prior year
Financial assets at fair value through profit or loss	(181,534,679.03)	(144,173,336.48)
Financial liabilities at fair value through profit or loss	371,223,850.82	(39,971,337.63)
Total	189,689,171.79	(184,144,674.11)

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

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

58. Non-operating income

Unit: Yuan Currency: RMB

	Amount recognized in the current year	Amount recognized in the prior year	Amount incurred in non-recurring gains and losses in the current period
Total gains on disposal of non-current assets	209,268,308.93	176,640,509.15	209,268,308.93
Compensation income	76,087,153.01	46,488,862.08	76,087,153.01
Others	26,202,630.90	51,397,075.61	26,202,630.90
Total	311,558,092.84	274,526,446.84	311,558,092.84

59. Non-operating expenses

Unit: Yuan Currency: RMB

	Amount recognized in the current year	Amount recognized in the prior year	Amount incurred in non-recurring gains and losses in the current period
Total losses on disposal of non-current assets	559,745,330.91	1,022,650,955.02	559,745,330.91
Donations to third parties	33,751,705.40	19,512,854.31	33,751,705.40
Others	85,311,694.96	121,402,928.55	85,311,694.96
Total	678,808,731.27	1,163,566,737.88	678,808,731.27

60. Income tax expenses

Unit: Yuan Currency: RMB

	Amount recognized in the current year	Amount recognized in the prior year
Current tax expenses	4,854,962,788.37	3,727,566,604.73
Adjustment of income tax of prior periods	(12,567,443.48)	60,017,235.14
Deferred tax expenses	(304,478,595.00)	(155,590,921.31)
Total	4,537,916,749.89	3,631,992,918.56

The relationship between income tax expenses and the total profit is listed as follows:

Unit: Yuan Currency: RMB

	Amount recognized in the current year	Amount recognized in the prior year
Total profit	27,816,057,634.79	24,035,130,135.61
Income tax expenses calculated at statutory tax rate (Note)	6,954,014,408.70	6,008,782,533.90
Effect of different tax rates of subsidiaries	(435,884,870.93)	(68,480,878.33)
Adjustment of income tax of prior periods	(12,567,443.48)	60,017,235.14
Effect of costs, expenses and losses that are not deductible for tax purposes	69,899,893.12	58,676,321.94
Effect of tax-free income	(839,096,992.64)	(532,178,381.51)
Effect of unrecognized deductible losses and deductible temporary differences (Note)	183,447,549.23	501,426,625.31
Effect of using previously unrecognized deductible losses and deductible temporary differences	(652,127,677.45)	(1,947,803,551.75)
Additional tax incentives	(713,616,370.77)	(437,903,367.99)
Others	(16,151,745.89)	(10,543,618.15)
Tax expense at the Group's effective tax rate	4,537,916,749.89	3,631,992,918.56

Note: The PRC income tax of the Group is calculated based on the estimated taxable income gained in the PRC and the applicable tax rates. Tax arising from the taxable income in other regions and countries is calculated at applicable tax rates according to existing laws, interpretations and practices of the region and country in which the Group operates.

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

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

61. Earnings per share

	2018 RMB/share	2017 RMB/share
Basic earnings per share		
Going concern	0.97	0.86
Diluted earnings per share		
Going concern	0.97	0.86

The basic earnings per share is calculated on the basis of the current net profit attributable to the ordinary shareholders, divided by the weighted average of the common shares outstanding. The number of ordinary shares newly issued shall be calculated and determined from the date of consideration receivable (generally the date of issuance of shares) according to the specific terms of the issuance contract.

The numerator of diluted earnings per share is determined on the basis of the current net profit attributable to the ordinary shareholders after adjusting the following factors: (i) the interest of the diluted potential ordinary shares which has been recognized as expenses in the current period; (ii) the income or expenses that will be generated when the diluted potential ordinary shares is converted; and (iii) the income tax impact related to the above adjustments.

The denominator of diluted earnings per share equals the sum of the following two items: (i) the weighted average number of ordinary shares issued by the parent company based on earnings per share; and (ii) the increase of weighted average number of ordinary shares when assuming the diluted potential ordinary shares are converted into ordinary shares.

In calculating the increase of weighted average of the number of ordinary shares when diluted potential ordinary are converted into issued ordinary shares, the diluted potential ordinary shares issued in the previous period are assumed to be converted at the beginning of the current period; and the diluted potential ordinary shares issued in the current period are assumed to be converted at the issuing date.

The calculation of basic earnings per share and diluted earnings per share is as follows:

	Unit: Yuan Currency: RMB	
	2018	2017
Income		
Net current profit attributable to ordinary shareholders		
Going concern	21,565,163,754.79	19,170,337,569.64
Shares		
Number of outstanding ordinary shares at the beginning of the year	22,089,726,225	22,076,795,525.00
More: Weighted average number of executing ordinary shares in the current period	5,680,350	6,465,350.00
Less: Weighted average number of repurchased ordinary shares in the current period	-	-
Number of outstanding ordinary shares at the end of the year	22,095,406,575	22,083,260,875
Dilution effect-Weighted average of ordinary shares		
Stock options	-	-
Warrants	-	-
Convertible Bonds	-	-
Weighted average of outstanding ordinary shares after adjustment	22,095,406,575	22,083,260,875

The Group does not have potential diluted ordinary shares.

62. Notes to items in the cash flow statement

	Unit: Yuan Currency: RMB	
	Amount recognized in the current year	Amount recognized in the prior year
Other cash receipts relating to operating activities		
Non-operating income, government grants and others	1,523,450,746.92	2,251,319,557.07
Subtotal	1,523,450,746.92	2,251,319,557.07
Other cash payments relating to operating activities		

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

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

Selling expenses	1,227,231,477.81	959,666,229.02
Administrative expenses	1,045,562,834.18	1,157,836,891.63
Research and development expenses	1,371,487,357.37	921,473,127.78
Others	724,520,470.88	2,830,148,040.42
Subtotal	4,368,802,140.24	5,869,124,288.85
Other cash receipts relating to investing activities		
Proceeds on disposal of assets and investments in Wusong area	-	4,675,813,655.96
Interest income	225,075,917.16	124,760,505.59
Others	71,012,049.46	9,231,371.64
Subtotal	296,087,966.62	4,809,805,533.19
Other cash payments relating to investing activities		
Cash payment for the settlement of derivative instruments	58,606,798.68	68,481,544.39
Payment for borrowings by employees used for house purchase	-	114,110,000.00
Subtotal	58,606,798.68	182,591,544.39
Other cash receipts relating to financing activities		
Returns of finance lease	3,950,000,000.00	500,000,000.00
Repurchase of convertible bond	28,743,509.10	-
Others	62,679,660.38	-
Subtotal	4,041,423,169.48	500,000,000.00

63. Notes to items in the cash flow statement

(I) Supplementary information to the cash flow statement

Reconciliation of net profit to cash flow from operating activities:

	Unit: Yuan Currency: RMB	
	Amount recognized in the current year	Amount recognized in the prior year
Net profit	23,278,140,884.90	20,403,137,217.05
Add: Provision for impairment losses of assets	231,390,980.10	1,125,291,149.92
Depreciation of fixed assets and investment properties	18,549,323,227.57	17,721,873,280.80
Amortization of intangible assets	462,035,196.92	502,062,920.59
Amortization of long-term prepaid expenses	167,488,397.94	129,190,525.00
Losses from the disposal of fixed assets, intangible assets and other long-term assets	-	-
Losses from the retirement of fixed assets	350,477,021.98	846,010,445.87
Gains/losses on changes in fair value	(189,689,171.79)	184,144,674.11
Financial expenses	4,289,352,982.84	3,306,575,697.63
Investment income	(4,122,898,284.88)	(3,042,271,247.77)
Decrease in deferred tax assets	(507,234,557.90)	(148,562,139.94)
Increase/decrease in deferred tax liabilities	202,755,962.90	(7,028,781.37)
Decrease/increase in inventories	(1,880,467,630.31)	6,734,531,850.72
Decrease/increase in receivables from operating activities	3,266,563,243.40	(13,686,619,844.91)
Increase/decrease in payables from operating activities	1,508,810,870.34	(991,062,153.33)
Net cash flow from operating activities	45,606,049,124.01	33,077,273,594.37

Net changes in cash and cash equivalents:

	Unit: Yuan Currency: RMB	
Closing balance of cash	15,566,975,884.61	16,328,390,189.73
Less: Opening balance of cash	16,328,390,189.73	13,021,573,977.58
Add: Closing balance of cash equivalents	500,000,000.00	3,583,919,000.00
Less: Opening balance of cash equivalents	3,583,919,000.00	-
Net increase in cash and cash equivalents	(3,845,333,305.12)	6,890,735,212.15

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

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

(2) Composition of cash and cash equivalents

Unit: Yuan Currency: RMB		
	Amount recognized in the current year	Amount recognized in the prior year
Cash	15,566,975,884.61	16,328,390,189.73
Including: Cash on hand	759,658.49	686,037.28
Bank deposits on demand	15,404,501,924.45	16,273,258,182.23
Other currency funds on demand	161,714,301.67	54,445,970.22
Cash equivalents	500,000,000.00	3,583,919,000.00
Closing balance of cash and cash equivalents	16,066,975,884.61	19,912,309,189.73

Cash and cash equivalents exclude restricted cash and cash equivalents of the Company or subsidiaries within the Group.

64. Assets with restricted ownership or right of use

(1) Supplementary information to the cash flow statement

Unit: Yuan Currency: RMB			
	Closing balance	Opening balance	
Currency funds	1,392,195,769.37	1,528,973,751.54	Note 1
Notes receivable and accounts receivable	8,453,252.58	38,560,834.94	Note 2
Fixed assets	846,345,791.90	3,907,659,990.49	Note 3
Intangible assets	99,058,629.46	93,944,620.66	Note 4
Total	2,346,053,443.31	5,569,139,197.63	

Note1: As at 31 December 2018, currency funds with restricted ownership were Statutory reserves deposited in the People's Bank of China by Baosteel Group Finance Co., Ltd. of RMB1,392,195,769.37 (As at 31 December 2017: RMB1,528,973,751.54).

Note2: Details are set out in Note VIII.1.

Note3: Details are set out in Note V.15.

Note4: At 31 December 2018, the Company mortgaged a land use right with a carrying amount of RMB99,058,629.46 (As at 31 December 2017: RMB93,944,620.66) for the purpose of obtaining a bank borrowing. The amortized amount of land use right in 2018 was RMB731,994.58 (2017: nil).

65. Foreign currency items

Unit: Yuan Currency: RMB						
	Closing balance			Opening balance		
	Original currency	Exchange rate	RMB equivalence	Original currency	Exchange rate	RMB equivalence
Cash						
USD	418,621,781.65	6.8632	2,873,085,011.82	529,501,778.41	6.5342	3,459,870,520.49
JPY	10,066,518,472.21	0.0619	623,117,493.43	9,039,157,468.74	0.0579	523,367,217.44
EUR	72,668,677.31	7.8473	570,252,911.44	92,537,163.81	7.8023	722,002,713.23
AUD	162,290,672.79	4.8250	783,052,496.21	62,052,977.09	5.0928	316,023,401.72
Others	/	/	99,717,460.97	/	/	110,058,240.90
Accounts receivable						
USD	210,874,565.97	6.8632	1,447,274,321.17	488,564,573.04	6.5342	3,192,378,633.14
JPY	3,231,491,880.71	0.0619	200,029,347.42	577,188,787.38	0.0579	33,409,418.58
EUR	95,776,440.58	7.8473	751,586,462.16	149,122,852.38	7.8023	1,163,501,231.13
WON	25,934,018,224.00	0.0061	158,197,511.17	-	/	-
Others	/	/	80,264,882.46	/	/	167,428,252.46
Long-term borrowings						
USD	65,067,174.92	6.8632	446,569,034.91	60,579,117.47	6.5342	395,836,069.37
JPY	6,442,646.69	0.0619	398,799.83	11,580,000.00	0.0579	670,285.14
EUR	115,554,848.27	7.8473	906,793,560.83	1,572,099.33	7.8023	12,265,990.64

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

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

WON	1,908,970,000.00	0.0061	11,644,717.00	2,989,689,435.26	0.0061	18,264,012.76
Short-term borrowings						
USD	536,292,315.07	6.8632	3,680,681,416.79	1,875,994,781.18	6.5342	12,258,125,099.20
EUR	305,713,487.34	7.8473	2,399,025,449.20	271,206,239.92	7.8023	2,116,032,445.73
WON	13,000,000,000.00	0.0061	79,300,000.00	9,000,000,000.00	0.0061	54,981,000.00
Bonds payable						
EUR	-	/	-	500,159,197.25	7.8023	3,902,392,104.71

66. Government grants

The government grants, which are offset against the carrying amounts of the related assets and expenses as set out below, are presented on a net basis.

Unit: Yuan Currency: RMB		
	Amount recognized in the current year	Amount recognized in the prior year
Government grants related to assets		
Capitalized Interest on special borrowing	23,636,730.97	-

Refer to Note V.39 and Note V.55 for other government grants.

