

2019 · ANNUAL REPORT

BAOSHAN IRON & STEEL CO., LTD.

Baosteel's Annual Report 2019

in One Chart

1. Fulfillment of Overall Business Objectives for 2019

- The best business performance in domestic industry
- EBITDA per ton of steel ranked among top three worldwide steel enterprises above designated size
- RMB 5.43 billion** in cost reduction
Annual Objective: RMB 2.28 billion
- Over **50%** market share of cold-rolled automobile sheets
- The labor efficiency of regular employees increased by **11%**
Annual Objective: 8%
- A new round of plans and major projects achieved node goals

2. Decline in Company Business Due to Tough Business Environment

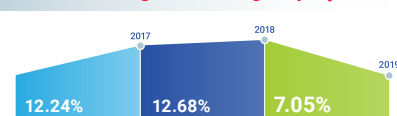
Net Profit Attributable to The Parent Company



EBITDA



Return on Weighted Average Equity



Operating Cash Flow Per Share (excluding Finance Co.,)



Basic EPS



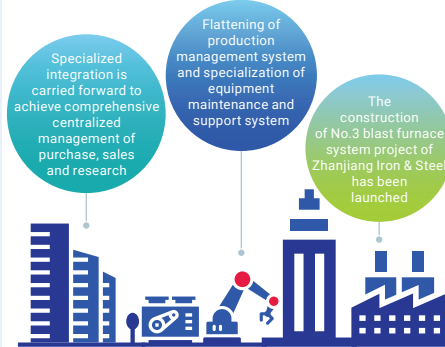
Dividend Per Share



Note 1: The subsidiary of the Company acquired the subsidiary of WISCO Group in July 2019, and restated the year-end balance of the 2018 financial statements in accordance with the provisions of enterprise merger under the same control.

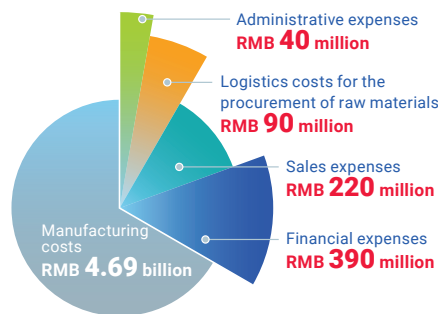
Note 2: The 2019 dividend distribution plan remains to be deliberated and approved by the Company's annual general meeting.

3. Management Mode of One Company and Multiple Bases



4. Cost Reform

RMB 5.43 billion in cost reduction compared with 2018 effectively hedges adverse business environment



5. Leading Technology

Eight products, including "oriented silicon steel with ultra-low iron loss B18R060" and non-oriented silicon steel B27AHV1300M for electric vehicle motors", have realized **first worldwide launching**;

Five achievements, including the Key Technology for Design & Manufacturing of Complex Hydroformed Pipe Fittings for Automobiles & the Industrial Application, **won the first prize of metallurgical science & technology progress award**;

Under the severe decline for automobile market, the Company's cold-rolled automobile sheet continues to maintain the market share of more than **50%**;

The Company has realized **100%** domestic market share of oriented silicon steel for DC EHV.

6. Service First



7. Smart Manufacturing

- 112 smart equipment transformation projects** were launched throughout the year;
- A group of smart manufacturing projects represented by "One-key steelmaking" and "Unmanned lift-platform carrier vehicle" made breakthroughs;
- Baoshan Base became the third steel manufacturing base in the world and the first one in China to be selected for "lighthouse factories" of World Economic Forum.

8. Urban Steel Mill

- Awarded The highest social recognition in the environmental protection field in China
China Environment Award
- Fully realized online monitoring and early warning of pollution sources, and the green area of the plant was increased by **150,000** square meters.
- Completed the transformation of sintering denitrification & coke oven desulfurization and denitrification, & the ultra-low emission of the entire process of exhaust gas discharge outlet reached **81%**.
- Took the lead in achieving zero wastewater discharge in the entire plant in the industry & won the honorary title of "Green Factory" by the Ministry of Industry and Information Technology in 2019.
- Completed 108 key projects of "exhaust gas control, waste water control and solid waste control", and the main environmental indicators were improved significantly.