Basic information for government grants:

Unit: Yuan Currency: RMB			
	Amount	Presented items	Amount recognized in profit or loss
Government grants related to assets	130,486,899.08	Deferred income, Other income	142,616,605.47
Government grants related to income	478,298,441.41	Deferred income, Other income	476,221,919.94
Total	608,785,340.49		618,838,525.41

(VI) CHANGES OF SCOPE OF CONSOLIDATION

1. Disposal of subsidiaries

Disposal of major subsidiaries

Unit: Yuan Currency: RMB					
	Registered address	Nature of business	The Group's total shareholding ratio (%)	The Group's total voting rights ratio (%)	Reasons for not being a subsidiary anymore
Wuhan Iron and Steel Group Metal Resource Co., Ltd.	Wuhan City	Scrap Processing and Secondary Resource Recovery	100	100	Disposal

The relevant financial information of Wuhan Iron and Steel Group Metal Resource Co., Ltd are listed as follows:

Unit: Yuan Currency: RMB								
Name of subsidiary	Equity disposal consideration	Equity disposal proportion (%)	Time point of losing control	Determination basis for time point of losing control	Share of corresponding net assets of the subsidiary at consolidated level	Fair value of remaining equity at the date of losing control	Disposal of subsidiaries and gains or losses arising from re-measurement of remaining equity at fair value	Amount of other comprehensive income related to equity investments of the original subsidiary transferred to investment profit and loss
Wuhan Iron and Steel Group Metal Resource Co., Ltd.	475,436,019.18	51	November 2018	Note	413,647,190.62	456,791,469.40	121,154,565.79	-

Note: Wuhan Iron and Steel Co., Ltd. and Baowu Group Environmental Resources Science and Technology Co., Ltd. signed an equity transfer agreement on 30 June 2018 to sell their 51.00% equity rights in Wuhan Iron and Steel Group Metal Resources Co., Ltd. for RMB475,436,019.18. The disposal date was 30 November 2018. The fair value of the remaining shares was RMB456,791,469.40. The proportion of the residual equity after disposal is 49% and accounted for using the equity method, refer to Note V.13. Therefore, since 30 November 2017, the Group has no longer included Wuhan Iron and Steel Group Metal Resource Co., Ltd. in the scope of the consolidated financial statements.

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

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

2. Newly-established subsidiaries

Newly-established subsidiaries for the year are primarily as follows:

On 22 August, 2018, the Company's subsidiary Shanghai Baosteel Chemical Co., Ltd. and Fangda Carbon New Materials Technology Co., Ltd. jointly established Baofang Carbon Materials Technology Co., Ltd. with registered capital of RMB 1.3 billion, among which, Shanghai Baosteel Chemical Co., Ltd. contributed RMB 663 million, accounting for 51.00% of the registered capital, and Fangda Carbon New Materials Technology Co., Ltd. contributed RMB637 million, accounting for 49.00% of the registered capital.

(VII) EQUITY IN OTHER ENTITIES

1. Interests in subsidiaries

The principal subsidiaries of the Company are presented as follows:

	Place of key operation	Place of registration	Nature of business	Percentage of shareholding (%)	
				Direct	Indirect
Subsidiaries acquired through establishment or investment:					
Xinjiang Karamay Steel Pipe Ltd. ("Baoma Tube")	China	Karamay	Manufacture of sale of steel pipes	75	-
Poly Pipe (Thailand) Co., Ltd. ("Poly Pipe")	Thailand	Thailand	Steel pipe processing	-	51
BGM Co., Ltd. ("BGM")	Korea	Gyeonggi-do	Manufacture of sale of steel products	-	50 Note 1
Shanghai Baosteel Asset Management Co., Ltd. ("Baosteel Assets")	China	Shanghai	Asset management	100	-
Subsidiaries acquired through business combinations involving entities under common control					
Yantai Lubao Steel Tubes Co., Ltd. ("Lubao Baosteel")	China	Yantai city	Manufacture	100	-
Baosteel Huangshi Coating & Galvanizing Co., Ltd. ("Huangshi Coating & Galvanizing")	China	Huangshi city	Manufacture	50.63	-
Shanghai Baosteel International Economic & Trading Co., Ltd. ("Baosteel International")	China	Shanghai	Steel trading	100	-
Shanghai Meishan Iron & Steel Co., Ltd. ("Meishan Steel")	China	Nanjing city	Manufacture	77.04	-
Shanghai Baosight Software Co., Ltd. ("Baosight Software")	China	Shanghai	Information technology	50.81	-
Baosteel America Inc. ("Baosteel America")	USA	Texas, USA	Steel trading	100	-
Howa Trading Co., Ltd. ("Howa Trading")	Japan	Tokyo, Japan	Steel trading	100	-
Baosteel Europe GmbH ("Baosteel Europe")	Germany	Hamburg, Germany	Steel trading	100	-
Baosteel Singapore PTE Ltd. ("Baosteel Singapore")	Singapore	Singapore	Steel trading	100	-
Bao-Trans Enterprises Ltd. ("Bao-Trans Enterprises")	HKSAR, China	HKSAR, China	Steel trading	100	-
Shanghai Baosteel Chemical Co., Ltd. ("Baosteel Chemical")	China	Shanghai	Manufacture	100	- Note 2
Baosteel Group Finance Co., Ltd. ("Finance Co.")	China	Shanghai	Finance	62.10	-
Baosteel Zhanjiang Iron & Steel Co., Ltd. ("Zhanjiang Steel")	China	Zhanjiang city	Manufacture	90	-
Wuhan Iron And Steel Co., Ltd. ("Wuhan Iron and Steel Limited")	China	Wuhan	Manufacture	100	-
WISCO International Tailored Blanks GMBH	Germany	Duisburg	Research and development, manufacture and sale of Laser Tailor-welded Plate Products	100	- Note 3

Note1: As at balance sheet date, the Group held 50% of shares in BGM, however, the Group has over 50% voting rights in the board of directors, so BGM is included in the consolidation scope of the Group.

Note2: Shanghai Baosteel Chemical Co., Ltd. was renamed Baowu Carbon Material Technology Co., Ltd. ("Baowu Carbon Material") this year.

Note3: According to the "Share Transfer Agreement of WISCO International Tailored Blanks GMBH" signed by the Company and its subsidiary company, WISCO International Economic and Trading Co., Ltd., the Company completed the assignment of 100% equity under the Agreement of WISCO Tailored Blanks Co., Ltd. The transfer price was RMB2,273,403,900.00, and the difference between the book cost of long-term equity investment and the transfer price was RMB171,927,989.57, which wrote down the capital reserve.

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

(VII) EQUITY IN OTHER ENTITIES - continued

Subsidiaries with material interests of minority shareholders are as follows:

2018

	Percentage of shareholding of minority shareholders	Attributable to minority interests	Dividends paid to minority shareholders	Accumulated minority interests at the end of year
Meishan Steel	22.96%	603,720	109,996	3,263,249
Zhanjiang Steel	10.00%	428,913	-	2,541,455
Finance Co., Ltd.	37.90%	97,942	35,260	853,439

2017

	Percentage of shareholding of minority shareholders	Attributable to minority interests	Dividends paid to minority shareholders	Accumulated minority interests at the end of year
Meishan Steel	22.96%	532,299	7,493	2,769,525
Zhanjiang Steel	10.00%	236,528	-	2,112,031
Finance Co., Ltd.	37.90%	77,990	26,504	790,561

2018

	Meishan Steel	Zhanjiang Steel	Finance Co., Ltd.
Current assets	5,269,352	10,729,502	6,453,524
Non-current assets	21,947,030	47,460,767	10,218,601
Total assets	27,216,382	58,190,269	16,672,125
Current liabilities	12,780,474	33,331,087	14,416,979
Non-current liabilities	223,151	447,175	3,328
Total liabilities	13,003,625	33,778,262	14,420,307

2018

	Meishan Steel	Zhanjiang Steel	Finance Co., Ltd.
Operating income	30,424,930	39,063,896	614,972
Net profits	2,629,440	4,213,131	258,422
Total comprehensive income	2,629,440	4,213,131	258,830
Net cash flow from operating activities	6,957,343	9,940,703	(5,192,916)

2017

	Meishan Steel	Zhanjiang Steel	Finance Co., Ltd.
Current assets	6,320,862	11,254,000	11,216,969
Non-current assets	22,005,123	49,054,564	8,995,359
Total assets	28,325,985	60,308,564	20,212,328
Current liabilities	16,037,207	37,787,922	18,123,772
Non-current liabilities	226,385	2,325,968	2,642
Total liabilities	16,263,592	40,113,890	18,126,414
Operating income	28,468,200	33,782,003	578,948
Net profits	2,315,312	2,311,846	205,779
Total comprehensive income	2,315,312	2,311,846	188,084
Net cash flow from operating activities	(3,628,985)	6,329,698	3,886,069

There are no significant restrictions for above subsidiaries in utilizing the Group's assets and settling the Group's debts.

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

(VII) EQUITY IN OTHER ENTITIES - continued

Major financial information of significant associates

Unit: Thousand yuan Currency: RMB

	Closing balance / Amount for the current year						Opening balance / Amount for the prior year					
	Henan Pingbao	Ouyeel Cloud Commerce	Wuhan Iron & Steel Group Finance Corporation Limited	Pingmei Shenma	Rural Commercial Bank	TWB	Henan Pingbao	Ouyeel Cloud Commerce	Wuhan Iron & Steel Group Finance Corporation	Pingmei Shenma	Rural Commercial Bank	TWB
Operating income	1,349,122	18,437,895	576,170	102,800,490	19,052,896	2,859,317	1,450,571	2,268,833	600,540	108,372,118	16,489,307	3,034,834
Net profits	277,619	(116,693)	511,439	372,940	7,482,979	162,981	392,186	(212,365)	256,383	744,893	6,569,100	160,288
Other comprehensive income	-	(25,920)	(5,045)	-	-	-	-	-	(34,817)	-	-	-
Total comprehensive income	277,619	(142,613)	506,393	372,940	7,482,979	162,981	392,186	(212,365)	221,566	744,893	6,569,100	160,288
Dividends received	28,000	-	-	-	128,000	58,444	16,000	-	68,760	-	-	47,143

Summarized financial information of insignificant JCEs and associates

Unit: Thousand yuan Currency: RMB

	2018	2017
JCEs:		
Total carrying amount of investments	439,222	498,390
The following items are calculated according to portion of shareholding		
Net profits	21,102	29,463
Other comprehensive income	-	-
Total comprehensive income	21,102	29,463
Associates:		
Total carrying amount of investments	1,866,655	1,360,473
The following items are calculated according to portion of shareholding		
Net profits	87,640	115,043
Other comprehensive income	(5,657)	(332)
Total comprehensive income	81,983	114,711

(VIII) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

1. Transfers of financial assets

Transferred financial assets that had not been derecognized in their entirety

As part of daily business, the Group and banks have concluded factoring arrangements for accounts receivable and transferred certain accounts receivable to banks. Under these arrangements, if a debtor of accounts receivable postpones payment, the Group will be required to return the corresponding outstanding amount, thus the Group continues to be exposed to the risk of default of the debtor of accounts receivable after transfer. After the transfer, the Group no longer retains the right to use the accounts receivable, including the right to sell, transfer or pledge to other third parties. As at 31 December 2018, the original book value of accounts receivable transferred but not settled by the Group under these arrangements was RMB8,050,716.74 (As at December 31 2017: RMB34,819,842.80). As at 31 December 2018, the book value of the assets of continuing involvement recognized by the Group was RMB8,050,716.74 (As at December 31 2017: RMB34,819,842.80), and that of the related liabilities was RMB8,453,252.58 (As at December 31 2017: RMB36,560,834.94). The assets and liabilities above-mentioned were accounted respectively into notes receivable and accounts receivable and short-term loans.

Transferred financial assets that had been derecognized in their entirety but continuously involved

As at 31 December 2018, the book value of bank acceptance bills which the Group endorsed to suppliers for settlement of accounts payable was RMB23,671,675,247.44, and that of commercial acceptance bills was RMB13,743,298.90. The book value of bank acceptance bills discounted to banks was RMB210,050,951.32 and that of commercial acceptance bills was RMB157,889,900.00. As at 31 December 2017, they were due in 1 to 12 months. If acceptance banks dishonor the bills, endorsees shall have the right to turn to the Group for recourse ("Continuing Involvement") according to the Law of Negotiable Instruments. The Group considered substantially all risks and rewards of the bills have been transferred. Therefore, the Group derecognized the book value of the related accounts payable that have been settled by the bills. The undiscounted cash flow and maximum loss of continuing involvement and repurchase were equal to the book value of the bills. The Group considers the fair value of continuing involvement is not significant.

In 2018, the Group did not recognize any significant profit or loss at the date of transfer. The Group had no current or accumulated gain or expense arising from the continuing involvement in financial assets which had been derecognized. The endorsement was incurred evenly throughout the year.

2. Financial instruments risks

The Group's major financial instruments include cash and bank balances, financial assets at fair value through profit or loss, notes receivable, accounts receivable, interest receivable, dividend receivable, other receivables, financial assets purchased under resale agreements, non-current assets due within one year, wealth management products of other current assets, loans and advances to customers, available-for-sale financial assets, long-term receivables, other non-current assets, short-term borrowings, loans from the central bank, customer deposits and deposits from banks and other financial institutions, borrowings from banks and other financial institutions, financial liabilities at fair value through profit or loss, notes payable, accounts payable, financial assets sold under repurchase agreements, interest payable, dividend payable, other payables, non-current liabilities due within one year, other current liabilities, long-term borrowings, bonds payables and long-term accounts payable (excluding special accounts payable). Details of these financial instruments are disclosed in Note V. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure the risks are monitored at a certain level.

The Group conducted sensitivity analysis on the impact of reasonable and possible changes of risk variables on profit or loss and equity of the current period. Risk variables may not change in isolation, but the correlations between the variables might have significant effects on the change amount determined by one variable. Thus, the statements below are based on the assumption that every variable changes in isolation.

Risk management objectives and policies

The Group's risk management objectives are to achieve proper balance between risks and yield, minimize the adverse impacts of risks on the Group's operation performance, and maximize the benefits of the shareholders and other equity investors. Based on these risk management objectives, the Group's basic risk management strategy is to identify and analyze the industry's exposures to various risks, establish appropriate bottom line for risk tolerance, implement risk management, and monitor these exposures to ensure that appropriate measures are implemented on a timely and effective manner.

Credit risk

Credit risk refers to the risk that one party of financial instruments is not able to perform obligations, which causes the financial loss of the other party. For fixed-income investment, credit risk is the risk of financial losses caused by the debtors not paying the principal or interest on time. For equity investment, it is the risk of losses incurred by the failure of the business operation of the invested companies.

Credit risks of the Group mainly result from all types of receivable and loans and advances to customers. In order to control the credit risks, the Group conducts transactions with authorized well-known third parties. In accordance with the Group's policy, all customers who need credit transactions are required to be assessed under credit review. In addition, the Group performs ongoing monitoring on accounts receivable balance to ensure that the Group will not face significant risks of bad debts. In the relevant sale settlement, the Group mainly requests full advances or deposit with delivery on cash. For only a few strategic clients, the Group determines lines of credit and deadlines of payment after credit assessments and transactions are settled via bank acceptance notes as far as possible.

In the relevant purchase settlement, the Group mainly applies cash on demand and payment with credit to settle purchases. Only for building contractors of construction, part of equipment suppliers of long-cycle constructions and resources contractors in short supply, the Group provides a certain advance to suppliers according to lines of credit and deadlines after they pass the credit assessments. The disbursement of loans and advances of the Group are due to the principal operations of Finance Co., Ltd. and debtors are only limited to the members of Baowu Group with good credit assessments. The credit risk is controlled within an appropriate level.

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

(VIII) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

The Group's credit risk of other financial assets and liabilities result from the default of the counterparties. When there is no collateral or other credit enhancement, the maximum credit exposure of the Group is the carrying amount of these financial instruments. The Group has not provided any form of guarantee which may put itself in a situation of risks. As at 31 December 2018, 17% of the receivables were due from the five largest debtors (As at 31 December 2017: 14%), and the Group was not found to be exposed to significantly intensive credit risks.

For quantitative data on the Group's credit risk exposure to accounts receivable and other receivables, refer to Notes V.3 and Notes V.5.

Liquidity risk

Liquidity risk is the risk that the Group may encounter deficiency of funds in meeting obligations associated with financial liabilities. The Group exercises trade financing, convertible loan notes, medium-term notes, long-term and short-term loans, other interest-bearing loans and other means to maintain a balance between continuity and flexibility of financing. The Group also acquires sufficient credit from major financial institutions to satisfy short-term and long-term demands for funds. The Group monitors the short-term and long-term demands for funds on a real time basis to ensure the abundance of cash reserves and security for cash outflows at any time. The Group's current liabilities exceed current assets of RMB13,214 billion. The Group may use bank borrowings as a source of funds to cover the difference between current liabilities and current assets. As at 31 December 2018, the Group has obtained unused bank loan facilities of approximately RMB138,823 billion. Consequently, the management of the Company believes that there is no significant liquidity risk for the Group.

Market risk

Market risk is the fluctuation of fair value of financial instruments. It is sensitive to market price fluctuation due to the change of foreign currency exchange rates (exchange rate risk), market price (price risk), market interest rates (interest rate risk), and other variables. Fluctuation is due to specific variables which have impact on a single financial instrument or issuer, or the entire market transactions of all financial instruments.

Currency risk

Currency risk is the risk that losses will occur because of changes in foreign exchange rates. The exchange rate risk which the Group faced mainly related to the operating activities (if settled by foreign currencies).

The iron ore imports of the Group are mainly settled in US dollar, which lead to unfavorable balance of payments in US dollar. The company takes the most favorable RMB financing cost ratio available in the current period as the comparison basis, and selects financing activities in US dollar or in RMB. At the same time, the Group traces the exchange trend of RMB against US dollar and evaluates the exchange rate risk related to liabilities in US dollar. In view of the market environment of more bilateral fluctuations in the exchange rate of RMB against US dollar, the Group conducts financing activities in US dollar that matched with forward exchange contracts or change financing currencies to mitigate the exchange rate risk. By the end of this year, the Group had no significant net exposure to foreign exchange risks in US dollar dollars.

The risk management measure is to ensure that the risk of exchange rate fluctuation is set within an acceptable level at the beginning. The above-mentioned synthetic fund cost is net of the loan interest paid and gain/loss upon the settlement of the forward contracts. Within the term of borrowing in US dollar, the foreign exchange rate will not have substantial effect upon the Group's operations.

Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flow fluctuates due to changes in interest rate. The risk of the interest rate that the Group faces mainly related to the debts bearing floating interest. The Group's policy is that the fixed-rate debt and the floating-rate debt are combined as a portfolio to facilitate the interest cost management.

The Group's risks in the fair value fluctuation of financial instruments which caused by changes in interest rates are mainly related with available-for-sale bond investments, loans issued and long-term receivables.

Interest rate risk of the financial instruments of the Group presented in terms of dates to maturity and actual interest rates:

	31 December 2018	31 December 2017
	Available-for-sale financial assets	Available-for-sale financial assets
More than 1 year	2,207,841,843.70	2,168,550,310.20
Effective interest rate (per annum)	2.50%-4.99%	2.50%-6.00%

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

(VIII) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

	31 December 2018			31 December 2017		
	Financial assets purchased under resale agreements	Loans granted	Long-term receivables (within 1 year)	Financial assets purchased under resale agreements	Loans granted	Long-term receivables (within 1 year)
Within 1 year	500,000,000.00	5,403,052,569.00	-	3,583,919,000.00	3,949,126,085.28	-
More than 1 year	-	197,150,000.00	302,259,703.90	-	-	323,443,628.36
Total	500,000,000.00	5,600,202,569.00	302,259,703.90	3,583,919,000.00	3,949,126,085.28	323,443,628.36
Effective interest rate (per annum)	2.5%-2.58%	3.915%-9.0%	1.625%	3.49%-15%	3.915%-7.6%	1.625%

	31 December 2018						
	Short term financing bonds	loan	Taking from banks and other financial institutions	Customer deposits	Bonds payable	Financial assets sold under repurchase agreements	Long-term payables (within 1 year)
Within 1 year	6,025,500,000.00	38,466,389,445.02	-	7,746,169,865.15	5,000,000,000.00	142,071,814.59	20,000,000.00
More than 1 year	-	5,610,231,171.28	-	1,056,000,000.00	3,000,000,000.00	-	665,644,518.00
Total	6,025,500,000.00	44,076,620,616.30	-	8,802,169,865.15	8,000,000,000.00	142,071,814.59	685,644,518.00
Effective interest rate (per annum)	3.15%-3.25%	0%-5.39%	/	0.05%-3.75%	3.14%-3.7%	2.26%	0-3.89%

	31 December 2017						
	Short term financing bonds	loan	Taking from banks and other financial institutions	Customer deposits	Bonds payable	Financial assets sold under repurchase agreements	Long-term payables (within 1 year)
Within 1 year	-	60,511,582,754.65	400,000,000.00	8,471,020,955.41	16,151,545,772.29	130,556,138.69	4,026,599,010.15
More than 1 year	-	413,368,004.28	-	-	8,553,245,927.39	-	712,416,884.50
Total	-	60,924,950,758.93	400,000,000.00	8,471,020,955.41	24,704,791,699.68	130,556,138.69	4,739,015,894.65
Effective interest rate (per annum)	/	1.55%-5.39%	3.6%-5.9%	1.69%-3.4%	0.3%-4.38%	3.25%-3.5%	0%-3.89%

As at 31 December 2018, the interest rate risk exposure of the Group's subsidiary, Finance Co., Ltd, was RMB 3.189 billion, because the fluctuation of market interest rate had no significant impact on the Group's pre-tax profits and equities.

As at 31 December 2018, the Group's financial liabilities at floating interest rates, excluding its subsidiary, Finance Co., Ltd, amounted to RMB3.914 billion. The fluctuation of market interest rates had no significant impact on the Group's pre-tax profits and equities.

Other price risk

The Group's available-for-sale financial assets and held-for-trading financial assets are measured at fair value at each balance sheet date. Therefore, the Group is exposed to the risks of changes in the security prices. The Group minimizes the equity security price risks by holding a portfolio of equity securities with different risks.

Equity price risk

Equity price risk refers to potential loss in fair value of equity security resulting from adverse changes in a particular stock or stock index. As at 31 December 2018, the Group was exposed to equity price risks from individual equity investments, which are classified to available-for sale equity investments (Note V.11). The investments of the Group traded at Shanghai Stock Exchange and Shenzhen Stock Exchange, are measured on basis of market quota at the balance sheet date. The stock index on the day nearest to the balance sheet date at the following stock exchanges and the highest and lowest closing prices in the year are shown as follows:

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

(VIII) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

	Unit: Thousand yuan Currency: RMB			
	2018	Highest / Lowest	2017	Highest/Lowest
	31. December	in 2018	31. December	in 2017
Shanghai—A share indexes of Shanghai Stock Exchange	2,494	3,559/2,486	3,293	3,448/3,053
Shenzhen—A share indexes of Shenzhen Stock Exchange	7,240	11,608/7,187	10,971	11,695/9,713
Hong Kong - A share indexes of Hong Kong Stock Exchange	25,846	33,154/24,586	29,919	30,003/22,134

The following table represents the sensitivity of the pre-tax profit and equity against every 5% change in fair value of equity instruments (on basis of the book value as at the balance sheet date), while all other variables remain constant and before any impact of taxation is considered. From the perspective of sensitivity analysis, the impact upon available-for-sale equity instruments can be regarded as one upon the change in fair value of the investments, without taking into consideration of possible deduction in income statements.

2018	Unit: Thousand yuan Currency: RMB		
	Book value of equity investment	Increase/decrease of pre-tax profit	Increase/decrease of other comprehensive income
Investments at following stock exchanges:			
Shanghai - Available-for-sale investment	197,824	-	9,891
Shenzhen - Available-for-sale investment	234,194	-	11,710
Hong Kong - Available-for-sale investment	136,349	-	6,817

2017	Unit: Thousand yuan Currency: RMB		
	Book value of equity investment	Increase/decrease of pre-tax profit	Increase/decrease of other comprehensive income
Investments at following stock exchanges:			
Shanghai - Available-for-sale investment	292,804	-	14,640
Shenzhen - Available-for-sale investment	432,555	-	21,628
Hong Kong - Available-for-sale investment	128,444	-	6,422

3. Capital management

The objective of the Group's capital management policy is to ensure that the Group can continue to operate so as to provide returns to shareholders and to benefit other stakeholders, while maintaining the best capital structure to reduce capital costs.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The total capital of the Group is the equity of the shareholders presented in the consolidated balance sheet. The Group is not subject to external mandatory capital requirements and monitors capital using the liability on asset ratio. This ratio is calculated by dividing total liabilities by total assets.

The liability to asset ratio of the Group is as follow:

	2018(%)	2017(%)
Liability to asset ratio	43.54	50.18

(IX) FAIR VALUE DISCLOSURE

1. The financial assets and financial liabilities measured at fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. Fair value for measurement and disclosure purposes in the financial statements is determined on such a basis.

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

(IX) FAIR VALUE DISCLOSURE - continued

Fair values of the financial assets and financial liabilities are determined as follows: the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active markets are determined with reference to quoted market bid prices and ask prices respectively; the fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions; and the fair values of derivative instruments are determined with reference to quoted market prices, where such quoted prices are not available, the fair value of a non-option-based derivative is estimated using discounted cash flow analysis and the applicable yield curve. For an option-based derivative, the fair value is estimated using option pricing model (for example, the binomial model).

Fair value measurements are categorized by the Group into 3 levels based on the degree to which the inputs to the fair value measurements are observable and the significances of the inputs to the fair value measurements in its entirety.

2018

Item	Unit: Yuan Currency: RMB			Total
	Inputs used in the measurement of fair value			
	Quoted prices in active markets (Level 1)	Key observable inputs (Level 2)	Key unobservable inputs (Level 3)	
I. Continuously measured at fair value				
(I) Financial assets at fair value through profit or loss	1,964,947,197.12	60,127,656.74	-	2,025,074,853.86
1. Transactional financial assets	1,964,947,197.12	60,127,656.74	-	2,025,074,853.86
(1) Investment in debt instruments	877,459,868.00	-	-	877,459,868.00
(2) Investment in equity instruments	1,087,487,329.12	-	-	1,087,487,329.12
(3) Derivative financial assets	-	60,127,656.74	-	60,127,656.74
(II) Financial assets available for sale	2,999,372,224.03	-	-	2,999,372,224.03
(1) Investment in debt instruments	2,157,601,832.00	-	-	2,157,601,832.00
(2) Investment in equity instruments	841,770,392.03	-	-	841,770,392.03
(3) Others	-	-	-	-
(III) Financial liabilities at fair value through profit and loss	-	(629,641.69)	-	(629,641.69)
1. Transactional financial liabilities	-	(629,641.69)	-	(629,641.69)
(1) Derivative financial liabilities	-	(629,641.69)	-	(629,641.69)
Total	4,964,319,421.15	59,498,015.05	-	5,023,817,436.20
II. Non-continuously measured at fair value	-	-	-	-

2017

Item	Unit: Yuan Currency: RMB			Total
	Inputs used in the measurement of fair value			
	Quoted prices in active markets (Level 1)	Key observable inputs (Level 2)	Key unobservable inputs (Level 3)	
I. Continuously measured at fair value				
(I) Financial assets at fair value through profit or loss	1,541,175,006.40	184,991,617.23	-	1,726,166,623.63
1. Transactional financial assets	1,541,175,006.40	184,991,617.23	-	1,726,166,623.63
(1) Investment in debt instruments	1,430,136,340.00	-	-	1,430,136,340.00
(2) Investment in equity instruments	111,038,666.40	-	-	111,038,666.40
(3) Derivative financial assets	-	184,991,617.23	-	184,991,617.23
(II) Financial assets available for sale	3,378,303,829.24	-	-	3,378,303,829.24
(1) Investment in debt instruments	2,118,310,298.50	-	-	2,118,310,298.50
(2) Investment in equity instruments	1,259,993,530.74	-	-	1,259,993,530.74
(3) Others	-	-	-	-
(III) Financial liabilities at fair value through profit and loss	-	(371,853,492.51)	-	(371,853,492.51)
1. Transactional financial liabilities	-	(371,853,492.51)	-	(371,853,492.51)
(1) Derivative financial liabilities	-	(371,853,492.51)	-	(371,853,492.51)
Total	4,919,478,835.64	(186,861,875.28)	-	4,732,616,960.36
II. Non-continuously measured at fair value	-	-	-	-

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

(IX) FAIR VALUE DISCLOSURE - continued

2. Assets and liabilities disclosed at fair value

Management has assessed cash and bank balances, notes receivable and accounts receivable, other receivables, redemptory monetary capital for sale, non-current assets due within one year, financial products in other current assets, loans and advances, available-for-sale financial assets, long-term receivables, trust financing in other non-current assets, short-term loans, loans to the Central Bank, and absorption deposits and interbank deposits, loans from other banks, notes payable and accounts payable, financial assets sold for repurchase, other payables, non-current liabilities due within one year, ultra-short-term financing debt in other current liabilities, long-term loans, bonds payable. The remaining period is not long/the remaining period is long, there is little difference between the real interest rate and the market interest rate, so the fair value of assets and liabilities above-mentioned are similar to the book value.