9. External Awards

- Standard & Poor's, Moody's and Fitch**: International rating agencies Standard & Poor's, Moody's and Fitch respectively gave long-term enterprise credit rating of A-, A3 and A to us and we continued to maintain the highest credit rating for global comprehensive steel enterprises.
- Medal for Excellence in Corporate Governance of "Round Table" for 15 consecutive years.**
- Fortune, Aon Hewitt**: Top 50 Best Boards of Directors in China 2019.
- Most Admired Company in the "Asia-Pacific Company Management Team" 2019.**
- Sina Finance**: Outstanding Sustainable Development Company of China ESG "Golden Award" 2019.
- The first session of "The Best Listed Company of New Fortune".**
- CAIJING**: 2019 Evergreen Award - Sustainable Development & Green Award

Business Objectives for 2020

- The best business performance in domestic industry
- EBITDA per ton of steel to challenge top three worldwide
- RMB 1.08 billion in cost reduction
- Over 50% market share of cold-rolled automotive sheets
- Annual steel output per capita in the main steel business to reach 1200 tons
- Capital turnover efficiency to achieve the industry average level
- Major projects to achieve node goals

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) All directors of the Company attended the Board Meeting to review this Report.

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

(IV) Zou Jixin, Chairman of the Company, Wang Juan, CFO in charge of the accounting affairs, and Ran Ruiwen, Head of Accounting Department, attest to the truth, the accuracy and the integrity of the financial statements in this Report.

(V) Proposed Profit Appropriation Plan and Capitalizing of Reverses Plan during 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 0.28 (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 0.28 per share (including tax), total cash dividend to be distributed was RMB 6,236,848,905.00 (including tax), accounting for 50.20% of the net profit in the consolidated statements attributable to the shareholders of the parent company based on 22,274,460,375 shares in total at the end of 2019. The actual dividend is calculated based on the share capital registered on the holder-of-record date confirmed in the dividend payout announcement, and is distributed at RMB 0.28 (including tax) per share.

(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

Affected by the global pandemic of COVID-19, great downside risks have shown for global economy and the demand of steel is also affected to some extent. The situation of oversupply in the industry will be more serious and is difficult to fundamentally improve in a short term. Price differentiation for purchase and sale will further reduce the profit space of the industry so that the performance of steel enterprises is facing downward pressure. Manufacturing bases of the Company are mainly in first-tier cities of China where environmental protection policies and regulations are increasingly constrained. Therefore, it is necessary to make various plans for co-existence with the city in advance so as to effectively eliminate the difficulties of production organization and the risk of increasing environmental protection cost.

(X) Others

☒ Applicable ☐ Not applicable

In July 2019, Shanghai Baosight Software Co., Ltd. (hereinafter referred to as “Baosight Software”), a holding subsidiary of the Company, purchased 100% stakes of Wuhan Iron and Steel Engineering Technology Group Co., Ltd. (renamed “Baosight Software (Wuhan) Co., Ltd.” after the acquisition, hereinafter referred to as “Baosight Wuhan”) held by Wuhan Iron and Steel (Group) Corporation (hereinafter referred to as “WISCO Group”) in a RMB 292 million deal. Both parties are controlled by Baowu Group before and after the merger and the control is not temporary, and therefore, such merger is an enterprise merger under the same control. According to the provisions of the Accounting Standards for Business Enterprises, the consolidated income statement, consolidated cash flow statement, and consolidated statement of changes in owner's equity of the Company all contain the information of Baosight Wuhan's income statement, cash flow statement, and statement of changes in owner's equity from the beginning of the year to the merger date. The Company has restated the balance at the end of previous year in the consolidated balance sheet, the consolidated income statement during the comparative period, the consolidated cash flow statement and the consolidated statement of changes in owner's equity. Unless otherwise specified, the relevant data at the end of 2018 and in 2018 of this Report are restated data.

The Company implements the new financial instruments standards from January 1, 2019. For details of the impact of the implementation of new financial instruments standards on the amount at the beginning of the year in 2019 financial statements, see Note III.36. According to the disclosure requirements of the Shanghai Stock Exchange, the financial data at the end of 2018 involved in the Company's annual report are not covered by the new financial instruments standards.

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Section I Definitions

I. Definitions

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

commonly-used words definition

CSRC	Refers to	China Securities Regulatory Commission
SSE	Refers to	Shanghai Stock Exchange
CISA	Refers to	China Iron and Steel Association
China BAOWU, BAOWU Group, Group Company	Refers to	China BAOWU Steel Group Co., Ltd., formerly Baosteel Group Co., Ltd. (or "Baosteel Group")
Carbon steel	Refers to	An alloy of iron and carbon. Generally speaking, its carbon content between 0.04% and 2%, while most of it less than 1.4%. Steel with no other alloy elements but iron, carbon, silicon, manganese, sulphur and phosphorus as well as silicon content no more than 0.4%, manganese no more than 0.8%.
Oriented silicon steel	Refers to	Silicon steel with certain rules and directions in crystal arrangement. Silicon content usually about 3%, low iron loss and high magnetic induction, with nominal thickness of 0.20mm, 0.23mm, 0.27mm, 0.30mm, 0.35mm etc. Used in various transformers and others aspects for electric power industry.
Four major manufacturing bases	Refers to	Baoshan Base, Qingshan Base, 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	Baoshan Iron & Steel Co., Ltd.
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, Tao Yun
Address	Board of Directors' Office of Baoshan Iron & Steel Co., Ltd., Baosteel Administration Center, 885 Fujin Rd. Baoshan District, Shanghai	Board of Directors' 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	201999
Office Address	Baosteel Administration Center, 885 Fujin Road, Baoshan District, Shanghai
Zip Code of Office Address	201999
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	http://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	2019	2018		Increase or decrease (%) over the same period of last year	2017
		After restatement	Before restatement		
Operating revenues	291,594	305,081	304,779	-4.42	289,093
Net profit attributable to shareholders of listed company	12,423	21,449	21,565	-42.08	19,170
Net profit attributable to shareholders of the listed company less non-recurring gains and losses	11,060	20,634	20,634	-46.40	17,986
Net cash flows from operating activities	29,504	45,568	45,606	-35.25	33,077
	The end of 2019	The end of 2018		Increase or decrease (%) over the same period at the end of last year	The end of 2017
		After restatement	Before restatement		
Net assets attributable to shareholders of listed company	178,053	176,906	176,763	0.65	164,433
Total assets	339,633	335,850	335,141	1.13	350,235

(II) Major financial indicators

Major financial indicators	2019	2018		Increase or decrease (%) over the same period of last year	2017
		After restatement	Before restatement		
Basic earnings per share (Yuan/share)	0.56	0.96	0.97	-41.67	0.86
Diluted earnings per share (Yuan/share)	0.56	0.96	0.97	-41.67	0.86
Basic earnings per share less non-recurring gains and losses (Yuan/share)	0.50	0.93	0.93	-46.24	0.81
Weighted average return-on-equity (%)	7.05	12.68	12.71	Down by 5.63 pts	12.24
Weighted average return-on-equity less non-recurring gains and losses (%)	6.27	12.16	12.16	Down by 5.89 pts	12.00

The Company's major accounting data and financial indicators for the last three years at the end of the reporting period

☐ Applicable ☒ Not applicable

Section II Company Profile and Financial Highlights

VIII. Differences in Accounting Data under Domestic and Foreign Accounting Standards

- (I) The differences between the net profit and the net assets attributable to the shareholders of the listed company in financial reports disclosed in accordance with international accounting standards and Chinese accounting standards

☐ Applicable ☒ Not applicable

- (II) The differences between the net profit and the net assets attributable to the shareholders of the listed company in financial reports disclosed in accordance with foreign accounting standards and Chinese accounting standards