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Parent of the Company

Unit: Thousand yuan Currency: RMB

	Place of incorporation	Nature of business	Registered capital	Proportion of the Company's ownership interest held by the parent (%)	Proportion of the Company's voting power held by the parent (%)
China Baowu Steel Group Corporation Limited (Note)	Shanghai	Iron and steel manufacturing and processing	52,791,101	64.14	64.14

Note: The formal parent company of the Company was Baosteel Group Co., Ltd. As at 22 September 2016, Baosteel Group and Wuhan Iron and Steel Group were jointly reorganized as approved by State-owned Assets Supervision and Administration Commission of the State Council in "Notice on Reorganization of Baosteel Group and Wuhan Iron and Steel Group", and renamed as "China Baowu Steel Group Corporation Limited".

The ultimate holding party of the Company is the State-owned Assets Supervision and Administration Commission of the State Council.

2. Subsidiaries of the Group

Refer to Note VII.1 for details of subsidiaries of the Group.

3. Associates and joint ventures of the Group

The significant associates and joint ventures of the Group are set out in Note VII.2. Following presents the associates and joint ventures who had related party transactions with the Group and formed balances in the current or prior period.

	Relation with the Company
Beijing QKCT Information Technology Co., Ltd. ("Beijing Qingke")	Associate
Changshu Baosheng Jingchong Material Co., Ltd. ("Changshu Baosheng ")	Joint venture
Guangzhou Automobile Baoshang Steel Processing Co., Ltd. ("Guangzhou Automobile Baoshang")	Associate
Hangzhou Baowei Auto Parts Co., Ltd. ("Hangzhou Baowei")	Joint venture
Shandong Baohua Abrasion Resistant Steel Co., Ltd. ("Shandong Baohua")	Associate
Shanghai Baosteel & Arcelor Tailor Weld Co., Ltd. ("Weld Company")	Associate
Firsttech Inc.	Associate
Wuxi Baojing Steel Processing and Delivery Co., Ltd. ("Wuxi Baojing")	Associate
Wuxi Summit-Bao Metal Products Co., Ltd. ("Wuxi Summit-Bao")	Associate
Wuhan Baohan Welding Equipment Co., Ltd. ("Wuhan Baohan")	Associate
Wuhan Baozhang Auto Steel Part Co., Ltd. ("Wuhan Baozhang")	Joint venture
MIBao Metal Processing Zhengzhou CO., LTD. ("Zhengzhou MIBao")	Associate
Sichuan Daxing Baohua Chemical Co., Ltd. ("Sichuan Daxing")	Associate
Nanjing Tiemei Transportation Trade Co., Ltd. ("Nanjing Tiemei")	Associate
Taicang Wugang Dock Co., Ltd. ("Taicang Wugang")	Associate
Shanghai Baoneng Information Technology Co., Ltd. ("Shanghai Baoneng")	Associate
Wuhan Wugang Dansk Technology Magnetic Material Co., Ltd. ("Dansk Magnetic Material ")	Associate
Wuhan Wugang Jinzi Steel Processing Co., Ltd. ("Jinzi Steel Processing")	Associate
Wuhan Iron and Steel Zhejiang Gold Trading Co., Ltd. ("Zhejiang Trading")	Joint venture

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

4. Other related parties of the Group

	Relationship between other related parties and the Company
Baosteel Stainless Steel Co., Ltd. ("Baosteel Stainless")	Fellow subsidiary
Baosteel Desheng Stainless Steel Co., Ltd. ("Baosteel Desheng")	Fellow subsidiary
Baosteel Development Co., Ltd. and its subsidiaries ("Baosteel Development and its subsidiaries")	Fellow subsidiary
Baosteel Engineering Technology Group Co., Ltd. and its subsidiaries ("Engineering Technology Co., and its subsidiaries")	Fellow subsidiary
Baosteel Group Guangdong Shaoguan Iron & Steel Group Co., Ltd. and its subsidiaries ("Shaoguan Steel and its subsidiaries")	Fellow subsidiary
Baosteel Group Shanghai Meishan Co., Ltd. and its subsidiaries ("Meishan Steel and its subsidiaries")	Fellow subsidiary
Baosteel Group Shanghai Pudong Iron & Steel Co., Ltd. and its subsidiaries ("Pudong Steel and its subsidiaries")	Fellow subsidiary
Baosteel Group Shanghai No.5 Iron & Steel Co., Ltd. and its subsidiaries ("No. 5 Steel and its subsidiaries")	Fellow subsidiary
Baosteel Group Xinjiang Bayi Iron & Steel Co., Ltd. and its subsidiaries (Xinjiang Bayi and its subsidiaries)	Fellow subsidiary
Baosteel Metals Co., Ltd. and its subsidiaries ("Baosteel Metals and its subsidiaries")	Fellow subsidiary
Baosteel Special Material Co., Ltd. and its subsidiaries ("Baosteel Special Steel and its subsidiaries")	Fellow subsidiary
Baosteel Resources (International) Limited ("Baosteel Resources (International)")	Fellow subsidiary
Baosteel Resource Co., Ltd. and its subsidiaries ("Baosteel Resource and its subsidiaries")	Fellow subsidiary
Baowu Group Environmental Resources Technology Co., Ltd. ("Baowu Environmental Technology and its subsidiaries")	Fellow subsidiary
Baosteel Group Baoshan Hotel ("Baoshan Hotel")	Fellow subsidiary
Beijing Huili Property Development Co., Ltd. ("Beijing Huili")	Fellow subsidiary
Hwabao Investment Co., Ltd. ("Hwabao Investment")	Fellow subsidiary
Hwabao Trust Co., Ltd. ("Hwabao Trust")	Fellow subsidiary
Ningbo Baoxin Stainless Steel Co., Ltd. and its subsidiaries ("Ningbo Baoxin and its subsidiaries")	Fellow subsidiary
Shanghai Baodi Real Estate Co., Ltd. ("Baodi Real Estate")	Fellow subsidiary
Shanghai Baosteel Stainless Steel Co., Ltd. ("Shanghai Stainless")	Fellow subsidiary
Shanghai Baohua International Tendering Co., Ltd. ("Baohua Tendering")	Fellow subsidiary
Wuhan Iron & Steel (Group) Company and its subsidiaries ("Wuhan Iron & Steel Group and its subsidiaries")	Fellow subsidiary
Ouyeel Cloud Commerce Corporation Limited and its subsidiaries ("Ouyeel Cloud Commerce and its subsidiaries")	Fellow subsidiary
Wisco-Nippon Steel Tinplate Co., Ltd. ("Wisco-Nippon Steel")	key management person as director

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

5. Major transactions between the Company and its related parties

(I) Goods and services

Sale of goods to related parties

Unit: Thousand yuan Currency: RMB

	Amount for the current year	Amount for the prior year
Ouyeel Cloud Commerce and its subsidiaries	16,494,497	7,537,051
BNA	11,248,901	12,437,224
Baosteel Resources (International)	3,498,752	1,314,277
Wisco-Nippon Steel	2,858,217	-
Baosteel Special Steel and its subsidiaries	2,513,904	1,689,164
Wuhan Iron & Steel Group and its subsidiaries	2,198,396	5,364,399
Baosteel Metals and its subsidiaries	1,496,668	2,439,221
Pingmei Coking	1,570,008	1,192,886
Baowu Environmental Technology and its subsidiaries	1,257,287	592,832
Meishan Steel and its subsidiaries	1,145,344	775,263
Baosteel Resource and its subsidiaries	1,094,665	572,834
Guangzhou JFE	887,929	1,227,686
Weld Company	435,993	378,131
Baosteel Development and its subsidiaries	380,810	453,970
Engineering & Technology Co. and its subsidiaries	328,085	260,157
Hangzhou Baowei	277,300	368,109
Zhengzhou MIBao	256,940	243,947
Wuxi Baojing	77,411	90,684
Ningbo Baoxin and its subsidiaries	72,502	252,705
Wuxi Summit-Bao	65,806	79,576
Baosteel Stainless	50,300	748,866
Xinjiang Bayi and its subsidiaries	26,802	17,287
Changshu Baosheng	26,508	-
Shaoguan Steel and its subsidiaries	23,534	433,717
Baowu Group	15,876	13,575
Others	12,328	18,371
Total	48,314,763	38,501,932

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

Purchase of goods from related parties

Unit: Thousand yuan Currency: RMB

	Amount for the current year	Amount for the prior year
BNA	13,904,322	13,012,962
Pingmei Coking	12,001,748	12,017,482
Baosteel Resource and its subsidiaries	8,252,224	6,550,658
Ningbo Baoxin and its subsidiaries	6,492,447	5,582,253
Wuhan Iron & Steel Group and its subsidiaries	6,036,160	6,537,375
Baosteel Special Steel and its subsidiaries	5,758,977	5,952,000
Wisco-Nippon Steel	3,318,672	-
Shaoguan Steel and its subsidiaries	2,631,711	1,243,691
Ouyeel Cloud Commerce and its subsidiaries	2,090,116	862,029
Baosteel Stainless	1,883,485	5,951,820
Baosteel Desheng	1,819,042	886,612
Xinjiang Bayi and its subsidiaries	1,521,886	1,096,405
Engineering & Technology Co. and its subsidiaries	1,278,943	1,474,521
Guangzhou JFE	1,229,302	1,411,348
Baosteel Resources (International)	1,128,161	520,483
Baosteel Development and its subsidiaries	1,017,638	1,039,453
Meishan Steel and its subsidiaries	495,953	692,726
Baowu Environmental Technology and its subsidiaries	210,101	34,999
Taichang Wugang	77,550	-
Shanghai Baoneng	25,016	-
Sichuan Daxing	20,196	-
Baowu Group	8,313	613
Others	93,832	69,505
Total	71,295,795	64,936,935

Rendering services to related parties

Unit: Thousand yuan Currency: RMB

	Amount for the current year	Amount for the prior year
BNA	281,478	190,117
Wuhan Iron & Steel Group and its subsidiaries	124,207	5,423
Meishan Steel and its subsidiaries	82,880	88,551
Baosteel Special Steel and its subsidiaries	75,048	97,645
Baosteel Desheng	68,913	13,509
Baosteel Resource and its subsidiaries	67,767	79,393
Baowu Environmental Technology and its subsidiaries	44,366	14,238
Hwabao Investment	48,573	42,714
Baowu Group	48,213	48,068
Ouyeel Cloud Commerce and its subsidiaries	43,561	49,448
Xinjiang Bayi and its subsidiaries	40,364	50,817
Baosteel Resources (International)	40,293	59,494
Guangzhou JFE	39,422	18,566
Engineering & Technology Co. and its subsidiaries	31,079	60,547
Shaoguan Steel and its subsidiaries	29,166	51,326
Baosteel Stainless	20,421	37,984

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

Hwabao Trust	20,350	16,734
Baosteel Metals and its subsidiaries	20,214	17,422
Guangzhou Automobile Baoshang	19,515	3
Ningbo Baoxin and its subsidiaries	15,278	13,382
Baodi Real Estate	7,222	22,552
Baosteel Development and its subsidiaries	5,375	7,248
Beijing Qingke	4,522	-
Shanghai Stainless	3,641	585
Baohua Tendering	3,505	3,424
Zhengzhou MIBao	3,074	-
Weld Company	1,248	1,226
Others	3,975	1,683
Total	1,193,670	992,099

Receiving services from related parties

Unit: Thousand yuan Currency: RMB

	Amount for the current year	Amount for the prior year
Engineering & Technology Co. and its subsidiaries	2,325,621	2,033,725
Meishan Steel and its subsidiaries	1,118,307	1,112,000
Baosteel Development and its subsidiaries	997,057	1,166,384
Wuhan Iron & Steel Group and its subsidiaries	886,087	1,003,047
Baosteel Resource and its subsidiaries	769,637	595,029
Baojin Enterprise	458,715	136,391
Baowu Environmental Technology and its subsidiaries	278,741	243,038
Ouyeel Cloud Commerce and its subsidiaries	214,452	130,337
BNA	196,436	127,752
Baosteel Resources (International)	154,236	86,107
Baowu Group	93,725	33,959
Firsttech Inc.	86,475	62,106
Baosteel Metals and its subsidiaries	20,661	5,782
Wuhan Baozhang	20,431	-
Baosteel Special Steel and its subsidiaries	18,104	7,659
Baoshan Hotel	9,114	12,838
Changshu Baosheng	4,681	-
Nanjing Tiemei	3,596	-
Baosteel Stainless	-	23,243
Others	23,394	20,537
Total	7,679,470	6,799,934

(2) Related entrust

Detailed related entrust of the Group:

2018

Unit: Thousand yuan Currency: RMB

Entrustor	Entrustee	Type of entrusted asset	Closing balance	Accumulated amount during the current period	Income during the current period
Baoshan Iron & Steel Co.	Hwabao Trust	Funds and trust financial products	2,010,105	2,409,999	98,846
Baoshan Iron & Steel Co.	Hwabao Investment	Funds and trust financial products	300,000	-	-