☐ Applicable ☒ Not applicable

- (III) Differences between domestic and foreign accounting standards

☐ Applicable ☒ Not applicable

IX. Major Financial Data of Each Quarter 2019

Unit: Million Yuan Currency: RMB

	First quarter (Jan.-March)	Second quarter (April-June)	Third quarter (July-Sept.)	Forth quarter (Oct.-Dec.)
Operating revenues	65,378	75,498	76,000	74,718
Net profit attributable to shareholders of listed company	2,726	3,461	2,687	3,549
Net profit attributable to shareholders of the listed company less non-recurring gains and losses	2,783	3,464	2,467	2,346
Net cash flows from operating activities	1,355	8,082	10,157	9,910

Differences between quarterly data and disclosed periodic report data

☐ Applicable ☒ Not applicable

X. Non-recurring gains and losses

☒ Applicable ☐ Not applicable

Unit: Million Yuan Currency: RMB

Non-recurring gains and losses items	Amount in 2019	2018 (After restatement)	2018 (Before restatement)	Amount in 2017
Gains and losses arising from disposal of non-current assets	-212	-350	-350	-846
Income from disposal of long-term equity investment	184	124	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	607	619	619	547
Net gain and loss in current period of subsidiaries generated from enterprise merger under the same control from the beginning of the period to the consolidation date	-12	-231		60

Gains and losses from the 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	1,041	1,560
Gains and losses from the change of fair value for holding trading financial assets and liabilities, derivative financial assets and liabilities, investment income by the disposal of trading financial assets and liabilities, derivative financial assets and liabilities, and other debt investments, except effective hedging operations related to the Company normal operation business	1,301			/
Trustee fee obtained from entrusted operation	2	1	1	
Other net non-operating income and expenditure other than the above items	-53	-17	-17	-43
Other gains and losses items in lines with the definition of non-recurring gains and losses	-49	-132	-132	-9
Effect of minority interest	-32	91	-27	-3
Effect of income tax	-373	-331	-328	-82
Total	1,363	815	931	1,184

XI. Projects Using Fair Value Measurement

√ Applicable ☐ Not applicable

Unit: Million Yuan Currency: RMB

Items	Beginning balance	Closing balance	Change during the reporting period	Amount affecting balance during the reporting period
Trading financial assets	2,034	832	-1,202	31
Derivative financial assets	60	49	-12	-4
Receivables financing	28,757	28,112	-645	-
Other current assets	4,633	20,247	15,613	681
Other debt investment	94	-	-94	4
Other equity instrument investments	581	679	98	13
Other non-current financial assets	11,899	11,763	-136	1,968
Derivative financial liabilities	1	12	11	-15
total	48,059	61,694	13,633	2,678

Section III Summary of the Company's Business

I. Main Business, Business Model and Industry Situation of the Company during the Reporting Period

(I) The Company's main business, main products and uses, business model and main performance driving factors during the reporting period

Baosteel is a world's leading 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. 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 meeting and exceeding user expectations with excellent products and services, repaying shareholders with good performance and stable return, 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. We benchmark against the leaders in industry, strengthen the management mode of multiple manufacturing bases, further strengthen the "cost reform, leading technology, service first, smart manufacturing and urban steel mill", constantly innovate and deepen the Company's competitive advantage.

The Company has always been adhering to the development path of "Innovation, Coordination, Green Production, Openness and Sharing", has globally well-known brand, world-class technological level and service capability. The Company's main steel business is specialized in production of high-technological-content and high-additional-value carbon steel sheets, heavy plates, steel tubes and other quality iron and steel products, its main products have been widely applied to the industries of automobile, home appliances, petrochemical, machinery manufacturing, energy, transportation, etc. The Company focuses on core strategic product groups, and 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 long steel 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. The Company's self-developed new-generation automotive high-strength steel, electrical steel, high-grade home appliance steel, oil and gas pipes, steel for bridge, hot rolled heavy rail and other high-end products are among the world's front-runners. We continue to implement the quality product development strategy characterized by leading technologies and pay attention to the high-speed growth of China's high-end manufacturing industries, such as military industry, 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, research and reserve more high-end new material technologies, concentrating on "conversion from steel to materials", and continue to pursue the economic benefits brought by high-end product structure. At the 23rd National Invention Exhibition, Baosteel won 19 gold awards, 17 silver awards and 38 bronze awards.

As the most trusted value creation partner of the customer, Baosteel, focusing on being "from manufacturing to services" and "from China to global", has been actively providing customers with first-class products, technologies and services in a global marketing network through early service involvement, perfect client demand-driven mechanism, production and sales balance decision support system, Baosteel Huichuang platform, quickly-responded perfect marketing service system, and rapid strategic layout of the steel service platform, etc. 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.

In terms of production technology and technology research and development, 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.

We will vigorously promote smart manufacturing. In 2019, the manufacturing bases of the Company focused on "less-manned, unmanned and centralized control", started 112 smart equipment transformation projects, reduced 83 operation rooms, and enabled 1,084 people to break away from heavy physical labor, forming a group of smart manufacturing achievements such as "one-key steelmaking" and "control and dispatch technology of unmanned heavy-duty liftplatform carrier vehicles".

Adhering to the concept of environmental management, Baosteel increases investment in energy conservation and environmental protection, ecological environment and sustainable development, promotes "three governance and four transformations" (extra-low emission of waste gas, zero discharge of wastewater, and no release of solid waste from the factory; cleaning, greening, beautification and cultural construction), and accelerates the construction of green urban steel mills. The main environmental indicators have been continuously improved, there are no major environmental risk events throughout the year, and the four bases are harmoniously integrated into the city.

We will continue to promote Baowu integration work, strengthen the cooperation of cross-departmental collaborative projects and promote business integration after the coverage of information systems. We will continue to deepen reform, 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. 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 multiple manufacturing base management mode with characteristics of Baosteel under centralized management. We will strive to realize the vision of “being the most competitive steel enterprise in the world and the most valuable listed company in investment”.

(II) Development stage, cyclical characteristics of the industry and industrial status of the Company during the reporting period

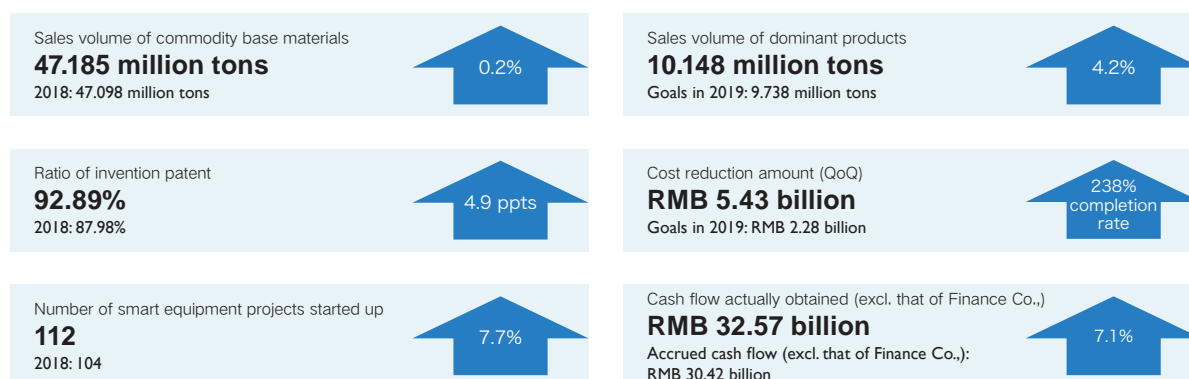
In 2019, China upheld the underlying principle of pursuing progress while ensuring stability, maintaining a sound and sustainable economic and social development. Its GDP reached RMB 99.1 trillion, up 6.1% year-on-year. The national economy was generally stable. The industrial added value of the national enterprises above designated size increased by 5.7% over the previous year, and was kept within a proper range. The trend of change during the year had made a turnaround.