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

2017

Unit: Thousand yuan Currency: RMB

Entrustor	Entrustee	Type of entrusted asset	Closing balance	Accumulated amount during the current period	Income during the current period
Baoshan Iron & Steel Co.	Hwabao Trust	Funds and trust financial products	2,280,000	6,688,716	201,070
Baoshan Iron & Steel Co.	Hwabao Investment	Funds and trust financial products	312,000	300,000	1,313

Detailed related trustee of the Group:

2018

Unit: Thousand yuan Currency: RMB

Entrustors	Type of entrusted assets	Inception period of the trust	Expiration date of the trust	Basis of pricing of trust expenses	Income during the current period
Baosteel Special Steel Long Material Co., Ltd. SGIS Songshan Co., Ltd.	Overall equity of Baosteel Special Material Long Products Co., Ltd. ("Baosteel Special Long Products") and Baosteel Special Material Shaoguan Co., Ltd. ("Baosteel Special Shaoguan")	July 2017	31 December 2019	Charge entrusted management fee in certain proportion to the annual net profit and EVA added value attributable to Baosteel Special Steel Long Material Co., Ltd. as audited	1,417

2017

Unit: Thousand yuan Currency: RMB

Entrustors	Type of entrusted asset	Inception period of the trust	Expiration date of the trust	Basis of pricing of trust expenses	Income during the current period
Baosteel Special Steel Long Material Co., Ltd. SGIS Songshan Co., Ltd.	Overall equity of Baosteel Special Material Long Products Co., Ltd. ("Baosteel Special Long Products") and Baosteel Special Material Shaoguan Co., Ltd. ("Baosteel Special Shaoguan")	July 2017	31 December 2019	Charge entrusted management fee in certain proportion to the annual net profit and EVA added value attributable to Baosteel Special Steel Long Material Co., Ltd. as audited	-

(3) Guarantees with related parties

The Company as a guaranteed party:

2018

Unit: Thousand yuan Currency: RMB

	Guaranteed amount	Inception date of guarantee	Expiration date of guarantee	Whether execution of guarantee has been completed
Wuhan Iron & Steel Group	323,269	2004/11/10	2024/11/10	No
Wuhan Iron & Steel Group	7,000,000	2015/7/1	2018/7/1	Yes

2017

Unit: Thousand yuan Currency: RMB

	Guaranteed amount	Inception date of guarantee	Expiration date of guarantee	Whether execution of guarantee has been completed
Wuhan Iron & Steel Group	323,269	2004/11/10	2024/11/10	No
Wuhan Iron & Steel Group	7,000,000	2015/7/1	2018/7/1	No

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

(4) Other related party transactions

Unit: Thousand yuan Currency: RMB

	Notes	Amount for the current year	Amount for the prior year
Rental expenses of land, property and automobile	1	397,871	346,111
Rental income of property land and equipment	1	88,444	52,307
Financial service and interest income	2	43,403	43,451
Financial service and interest income	2	148,410	147,574
Sale of an investment property	3	23,316	-

Note 1: When the Company was established, the Company signed a twenty-year agreement with Baowu Group for the lease of the plant site. In September 2001, the Company entered into a further twenty-year lease agreement with Baowu Group for the use of the land of the plant site of the Phase III assets acquisition. In November 2002, the Company signed a new twenty-year lease agreement with Baowu Group for the land use of the plant site of custody assets newly acquired. In November 2010, the Company signed a supplementary agreement with Baowu Group as the land use expenses increased due to increment of land use tax. In year 2018, land use right lease expense of the Company amounted to RMB223,034,734 (2017: RMB231,293,695). The Group leased properties from related parties namely Baowu Group, BNA, Baosteel Metal and its subsidiaries, Wuhan Iron & Steel Group and its subsidiaries, leased vehicles from Baosteel Development and its subsidiaries and Baosteel Metal and its subsidiaries; in the meantime, the Group leased properties to BNA, Baodi Real Estate and its subsidiaries, leased land use right to BNA, Baowu Environmental Technology and its subsidiaries, Engineering Technology Co., and its subsidiaries, and leased equipment to Baosteel Special Steel.

Note 2: The Group provided, via Finance Co., one of its subsidiaries, with loans, and discounting and entrusted financing services to Baowu Group and its subsidiaries, hereby obtained interest income, discounting income and fees from entrusted financing. Wuhan Iron & Steel Limited has deposits at Wuhan Iron & Steel Group Finance and earned interest on deposits.

Note 3: The Group collected, via Finance Co., one of its subsidiaries, deposits from Baowu Group and its subsidiaries, and paid interest expenses at the RMB interest rate on saving as stipulated by the People's Bank of China. Wuhan Iron & Steel Limited has deposits at Wuhan Iron & Steel Group Finance and paid interest on loans.

Note 4: Meishan Steel, one of the subsidiaries of the Group, transferred the real estate to a subsidiary of Baosteel Group Shanghai Meishan Co., Ltd.

(5) Disposal of subsidiaries

The current year, the Group disposed one of its subsidiaries, Wuhan Iron and Steel Group Metal Resource Co., Ltd., please refer to Note VI. 1 for details.

6. Amounts due from related parties

Unit: Thousand yuan Currency: RMB

	Amount for the current year		Amount for the prior year	
	Carrying balance	Provision	Carrying balance	Provision
Notes receivable and accounts receivable				
Pingmei Coking	1,891,809	-	413,074	-
Wisco-Nippon Steel	1,216,106	-	-	-
Baosteel Special Material and its subsidiaries	894,273	-	866,566	-
Wuhan Iron & Steel Group and its subsidiaries	749,999	-	1,468,087	-
Meishan Steel and its subsidiaries	710,280	-	413,068	-
Baosteel Metals and its subsidiaries	454,769	-	181,395	-
Baowu Environmental Technology and its subsidiaries	397,579	-	239,493	-
Baosteel Resource and its subsidiaries	323,842	-	147,106	-
Baosteel Resources (International)	302,880	-	95,468	-
BNA	175,985	-	571,804	-
Ouyeel Cloud Commerce and its subsidiaries	174,551	-	409,313	-
Xinjiang Bayi and its subsidiaries	112,079	-	115,064	-
Engineering & Technology Co. and its subsidiaries	89,456	-	117,830	-
Baosteel Desheng	37,872	-	6,597	-
Henan Pingbao	28,000	-	829	-
Changshu Baosheng	23,728	-	20,128	-

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

Baosteel Stainless	18,703	-	183,445	-
Guangzhou JFE	16,387	-	13,082	-
Shaoguan Steel and its subsidiaries	16,262	-	54,863	-
Hangzhou Baowei	13,780	-	1,658	-
Wuhan Baozhang	11,295	-	11,295	-
Baosteel Development and its subsidiaries	10,670	-	18,181	-
Baowu Group	8,273	-	5,008	-
Ningbo Baoxin and its subsidiaries	7,814	-	14,499	-
Hwabao Investment	6,512	-	5,462	-
Wuxi Summit-Bao	6,640	-	3,659	-
Guangzhou Automobile Baoshang	4,459	-	259	-
Baodi Real Estate	3,328	-	3,250	-
Shanghai Stainless	3,092	-	1,580	-
Hwabao Trust	2,882	-	655	-
Weld Company	1,709	-	1,285	-
Beijing Qingke	1,077	-	6,606	-
Dansk Magnetic Material	-	-	19,895	-
Jinzi Steel Processing	-	-	13,256	-
Others	5,306	-	7,457	-
Total	7,721,397	-	5,431,217	-

Unit: Thousand yuan Currency: RMB

	Amount for the current year		Amount for the prior year	
	Carrying balance	Provision	Carrying balance	Provision
Prepayments				
Pingmei Coking	1,625,257	-	2,532,387	-
BNA	397,301	-	272,314	-
Wisco-Nippon Steel	364,558	-	-	-
Baosteel Resource and its subsidiaries	307,030	-	138,614	-
Wuhan Iron & Steel Group and its subsidiaries	252,342	-	243,982	-
Shaoguan Steel and its subsidiaries	153,532	-	23,616	-
Xinjiang Bayi and its subsidiaries	77,940	-	120,603	-
Guangzhou JFE	56,720	-	43,095	-
Ouyeel Cloud Commerce and its subsidiaries	43,768	-	384,855	-
Engineering & Technology Co. and its subsidiaries	28,096	-	166,503	-
Baosteel Desheng	18,824	-	548	-
Ningbo Baoxin and its subsidiaries	18,797	-	1,501	-
Baosteel Special Material and its subsidiaries	15,602	-	46,306	-
Baowu Environmental Technology and its subsidiaries	9,931	-	-	-
Baosteel Stainless	5,069	-	21,049	-
Guangzhou Automobile Baoshang	3,640	-	1,076	-
Beijing Qingke	3,041	-	818	-
Firsttech Inc.	1,528	-	1,980	-
Hangzhou Baowei	-	-	8,131	-
Others	2,320	-	3,137	-
Total	3,385,296	-	4,010,515	-

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

	Unit: Thousand yuan Currency: RMB			
	Amount for the current year		Amount for the prior year	
	Carrying balance	Provision	Carrying balance	Provision
Other receivables				
Wuhan Iron & Steel Group and its subsidiaries	1,115,251	-	978,750	-
Baowu Environmental Technology and its subsidiaries	394,585	-	-	-
Baowu Group	61,435	-	120,187	-
Meishan Steel and its subsidiaries	39,706	-	12,833	-
Pingmei Coking	11,550	-	-	-
Baosteel Development and its subsidiaries	9,392	-	9,389	-
BNA	5,294	-	1,169	-
Shaoguan Steel and its subsidiaries	4,309	-	1,425	-
Baohua Tendering	3,530	-	2,257	-
Hwabao Trust	3,504	-	3,021	-
Hangzhou Baowei	3,060	-	-	-
Beijing Huili	2,628	-	2,628	-
Xinjiang Bayi and its subsidiaries	2,457	-	2,176	-
Wuhan Baozhang	1,555	-	642	-
Ouyeel Cloud Commerce and its subsidiaries	1,430	-	933	-
Weld Company	1,287	-	1,028	-
Others	2,001	-	940	-
Total	1,662,974	-	1,137,378	-

	Unit: Thousand yuan Currency: RMB			
	Amount for the current year		Amount for the prior year	
	Carrying balance	Provision	Carrying balance	Provision
Loans and advances to customers				
Wuhan Iron & Steel Group	800,000	-	52,929	-
Baosteel Resource and its subsidiaries	433,835	-	290,503	-
Engineering & Technology Co. and its subsidiaries	201,156	-	199,582	-
Baosteel Metals and its subsidiaries	144,223	-	11,087	-
Ouyeel Cloud Commerce and its subsidiaries	87,113	-	158,957	-
Wuhan Baozhang	1,071	-	7,047	-
Weld Company	-	-	59,484	-
Total	1,667,398	-	779,589	-

	Unit: Thousand yuan Currency: RMB	
	Amount for the current year	Amount for the prior year
	Customer deposits and deposits from banks and other financial institutions	
Baowu Group	4,119,401	5,690,540
Wuhan Iron & Steel Group	1,600,212	-
Baowu Environmental Technology and its subsidiaries	696,970	-
BNA	636,836	425,229
Hwabao Trust	623,561	531,185
Ningbo Baoxin	200,000	-
Pingmei Coking	108,130	2,699
Baosteel Desheng	100,852	142,369

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

	Unit: Thousand yuan	Currency: RMB
Shaoguan Steel and its subsidiaries	100,690	257,893
Ouyeel Cloud Commerce and its subsidiaries	78,456	672,326
Engineering & Technology Co. and its subsidiaries	41,944	16,556
Baosteel Metals and its subsidiaries	33,599	5,870
Baosteel Development and its subsidiaries	19,534	122,547
Baosteel Resource and its subsidiaries	8,117	82,217
Xinjiang Bayi and its subsidiaries	2,833	324,674
Others	4,931	18,782
Total	8,376,066	8,292,887

	Unit: Thousand yuan Currency: RMB	
	Amount for the current year	Amount for the prior year
	Notes payable and accounts payable	
Wuhan Iron & Steel Group and its subsidiaries	5,526,503	3,322,233
Baosteel Resource and its subsidiaries	2,541,186	1,530,864
BNA	1,206,584	1,485,681
Engineering & Technology Co. and its subsidiaries	786,624	1,072,586
Meishan Steel and its subsidiaries	600,965	731,564
Baosteel Development and its subsidiaries	430,531	486,614
Baowu Environmental Technology and its subsidiaries	340,028	67,137
Ningbo Baoxin and its subsidiaries	302,730	256,039
Baosteel Special Material and its subsidiaries	235,570	372,999
Baosteel Desheng	218,091	1,408
Pingmei Coking	154,040	129,774
Ouyeel Cloud Commerce and its subsidiaries	81,037	165,809
Baowu Group	51,712	33,705
Wisco-Nippon Steel	31,845	-
Shaoguan Steel and its subsidiaries	27,166	22,660
Baosteel Stainless	22,164	253,088
Baojin Enterprise	9,721	11,521
Wuhan Baozhang	7,685	6,676
Baosteel Metals and its subsidiaries	6,315	14,382
Guangzhou JFE	5,077	67,517
Wuhan Baozhang	5,002	609
Weld Company	3,901	2,025
Xinjiang Bayi and its subsidiaries	3,687	15,280
Firsttech Inc.	1,251	1,525
Changshu Baosheng	715	1,343
Baosteel Resources (International)	-	2,074
Others	15,232	4,402
Total	12,615,362	10,059,515

	Unit: Thousand yuan Currency: RMB	
	Amount for the current year	Amount for the prior year
	Receipts in advance	
Ouyeel Cloud Commerce and its subsidiaries	280,281	235,104
Baosteel Metals and its subsidiaries	223,660	369,146
Wuhan Iron & Steel Group and its subsidiaries	98,140	141,936
Wisco-Nippon Steel	94,908	-

Notes To The Financial Statements – continued
FOR THE YEAR ENDED 31 DECEMBER 2018