In 2019, the market demand for China's steel industry was better, and the steel consumption grew more than expected, but the “stiffened long product price and weaker flat product price” were clearly divided. At the same time, iron ore prices risen sharply, Platts Index of 62% iron ore price increased by an average of 34% year-on-year, domestic steel prices were sluggish, and the China Iron and Steel Association CSPI declined by 6% year-on-year.

After three years of “addressing the overcapacity” in the domestic steel industry, the policy dividends brought by supply-side structural reform have gradually diminished. The high supply pressure in the steel industry has showed up, the market prices have declined, the soar of iron ore price has eaten into corporate profits and the profitability of the steel industry have dropped significantly.

The Company benchmarks against the first-class iron and steel enterprises in the world, accelerates the implementation of full-process and full-system management reforms and process reengineering, comprehensively deepens the construction of multi-manufacturing base management mode, gives full play to Baowu's synergistic benefits, and strengthens the cost-end potential tapping and purchase-sales end collaboration, to complete core operating indicators. The total profit for the whole year maintains a leading position in domestic counterparts.

(II) Highlights of the Company



- Business performance kept the best in domestic industry. The Company overcome the complex situation such as the downturn in the automotive market, the sharp rise of ore price and the increased difficulty in the resources coordination between multiple bases, and achieved total profits of RMB 14.99 billion in 2019.
- Cost reduction has yielded remarkable results. Innovative cost-cutting methods and measures have solidly promoted a new round of cost reform. In 2019, the cost was reduced by RMB 5.43 billion from the previous year, effectively supporting the Company's business performance.
- Quality iron and steel products continue to be developed. Eight products represented by oriented silicon steel with ultra-low iron loss B18R060 have realized first worldwide launching; five achievements represented by “Key Technology for Design and Manufacturing of Complex Hydroformed Pipe Fittings for Automobiles and the Industrial Application” won the first prize of metallurgical scientific and technological progress; twenty iconic technologies such as hot-rolled heat-treated high-strength steel full-process flatness control technology have achieved breakthroughs.

Section III Summary of the Company's Business

- Industrial layout has been optimized. The construction of No.3 Blast Furnace System Project of Zhanjiang Iron & Steel has been launched and the feasibility study of the Yancheng "Future Factory" project has been organized.
- Smart manufacturing has been pushed to a new level. 112 smart equipment transformation projects were launched throughout the year, and a group of smart manufacturing projects represented by "One-key steelmaking" and "Unmanned liftplatform carrier vehicle" made breakthroughs. Baoshan Base become the third steel manufacturing enterprise in the world and the first one in China to be selected for the new batch of lighthouse factories of World Economic Forum.
- Enterprise change is accelerated. The Company focuses on efficiency and benefit improvement, vigorously promotes professional integration to achieve comprehensive centralized management of purchase, sales and research within the year, and completes the optimization design of the Company's multi-base performance traction mechanism. It increases institutional integration, builds a flat production management system and professional equipment maintenance support system, and accelerates the transformation to achieve the goals.
- An ecological and harmonious demonstration urban steel mill has been built. It won China Environmental Award, the top social award in China's environmental protection field. Baoshan Base has fully realized online monitoring and early warning of pollution sources, and the green area of the plant is increased by 150,000 square meters. Dongshan Base is the first one in the industry to achieve zero discharge of wastewater in the entire plant.
- Remarkable achievements have been achieved in the capital market. Baosteel was selected for the first session of "the Best Listed Company of New Fortune"; won the Best Social (S) Responsibility Award of China ESG "Golden Award" 2019 and was rated as the outstanding sustainable development company of the year. The Company won the Medal for Excellence in Corporate Governance of "Round Table" for 15 consecutive years, the highest honor of the 15th "Round Table" Forum of the Board of Directors of China's Listed Companies.
- We obtained the highest credit rating in the industry. With solid financial performance and business performance, international rating agencies Standard & Poor's, Moody's and Fitch respectively gave long-term credit rating of A-, A3 and A to us and we continued to maintain the highest credit rating for global comprehensive steel enterprises.