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

Baowu Environmental Technology and its subsidiaries	82,769	113,317
Meishan Steel and its subsidiaries	81,510	23,697
Weld Company	48,779	14,342
BNA	42,844	9,102
Guangzhou JFE	23,006	76,007
Hangzhou Baowei	20,901	22,158
Engineering & Technology Co. and its subsidiaries	18,791	97,117
Shandong Baohua	17,631	12,530
Baosteel Special Material and its subsidiaries	14,846	7,281
Baosteel Development and its subsidiaries	14,742	15,814
Wuxi Baojing	12,832	26,769
Xinjiang Bayi and its subsidiaries	11,074	6,867
Shaoguan Steel and its subsidiaries	10,756	-
Changshu Baosheng	10,147	5,157
Baowu Group	7,573	4,500
Zhengzhou MIBao	6,436	46,223
Ningbo Baoxin and its subsidiaries	5,949	4,194
Wuxi Summit-Bao	3,613	3,613
Baosteel Desheng	2,122	14,784
Baosteel Resource and its subsidiaries	824	8,321
Pingmei Coking	56	200,000
Others	5,035	7,959
Total	1,139,225	1,465,938

Unit: Thousand yuan Currency: RMB

	Amount for the current year	Amount for the prior year
Other payables		
Baowu Group	47,761	9,406
Baowu Environmental Technology and its subsidiaries	29,765	122
Wuhan Iron & Steel Group and its subsidiaries	9,099	37,394
Ouyeel Cloud Commerce and its subsidiaries	6,205	16,582
Meishan Steel and its subsidiaries	2,588	1,951
Engineering & Technology Co. and its subsidiaries	2,436	1,920
Baosteel Resource and its subsidiaries	2,006	3,451
Hwabao Trust	1,050	1,636
Baosteel Metals and its subsidiaries	569	608
Baosteel Development and its subsidiaries	139	209
Baosteel Desheng	120	23
Xinjiang Bayi and its subsidiaries	114	816
Zhejiang Trading	-	30,000
Others	92	103
Total	101,944	104,221

Notes To The Financial Statements – continued
FOR THE YEAR ENDED 31 DECEMBER 2018

(XI) SHARE-BASED PAYMENTS

1. Share-based payments of the Company

Summary of share-based payments

The first phase of the A share restricted stock plan

On 20 May 2014, the Company held the first interim shareholders' meeting to discuss and approve the "Restricted A Share Scheme" and the "First Phase Granting Proposal of Restricted A Share Scheme" (hereinafter referred to as "Restricted Share Scheme") and a series of proposal. On 22 May 2014, the Company held the 15th meeting of the 5th Board of Directors to discuss and approve the "Proposal for Determining Participants and Grant Quantity of Restricted Share Scheme" and the "First Phase Granting Proposal of Restricted Share Scheme". According to the approved list of incentive objects and grant number, the Company granted the repurchased A shares from Shanghai Stock Exchange as the restricted shares to incentive objects via open bidding starting from 23 May 2014. In compliance with the Restricted Share Scheme, the restricted shares are forbidden to sell nor transfer during the following two-year lock-up period, and get unlocked in the following three years from the expiration of the lock-up period. The incentive objects can apply for unlocking and transferring the restricted shares in a uniform unlocking proportion (1/3 for each year) in any of the three years given unlocking conditions are satisfied. If unlocking conditions fail to be satisfied in any one of the three years, the Company shall repurchase such unlocked restricted shares at grant price.

On 11 June 2014, the Company repurchased 47,446,100 shares for the share incentive scheme at cost of RMB187,734,750.08. The repurchased shares are designated into treasury stocks.

According to the First Phase Granting Proposal, there are 136 incentive objects, and the grant price of each share is RMB1.91 and the quantity of share is 47,446,100. The incentive objects paid in total RMB90,622,051.00 for the acquisition of restricted shares. The Company recognized the repurchase obligation for restricted shares in liability and treated as acquisition of treasury stocks. As at 24 June 2014, 47,446,100 non-restricted circulating shares granted in the first phase had fully converted into restricted circulating shares, and all the corresponding transfers of ownership had completed.

The Company repurchased and cancelled 434,400 and 264,500 restricted shares which were unqualified to be unlocked from Zhang Yong and Zhang Xiaobo at cost of RMB1,334,899.00. The ownership of above-mentioned 698,900 shares has been fully transferred to the special repurchase account of the Company and been cancelled on 16 December 2014. Meanwhile, the Company decreased share capital and capital reserve of RMB698,900.00 and RMB635,999.00 respectively, and the registered capital after decrease was RMB1,334,899.00.

In 2015, the Company repurchased and cancelled restricted shares which were unqualified to be unlocked, namely 488,700 shares from Li Shiping, 434,400 shares from Fu Jianguo, 434,400 shares from Hu Yuliang, 380,100 shares from Jia Yiyun and other 3 persons, 264,500 shares from Pei Shibing, Sun Dale and Lu Junyong, as well as other 2 persons, 488,700 shares from Guo Bin and Hou Angui. The ownership of above-mentioned 3,508,500 shares has been fully transferred to the special repurchase account of the Company and been cancelled in 2015. Meanwhile, the Company decrease RMB3,508,500.00 of share capital and the registered capital reduced to RMB16,467,517,524.00.

In 2016, the Company repurchased and cancelled restricted shares which were unqualified to be unlocked, namely 325,800 shares from Jiang Laizhu, 264,500 shares from Huang Aijun, 1,592,800 shares from Zhao Zhouli and other 5 persons, 724,000 shares from Wei Chengwen, Zhu Jianchun and Wang Huaqiang. In addition, the Company cancelled 14,216,800 shares unqualified to be unlocked according to the "Proposal for Repurchase of First Restricted Shares Unqualified to be Unlocked" passed in the 7th meeting of the 6th Board of Directors on 28 April 2016. The ownership of above-mentioned 17,123,900 shares has been fully transferred to the special repurchase account of the Company and been cancelled in 2016. Meanwhile, the Company decrease RMB17,123,900.00 of share capital and the registered capital reduced to RMB16,450,393,624.

The Company held the 14th meeting of the 6th Board of Directors in 2016 to discuss and approve the "Proposal of Adjusting the Incentive Targets of the Restricted Stock Plan". The Company repurchased and cancelled the 253,400 restricted shares held by Zhu Hanming that have not reached the unlocking conditions at the issue price. The above-mentioned 253,400 restricted shares have all been transferred to the Company's repurchase-only securities account and were cancelled on 7 February 2017. The Company held the 20th meeting of the 6th Board of Directors and approved the "Proposal of Adjusting the Incentive Targets of the Restricted Stock Plan". The Company repurchased and cancelled the 1,373,250 restricted shares held by 12 incentive objects including Ye Meng, which have not reached the unlocking conditions at the grant price. The above-mentioned 1,373,250 restricted shares have all been transferred to the Company's repurchase-only securities account and were cancelled on 12 December 2017. Baosteel held the 18th meeting of the 6th Board of Directors on 23 May 2017 and approved the "Proposal of Unlocking in the 2nd Unlocking Period of Baosteel's Restricted Stock Plan". Baosteel agreed to transact relevant matters of 12,293,700 restricted stocks which can be unlocked for 114 incentive objects in the 2nd unlocking period.

The Company held the 24th meeting of the 6th Board of Directors on 8 December 2017 and approved the "Proposal of Adjusting the Incentive Targets of the Restricted Stock Plan". The Company repurchased and cancelled the 196,750 restricted shares held by Huang Jianguo and Chen Xiaodan that have not reached the unlocking conditions at the issue price. The above-mentioned 196,750 restricted shares have all been transferred to the Company's repurchase-only securities account and were cancelled on 12 March 2018.

Baosteel held the 1st meeting of the 7th Board of Directors on 8 June 2018 and approved the "Proposal of Unlocking in the 3rd Unlocking Phase of

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

(XI) SHARE-BASED PAYMENTS - continued

Baosteel's Restricted Stock Plan". Baosteel agreed to transact relevant matters of 11,360,700 restricted stocks which can be unlocked for 100 incentive objects in the 3rd unlocking period.

The 2nd phase of the A-shares restricted stock plan

The Company held the 25th meeting of the 6th Board of Directors on 22 December 2017, and approved the "Proposal of the Implementation of the Second Period of A-share Restricted Stock Plan" which determined that the restricted stocks would be granted on 22 December 2017. The independent directors of the Company issued a favourable independent opinion and the Board of Supervisors issued verification and favourable opinion on granting restricted stocks. Shanghai Fangda Law Firm issued the "Legal Opinions on the Relevant Matters Relevant to the Second A Share Restricted Stock Plan of Baoshan Iron & Steel Co., Ltd.". Deloitte Touche Tohmatsu Certified Public Accountants LLP (special general partnership) issued the "Capital Verification Report of Baoshan Iron & Steel Co., Ltd." on 25 December 2017 (De Shi Bao (Yan) (17) No. 00590). Up to 22 December 2017, the Company's designated account had accepted 1,067 equity incentive objects to subscribe 166,828,200 shares, amounting to RMB665,644,518.00, of which RMB166,828,200.00 was charged in share capital and RMB498,816,318.00 in capital reserve (share capital premium). The Company granted 166,828,200 restricted shares, which had been registered at China Securities Depository and Clearing Corporation Limited Shanghai Branch on 16 January 2018.

The Company held the 5th meeting of the 7th Board of Directors on 18 December 2018 to discuss and approve the "Proposal of the Implementation of the Second Period of A-share Restricted Stock Plan". The independent directors of the Company addressed independent opinion on the proposal.

The Company held the 5th meeting of the 7th Board of Directors on 18 December 2018 to approve the "Deliberation of the Proposal of the Implementation of the Second Period of A-share Restricted Stock Plan", and issued verification opinions on the proposal.

2. General situation

	Unit: share	
	2018	2017
Total number of the Company's equity instruments granted during the period	-	166,828,200
Total number of the Company's equity instruments exercised during the period	11,360,700	12,930,700
Total number of the Company's equity instruments lapsed during the period	196,750	1,626,650

	Unit: Thousand yuan Currency: RMB	
	2018	2017
Share-based payments for total service from employees	294,205,350.58	5,522,885.27
Included: First stock option incentive	1,713,808.93	5,522,885.27
Second stock option incentive	292,491,541.65	-

Equity-settled share-based payments:

	Unit: Thousand yuan Currency: RMB	
	2018	2017
Total capital reserve of equity-settled share-based payments	329,666,847.21	35,461,496.63
Included: First stock option incentive	37,175,305.56	35,461,496.63
Second stock option incentive	292,491,541.65	-

	Unit: Thousand yuan Currency: RMB	
	2018	2017
Total expense of equity-settled share-based payments	294,205,350.58	5,522,885.27
Included: First stock option incentive	1,713,808.93	5,522,885.27
Second stock option incentive	292,491,541.65	-

3. The method of determination of fair value of equity instruments at the grant date

The fair value of the Company's equity instruments is assessed in respect of market price of stock on the grant date and terms and conditions of grant options.

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

(XI) SHARE-BASED PAYMENTS - continued

4. Share-based payments of Baosight Software

Baosight Software (A-share listed company), one of the subsidiaries of the Company, held the 4th interim shareholders' meeting on 29 December 2017 to discuss and approve the first Restricted Share Scheme of Baosight Software. The incentive objects subscribed 7,770,000 shares on 12 January 2018. The grant price was RMB8.60 per share and share price was RMB18.54 on the grant date. The total expense of equity-settled share-based payment was RMB27,889,700.00 in 2018.

Baosight Software (A-share listed company), one of the subsidiaries of the Company repurchased 91,944 shares for the share incentive scheme in the current year.

(XII) COMMITMENTS

1. Significant commitments

	Unit: Thousand yuan Currency: RMB	
	Amount for the current year	Amount for the prior year
Contracted but not provided	10,528,346	10,723,938
Approved by the Board but not contracted	4,507,454	2,041,935
Total	15,035,800	12,765,873

2. Contingencies

At the balance sheet date, the Group had no contingencies that need to be disclosed.

(XIII) EVENTS AFTER THE BALANCE SHEET DATE

On 18 December 2018, the Company held the 5th meeting of the 7th Board of Directors and approved the "Proposal of the Implementation of the Reserved Grant for the Company's A-share restricted Stock Plan during the Second Period". As the conditions for granting reserved shares determined by the Company's A-share restricted stock plan during the second period have been fulfilled, the Company decided to set 18 December 2018 as the grant day, and granted 9,566,700 reserved restricted stocks to eligible 76 incentive objects with the grant price of RMB3.99 per share. As at 3 January 2019, the Company had received funds from all 76 equity incentive objects paying for the 9,566,700 shares in cash, totaling RMB38,173,991.00. Among them, RMB9,566,700.00 was included in the share capital, RMB28,604,433.00 was included in the capital reserve, and RMB2,858.00 which overpaid by an incentive objects was included in the other payables and had been returned to the incentive objects on 2 February 2019. The registered capital and paid-in capital were both RMB22,277,481,825.00 after this capital increase.

According to the relevant terms of the "A-share Restricted Stock Plan of Baoshan Iron and Steel Co., Ltd. during the Second Period" passed in the Company's second interim shareholders' meeting of 2017, and the "Proposal on Repurchasing and Cancelling the Restricted Stocks held by Partial Incentive Objects of the Company's Restricted Stock Plan during the Second Period" passed by the second interim shareholders' meeting of 2018, the Company repurchased and cancelled 1,347,750 restricted shares, which were unqualified to be unlocked from partial Incentive objects of the Company's restricted stock plan during the second period at a price of RMB3.99 per share. On 11 January 2019, the Company cancelled the above restricted shares. After the completion of the repurchase and cancellation, the Company will reduce the registered capital by RMB1,347,750.00, then the registered capital will be RMB22,276,134,075.00.

According to the proposal of the 8th meeting of the 7th Board of Directors held on April 24, 2019, the Company intends to distribute a dividend of RMB0.50 per share (including tax). Based on the total share capital of 22,267,915,125 shares at the end of 2018, the Company is expected to pay a dividend of RMB11,133,957,562.50 (including tax), representing 51.63% of the consolidated net profit attributable to the shareholders of the parent company. The actual dividend is subject to the calculation based on the registered share capital on the equity registration date confirmed in the dividend announcement. The above-mentioned dividend distribution scheme is yet to be examined and passed by the shareholders' meeting.

(XIV) OTHER SIGNIFICANT EVENTS

1. Key terms of annuity plan and major changes therein

In accordance with the "Reply to Baosteel Group's Application for Trial Enterprise Annuity Plan" (Guo Zi Fen Pei [2008] No. 1268) issued by the State-owned Asset Supervision and Administration Commission of the State Council (SASAC), and the "Announcement of Proportion in Enterprise Annuity Plan" formed by the Human Resource Department of Baosteel Group, the annuity plan has been implemented by the Company since 1 January 2008. The portion contributed by the Company is 4% of the base amount of the individual salary, while the portion by the individual is 1%-7% of the base amount (1% of primary portion and no more than 6% of additional portion). The above annuity has been managed by Baosteel Group's subsidiary, Huabao Trust Co., Ltd. since 2009.

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

(XIV) OTHER SIGNIFICANT EVENTS - continued

2. Segment reporting

Operating segments

According to the Group's internal organization structure, management requirement and internal report system, the business segment is divided into 3 operating segments based on their operating activities. Three reporting segments are determined based on these operating segments. The Group divided its reporting segments into steel and iron, processing and distribution and others. As day-to-day activities of the Finance Co. are financial in nature, the investment income of Finance Co. has been included in the segment business income.

The main products and services that each report segment provides are as follows:

Subsidiaries of each segment:

- (1) Iron and steel manufacturing: the Company, Meishan Steel, Lubao Tube, Huangshi Coating and Galvanizing, Baoma Tube, Poly Pipe, Zhanjiang Iron and Steel, Wuhan Iron and Steel Limited and other steel and iron producing units;
- (2) Processing and distribution: Baosteel International, Baosteel America, Baosteel Europe, Baosteel Singapore, Baohe, Bao-trans, Laser welding of tailored blanks, BGM, Wuhan Iron and Steel Limited and other trading subsidiaries;
- (3) Others: Baosight Software, Baosteel Chemical and Finance Co., Ltd.

For disclosure of the Group's operating data, the revenues are classified and disclosed by region where the customers are situated, and the assets are classified and disclosed in the region where the assets are situated.

2018

Unit: Thousand yuan Currency: RMB

	Iron and steel manufacturing	Processing and distribution	Others	Inter-segment eliminations	Total
Operating income					
External revenue	43,892,526	251,814,164	9,627,820	-	305,334,510
Inter-segment revenue	186,861,788	47,147,244	3,281,055	(237,290,087)	-
Total segment operating income	230,754,314	298,961,408	12,908,875	(237,290,087)	305,334,510
Operating expenses	207,483,751	295,365,328	11,340,552	(236,857,746)	277,331,885
Operating profit	23,270,563	3,596,080	1,568,323	(432,341)	28,002,625
Total segment assets	330,527,878	76,092,329	31,531,892	(105,908,915)	332,243,184
Total segment liabilities	137,668,652	40,499,026	18,301,476	(110,515,303)	85,953,851
Supplementary information:					
Depreciation and amortization	17,546,362	1,157,849	474,636	-	19,178,847
Impairment loss recognized in the current year	702,785	2,607	200,759	(674,760)	231,391
Capital expenditures	13,814,394	525,689	1,520,819	-	15,860,902

2017

Unit: Thousand yuan Currency: RMB

	Iron and steel manufacturing	Processing and distribution	Others	Inter-segment eliminations	Total
Operating income					
External revenue	44,353,946	235,625,720	9,675,232	-	289,654,898
Inter-segment revenue	172,976,924	35,684,971	8,295,956	(216,957,851)	-
Total segment operating income	217,330,870	271,310,691	17,971,188	(216,957,851)	289,654,898
Operating expenses	196,603,382	267,557,207	16,527,403	(217,205,754)	263,482,238
Operating profit	20,727,488	3,753,484	1,443,785	247,903	26,172,660
Total segment assets	354,960,363	98,231,503	34,239,574	(139,610,791)	347,820,649
Total segment liabilities	140,865,170	51,231,451	22,061,449	(129,794,155)	84,363,915

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

(XIV) OTHER SIGNIFICANT EVENTS - continued

Supplementary information:

Depreciation and amortization	16,546,890	1,157,379	648,858	-	18,353,127
Impairment loss recognized in the current year	304,799	54,162	336,586	429,744	1,125,291
Capital expenditures	10,161,287	974,935	639,551	-	11,775,773

Other information

External revenue by geographical area of source:

Unit: Thousand yuan Currency: RMB

	Amount for the current year	Amount for the prior year
External revenue from domestic customers	274,058,540	260,444,518
External revenue from foreign customers	31,275,970	29,210,380
Sub-total	305,334,510	289,654,898

Non-current assets by geographical location:

Unit: Thousand yuan Currency: RMB

	Closing balance	Opening balance
Non-current assets located in domestic country	206,520,986	208,765,926
Non-current assets located in foreign countries	5,633,630	5,762,113
Sub-total	212,154,616	214,528,039

External revenue includes:

Unit: Thousand yuan Currency: RMB

	Amount for the current year	Amount for the prior year
Investment income of Finance Co.	129,643	157,106

The items excluding segment profit, segment assets and segment liabilities are set out as follows:

The segment profit does not include:

Unit: Thousand yuan Currency: RMB

	Amount for the current year	Amount for the prior year
Financial expenses	4,366,071	3,370,419
Impairment losses of assets	231,391	1,125,291
Losses from changes in fair values	(189,689)	184,145
Investment income (excluding investment income of Finance Co., Ltd.)	(3,993,255)	(2,885,165)
Other income	(595,202)	(546,200)
Total	(180,684)	1,248,490

Segment assets do not include:

Unit: Thousand yuan Currency: RMB

	Closing balance	Opening balance
Deferred tax assets	2,897,420	2,413,983

Segment liabilities do not include:

Unit: Thousand yuan Currency: RMB

	Closing balance	Opening balance
Short-term borrowings	38,324,058	60,282,447
Non-current liabilities due within one year	5,162,332	20,407,281
Other current liabilities	6,076,755	52,915
Long-term borrowings	5,610,231	413,368

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

(XIV) OTHER SIGNIFICANT EVENTS - continued

Long-term payables	927,505	974,277
Bonds payable	3,000,000	8,553,246
Deferred tax liabilities	840,783	714,779
Total	59,941,664	91,398,313

3. Leases

As lessee

At the balance sheet date, the Group had the following commitments in respect of non-cancellable operating leases:

Unit: Thousand yuan Currency: RMB

	2018	2017
Within 1 year, inclusive	322,399	297,137
1 to 2 years, inclusive	184,188	290,473
2 to 3 years, inclusive	126,821	152,945
Over 3 years	304,605	346,163
Total	938,013	1,086,718

4. Comparative data

As mentioned in Note III. 33, to meet the requirements of the "Notice on Revising and Issuing Format of 2018 Annual Financial Statements for General Business Enterprises" (Cai Kuai [2018] No.15), the Group has retrospectively adjusted the comparative amounts correspondingly.

(XV) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENT

1. Notes receivable and accounts receivable

Unit: Yuan Currency: RMB

	Closing balance	Opening balance
Notes receivable	20,513,571,758.90	19,504,576,992.77
Accounts receivable	17,056,459,620.05	10,835,531,758.06
Total	37,570,031,378.95	30,340,108,750.83

Unit: Yuan Currency: RMB

	Closing balance	Opening balance
Bank acceptance	11,905,724,411.33	11,421,232,145.52
Commercial acceptance	8,607,847,347.57	8,083,344,847.25
Total	20,513,571,758.90	19,504,576,992.77

As at 31 December 2018, the Group had no pledged notes receivable.

On 31 December 2018, the Company had bank acceptance bills with a carrying amount of RMB8,211,066,763.17 and no commercial acceptance bills which have already endorsed but not yet expired, the Company had bank acceptance bills with a carrying amount of RMB198,572,249.00 and no commercial acceptance bills which have already discounted but not yet expired. The Company considers that the main risks and remuneration associated with these notes receivable have been transferred, and therefore derecognized these endorsed undue notes receivable.

Accounts receivable

The aging analysis of accounts receivable is as follows:

Unit: Yuan Currency: RMB

	Closing balance	Opening balance
Within 1 year	15,770,768,764.56	10,773,012,600.85
More than 1 year but not exceeding 2 years	1,284,274,678.17	60,607,132.42
More than 2 years but not exceeding 3 years	1,015,070.44	2,270,885.48
More than 3 years	33,008,284.36	34,468,813.74

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

(XV) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS - continued

Subtotal	17,089,066,797.53	10,870,359,432.49
	32,607,177.48	34,827,674.43
Less: Provision for bad debt in respect of accounts receivable		
Total	17,056,459,620.05	10,835,531,758.06

Changes in provision for bad debts of accounts receivable are presented as follows:

Unit: Yuan Currency: RMB

	Closing balance	Provision for the year	Reversed for the year	Closing balance
2018	34,827,674.43	506,142.82	(2,726,639.77)	32,607,177.48
2017	37,140,033.54	2,730,909.70	(5,043,268.81)	34,827,674.43

Unit: Yuan Currency: RMB

	Closing balance				Opening Balance (Restated)			
	Carrying amount		Bad debt provision		Carrying amount		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivable that are individually significant and for which bad debt provision has been assessed individually	13,708,158,245.19	80	-	-	6,742,179,270.76	62	-	-
Accounts receivables with provision accrued collectively on a portfolio basis	3,358,257,656.76	20	9,956,281.90	-	4,105,559,028.49	38	12,206,541.19	-
Accounts receivable that are not individually significant but for which bad debt provision has been assessed individually	22,650,895.58	-	22,650,895.58	100	22,621,133.24	-	22,621,133.24	100
Total	17,089,066,797.53	100	32,607,177.48		10,870,359,432.49	100	34,827,674.43	

Accounts receivable, no matter individually or not individually significant, for which the provision for bad debt is recognized separately are presented as follows:

2018

Unit: Yuan Currency: RMB

	Carrying amount	Bad debt provision	Proportion of provision	Reasons for provision
Individually significant	13,708,158,245.19	-	-	Note 1
Not individually significant but for which bad debt provision has been assessed individually	22,650,895.58	22,650,895.58	100	Note 2
Total	13,730,809,140.77	22,650,895.58		

2017

Unit: Yuan Currency: RMB

	Carrying amount	Bad debt provision	Proportion of provision	Reasons for provision
Individually significant	6,742,179,270.76	-	-	Note 1
Not individually significant but for which bad debt provision has been assessed individually	22,621,133.24	22,621,133.24	100	Note 2
Total	6,764,800,404.00	22,621,133.24		

Note 1: There are no significant obstacle to recollect the accounts receivable within one year and those with significant balance are all due from related parties. Hence no provision is recognized pursuant to the bad debt provision policies of the Company.

Note 2: Bad debt provision is fully made for accounts receivable not from related parties due to long aging and a low chance of recollection.

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

(XV) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS - continued

The aging analysis of bad debt provision in portfolio basis

Unit: Yuan Currency: RMB

	Closing balance			Opening Balance		
	Carrying amount		Bad debt provision amount	Carrying amount		Bad debt provision amount
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year	3,327,916,285.21	-	9,950,692.24	4,036,771,528.21	-	12,175,296.68
More than 1 year but not exceeding 2 years	20,750,597.46	1	-	59,731,304.35	-	13,387.09
More than 2 year but not exceeding 3 years	1,015,070.44	-	5,589.66	1,572,420.59	1	17,857.42
More than 3 years	8,575,703.65	-	-	7,483,775.34	-	-
Total	3,358,257,656.76	-	9,956,281.90	4,105,559,028.49	-	12,206,541.19

As at 31 December 2018, the balance of the accounts receivable from the five largest customers was RMB13,708,158,245.19 (As at 31 December 2017: RMB6,742,179,270.76), which accounted for 80% of the total accounts receivable (As at 31 December 2017: 62%). No provision is recognized.

Accounts receivable written off in the reporting period was nil.

As at 31 December 2018, the Group had no pledged notes receivable.

As at 31 December 2018, no other receivables would need to be derecognized due to transfer of financial assets.

2. Other receivables

Unit: Yuan Currency: RMB

	Closing balance	Opening balance
Interest receivable	82,540,335.24	82,540,335.24
Other receivables	579,684,831.05	369,778,096.91
Total	662,225,166.29	452,318,432.15

Interest receivable

Unit: Yuan Currency: RMB

	Closing balance	Opening balance
Transfer of assets to subsidiaries	82,540,335.24	82,540,335.24

Other receivables

Aging analysis of other receivables is as follows:

Unit: Yuan Currency: RMB

	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	409,163,035.92	-	210,020,005.75	-
More than 1 year but not exceeding 2 years	14,732,955.29	12	42,713,740.58	25
More than 2 years but not exceeding 3 years	42,196,271.30	60	189,383.27	9
More than 3 years	122,506,354.09	-	124,494,643.93	-
Subtotal	588,598,616.60	5	377,417,773.53	4
	8,913,785.55	-	7,639,676.62	-
Less: Provision for bad debt in respect of other receivables				
Total	579,684,831.05		369,778,096.91	

Changes in provision for bad debts in respect of other receivables are as follows:

Unit: Yuan Currency: RMB

	Closing balance	Provision for the year	Reversed for the year	Closing balance
2018	7,639,676.62	1,276,283.55	(2,174.62)	8,913,785.55
2017	8,632,318.43	-	(992,641.81)	7,639,676.62

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

(XV) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS - continued

Unit: Yuan Currency: RMB

Category	Closing balance				Opening Balance			
	Carrying amount		Bad debt provision		Carrying amount		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Other receivables that are individually significant and for which bad debt provision has been assessed individually	518,067,974.48	88	-	-	315,492,374.83	84	-	-
Other receivables with provision accrued collectively on a portfolio basis	65,124,928.13	11	3,508,071.56	5	56,434,206.88	15	2,148,484.80	4
Other receivables that are not individually significant but for which bad debt provision has been assessed individually	5,405,713.99	1	5,405,713.99	100	5,491,191.82	1	5,491,191.82	100
Total	588,598,616.60	100	8,913,785.55		377,417,773.53	100	7,639,676.62	

Other receivables that are individually significant or not individually significant but for which bad debt provision has been assessed individually:

2018

Unit: Yuan Currency: RMB

	Amount	Bad debt provision	Proportion of provision	Reasons
Individually significant	518,067,974.48	-	-	Note 1
Not individually significant but for which bad debt provision has been assessed individually	5,405,713.99	5,405,713.99	100	Note 2
Total	523,473,688.47	5,405,713.99		

2017

Unit: Yuan Currency: RMB

	Amount	Bad debt provision	Proportion of provision	Reasons
Individually significant	315,492,374.83	-	-	Note 1
Not individually significant but for which bad debt provision has been assessed individually	5,491,191.82	5,491,191.82	100	Note 2
Total	320,983,566.65	5,491,191.82		

Note 1: Other receivables with significant balances mainly consist of deposit margins, asset disposal payments, tax refund for export. The risk of recovery is very low.

Note 2: The possibility of collecting the above-mentioned other receivables with long aging is very low. Therefore, the Company made full bad debt provision for the above other receivables.

The aging analysis of bad debt provision on portfolio basis:

Unit: Yuan Currency: RMB

	Closing balance			Opening Balance (Restated)		
	Carrying amount		Bad debt provision amount	Carrying amount		Bad debt provision amount
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year	42,902,729.75	-	226,349.21	46,335,299.23	3	1,399,145.60
More than 1 year but not exceeding 2 years	14,732,955.29	12	1,818,176.50	2,956,712.37	25	732,496.92
More than 2 year but not exceeding 3 years	2,439,243.09	60	1,463,545.85	189,383.27	9	16,842.28
More than 3 years	50,000.00	-	-	6,952,812.01	-	-
Total	65,124,928.13	5	3,508,071.56	56,434,206.88	4	2,148,484.80

Notes To The Financial Statements – continued
FOR THE YEAR ENDED 31 DECEMBER 2018

(XV) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS - continued

Other receivables are classified by nature as follows:

	Unit: Yuan Currency: RMB	
	Closing balance	Opening balance
Deposit	366,260,306.17	16,037,082.98
Asset Disposal Payments	152,745,426.75	157,424,097.72
Tax refund for export	-	88,855,754.37
Others	69,592,883.68	115,100,838.46
Subtotal	588,598,616.60	377,417,773.53
	8,913,785.55	7,639,676.62
Less: Provision for bad debt in respect of other receivables		
Total	579,684,831.05	369,778,096.91

As at 31 December 2018, other receivables from the five largest customers amounted to RMB518,067,974.48 (As at 31 December 2017: RMB315,492,374.83), accounting for 88% of the total other receivables (As at 31 December 2017: 84%). No bad debt provision is recognized.

At the end of the reporting period, no other receivables are related to government grants, no other receivables would need to be derecognized due to transfer of financial assets, and no assets or liabilities have been formed due to the transfer of other receivables and the related continuous involvement.

There was no write-off for other receivables during the current year.

3. Long-term equity investments

	Unit: Yuan Currency: RMB	
	Closing balance	Opening balance
Investment in subsidiaries	73,581,128,237.48	71,251,192,327.05
Investment in joint ventures/ associates	8,469,191,833.58	7,457,377,924.11
Subtotal	82,050,320,071.06	78,708,570,251.16
Less: Provision for impairment in respect of long-term equity investments	-	-
Total	82,050,320,071.06	78,708,570,251.16

As at 31 December 2018, details of long-term equity investments under equity method are as follows:

	Opening balance	Changes for the current year			Adjustment of other comprehensive income	Changes for the current year			Closing balance	Closing impairment provision
		Increase	Decrease	Investment profit or loss under equity method		Other equity movement	Declared cash dividends	Others		
Investments in joint ventures										
BNA	1,958,806,392.36	-	-	244,523,779.28	-	(4,370,997.51)	-	-	2,198,959,174.13	-
Bao-Island Enterprise	596,092,196.30	-	-	26,876,291.20	30,013,518.50	-	-	-	652,982,006.00	-
Subtotal	2,554,898,588.66	-	-	271,400,070.48	30,013,518.50	(4,370,997.51)	-	-	2,851,941,180.13	-
Investments in associates										
Shanghai Rural Commercial Bank Co., Ltd.	4,491,500,000.00	-	-	748,075,396.44	-	103,182,719.04	(128,000,000.00)	-	5,214,758,115.48	-
Ouyeel Cloud Commerce	113,108,820.70	-	-	(6,362,471.33)	(574,166.59)	43,804.37	-	-	106,215,987.15	-
Ouyeel Finance	297,870,514.75	-	-	5,443,479.38	(5,656,677.75)	-	(1,380,765.56)	-	296,276,550.82	-
Subtotal	4,902,479,335.45	-	-	747,156,404.49	(6,230,844.34)	103,226,523.41	(129,380,765.56)	-	5,617,250,653.45	-
Total	7,457,377,924.11	-	-	1,018,556,474.97	23,782,674.16	98,855,525.90	(129,380,765.56)	-	8,469,191,833.58	-

Notes To The Financial Statements – continued
FOR THE YEAR ENDED 31 DECEMBER 2018

(XV) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS - continued

As at 31 December 2018, details of long-term equity investments under cost method are as follows:

	Opening balance	Movement in the current year		Closing balance	Closing balance Provision for impairment
		Additional investment	Other increases		
Lubao Tubes	2,872,484,905.16	-	-	2,872,484,905.16	-
Huangshi Coating & Galvanizing	175,658,477.39	-	-	175,658,477.39	-
Baosteel International	6,013,886,552.67	-	-	6,013,886,552.67	-
Meishan Steel	8,938,982,988.14	-	-	8,938,982,988.14	-
Baosight Software	1,291,314,360.40	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 (Note 1)	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	-
Tailored blanks (Note 2)	-	-	2,101,475,910.43	2,101,475,910.43	-
Baoma Tube	36,673,650.00	-	-	36,673,650.00	-
Baosteel Brazil Trading (Note 3)	728,647.73	-	-	728,647.73	-
Baosteel Asset	1,000,000,000.00	-	-	1,000,000,000.00	-
Wuhan Iron and Steel Limited	28,634,854,230.72	-	-	28,634,854,230.72	-
Total	71,251,192,327.05	228,460,000.00	2,101,475,910.43	73,581,128,237.48	-

Note 1: The Company's subsidiary, Shanghai Baosteel Chemical Co., Ltd., changed its Chinese name from "Bao gang hua gong" to "Bao wu tan cai" this year.

Note 2: According to the "Share Transfer Agreement of WISCO International Tailored Blanks GMBH" signed by the Company and its subsidiary company, WISCO International Economic and Trading Co., Ltd., the Company completed the assignment of 100% equity under the Agreement of WISCO Tailored Blanks Co., Ltd. The transfer price was RMB2,273,403,900.00, and the difference between the book cost of long-term equity investment and the transfer price was RMB171,927,989.57 which wrote down the capital reserve.

Note 3: The Company directly holds 26.96% of the equity of Baosteel Brazil Trading, and indirectly holds 73.04% of its equity through Baosteel America. Therefore, the Company treats Baosteel Brazil Trading as a subsidiary company and recognizes it as a long-term equity investment according to the cost method.

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

(XV) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS - continued

4. Operating income and operating costs

Unit: Yuan Currency: RMB

	Amount recognized in the current year		Amount recognized in the prior year	
	Income	Cost	Income	Cost
Principal businesses	130,511,653,661.02	113,378,696,329.41	124,854,056,284.13	107,240,173,326.02
Other businesses	850,783,473.42	827,903,349.91	733,388,669.34	758,562,179.60
Total	131,362,437,134.44	114,206,599,679.32	125,587,444,953.47	107,998,735,505.62

5. Investment income

Unit: Yuan Currency: RMB

	Amount recognized in the current year	Amount recognized in the prior year
Income from long-term equity investments under cost method	3,362,176,634.30	763,103,664.43
Income from long-term equity investments under equity method	1,018,556,474.97	215,577,662.48
Loss on disposal of derivative financial instruments and others	-	(2,785,812,639.31)
Investment income from the available-for-sale financial assets during the holding period	928,039,130.22	471,633,612.43
Gain on remaining equity remeasured based on the fair value after the loss of control over the investee	-	(34,631,392.72)
Loss on disposal of derivative financial instruments and others (Note)	282,763,987.68	(34,306,344.40)
Investment income from other wealth management products	603,134,857.39	661,223,378.18
Investment income from bonds	311,990,304.52	-
Total	6,506,661,389.08	(743,212,058.91)

Note: This item mainly consists of investment profits or losses from forward exchange transactions.

6. Bank facilities

As at 31 December 2018, the unutilized bank facilities of the Company amounted to RMB62,511 billion (2017: RMB 58,213 billion). The management believes that in view of the above-mentioned facilities and the net cash flow from operating activities, the Company would have sufficient funds to pay off all current liabilities due in the coming year.

7. Supplementary information to the cash flow statement

Unit: Yuan Currency: RMB

	Amount recognized in the current year	Amount recognized in the prior year
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	14,270,692,982.51	9,401,183,384.64
Add: Provision for impairment losses of assets	64,057,763.14	(205,005,524.69)
Depreciation of fixed assets and investment properties	6,317,724,167.42	6,179,405,024.97
Amortization of intangible assets	82,167,983.64	82,167,983.64
Amortization of long-term prepaid expenses	7,546,566.60	15,986,094.60
Losses/ (gains) on disposal of fixed assets	103,520,873.03	635,251,596.20
Losses/ (gains) on changes in fair values	(395,300,719.56)	397,314,522.65
Financial expenses/ (gains)	1,637,064,764.84	(410,039,699.26)
Losses/ (gains) arising from investments	(6,506,661,389.08)	743,212,058.91

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2018

(XV) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS - continued

Increase/ (decrease) in deferred tax assets	1,387,103.23	(515,509,565.41)
Decrease/ (increase) in deferred tax liabilities	23,432,086.14	(12,354,259.32)
Decrease/ (increase) in inventories	(2,431,199,748.04)	3,250,075,267.88
Decrease/ (increase) in receivables from operating activities	(7,729,990,647.68)	289,090,077.02
Increase/ (decrease) in payables from operating activities	(11,251,112,682.14)	8,533,900,749.80
Net cash flow from operating activities	(5,806,670,895.95)	28,384,677,711.63
2. Net changes in cash and cash equivalents:		
Closing balance of cash and cash equivalents	9,408,059,019.15	11,927,358,284.13
Less: Opening balance of cash and cash equivalents	11,927,358,284.13	3,761,841,278.83
Net increase in cash and cash equivalents	(2,519,299,264.98)	8,165,517,005.30

Note: This item mainly consists of investment profits or losses from forward exchange transactions.

Notes To The Financial Statements – continued
FOR THE YEAR ENDED 31 DECEMBER 2018

(XVI) SUPPLEMENTARY INFORMATION

1. Breakdown of non-recurring profit or loss

Unit: Yuan Currency: RMB

	2018
Profit/ (loss) on disposal of non-current assets	(350,477,021.98)
Gain on long-term equity investment disposal	124,277,838.48
Government grants charged in profit or loss for the current period, except for those closely related to the ordinary operation and gained constantly at a fixed amount or quantity according to certain standard based on state policies	618,838,525.41
Profit and loss on the changes in fair value generated from financial assets and financial liabilities held for trading and investment income received from disposal of financial assets held for trading, financial liabilities held for trading and available-for-sale financial assets, other than effective hedging business relating to ordinary operating business of the Company	1,040,916,262.28
Profit and loss from entrusted assets	1,417,375.00
Other non-operating income and expenses other than the aforesaid items	(16,773,616.45)
Other profit and loss items that meet the definition of non-recurring profit or loss (provision for impairment of other non-current assets)	(132,346,872.37)
Tax effects	(328,025,986.23)
Effect on minority interests (after tax)	(27,012,110.04)
Total	930,814,394.10

Note: As financial instrument investments are included in the main business scope of Finance Co., Ltd. and Ouyee, the investment income of relevant wealth management products is excluded from non-recurring profit or loss.

The Group recognized extraordinary profit and loss items in accordance with the provisions in Explanatory Announcement on Information Disclosure for Companies Offering their Securities to the Public No. 1 – Extraordinary Items (CSRC Announcement [2008] No.43).

2. Return on net assets and earnings per share ("EPS")

The returns on net assets and EPS have been prepared by Baoshan Iron & Steel Co., Ltd. in accordance with Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No. 9 - Calculation and Disclosure of Return on Net Assets and Earnings Per Share (Revised in 2010) issued by China Securities Regulatory Commission.

2018

Profit for the reporting period	Weighted average yield rate on net assets (%)	Earnings per share ("EPS")	
		Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders of the Company	12.71	0.97	0.97
Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	12.16	0.93	0.93

2017

Profit for the reporting period	Weighted average yield rate on net assets (%)	Earnings per share ("EPS")	
		Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders of the Company	12.24	0.86	0.86
Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	12.00	0.81	0.81

There were no potential dilutive ordinary shares for the years ended 31 December 2018 and 31 December 2017.

Section XII Catalog of Documents Available for Inspection

Catalog of documents available for inspection	Accounting statement with signature and seal of legal representative, principal of competent accounting work and accounting institution principal.
Catalog of documents available for inspection	Original of audit report with signature and seal of the accounting firm and certified public accountant.
Catalog of documents available for inspection	Originals of all documents and announcements of the Company publicly disclosed on the newspapers designated by the CSRC within the report period.

Chairman: Zou Jixin
Approval and submission date of the Board of Directors: Apr. 24, 2019

Revision information

Applicable Not applicable