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

☒ Applicable ☐ Not applicable

1. Changes in equity assets

(1) According to the resolution adopted on the 8th meeting of the 7th board of directors of Baosteel, the Company's wholly owned subsidiary Wuhan Iron and Steel Company Limited (hereinafter referred to as "WISCO Limited") and its wholly owned subsidiary International Economic and Trading Corporation, WISCO (hereinafter referred to as "IETC") reduced the capital invested in Wuhan Iron & Steel Group Finance Corporation Limited (hereinafter referred to as "WISCO Finance"). According to the capital reduction plan, WISCO Limited and IETC totally reduced capital contribution to WISCO Finance by RMB 521 million. WISCO Finance made the payment based on its assessed value of net assets that has been recorded. In June, WISCO Limited and IETC received the total price from capital reduction by RMB 823 million. After that, the registered capital of WISCO Finance is RMB 1.2 billion. WISCO Group and WISCO Limited hold 50.5% and 49.5% of its shares respectively and IETC no longer hold equity of WISCO Finance.

(2) Ouyeel Co., Ltd. (hereinafter referred to as "Ouyeel"), a joint venture company of Baosteel, completed the second round of increase in capital and share by means of public listing. 841 million shares were issued at a price of 2.4 yuan/share, raised funds of RMB 2.02 billion. The Company and Shanghai Baosteel International Economic & Trading Co., Ltd. (hereinafter referred to as "Baosteel International"), a wholly-owned subsidiary of the Company, subscribed 45.83 million shares with an amount of RMB 110 million. After the increase in capital and share, the share capital of Ouyeel was increased from 3.333 billion of shares to 4.175 billion of shares. The Company and Baosteel International jointly held 1.27 billion shares at a shareholding ratio of 30.42%.

(3) Baosteel's holding subsidiary Shanghai Baosight Software Co., Ltd. (hereinafter referred to as "Baosight Software") acquired 100% equity of WISCO Engineering & Technology Group Co., Ltd. (renamed "Baosight Software (Wuhan) Co., Ltd." after the acquisition) originally held by Wuhan Iron and Steel (Group) Corporation (hereinafter referred to as "WISCO Group") at the price of RMB 292 million. After that, the software information and the business configuration of Baosight Software has been improved to achieve better industry competitiveness.

(4) According to the 6th meeting of the 7th board of directors of Baosteel, Baosight Software, as a holding subsidiary of Baosteel, invested together with WISCO Group, Shanghai Baodi Real Estate Asset Management Co., Ltd., and Wuhan Qingshan District State-owned Capital Investment and Operation Holding Group Co., Ltd. to establish Wuhan WISCO Big Data Industrial Park Co., Ltd. of which Baosight Software holds 20% of the shares. The registered capital of the Company is RMB 2 billion. The parties contributed in cash according to the proportion of equity. In the first stage, a total of RMB 300 million were contributed in total where Baosight Software contributed by RMB 60 million.

(5) The Company's wholly-owned subsidiary Baowu Carbon Material Technology Co., Ltd. (hereinafter referred to as "Baowu Carbon") and Inner

Mongolia Yellow River Energy Technology Group Co., Ltd. (hereinafter referred to as "Yellow River Group") jointly increased capital for Baowu Carbon's holding subsidiary Wuhai Baohua Wanchen Coal Chemical Co., Ltd. (hereinafter referred to as "Baohua Wanchen") by RMB 200 million to construct the needle coke project with annual capacity of 50,000 tons. Capital increase this time is not based on shareholding proportions. Baowu Carbon increased capital by RMB 180 million and Yellow River Group increased capital by RMB 20 million. The equity ratio is determined based on the assessed value of Baohua Wanchen's net assets on records. After the capital increase, the registered capital of Baohua Wanchen was increased from RMB 200 million to RMB 395 million, and the shareholding ratio of Baowu Carbon increased from 51% to 70.25%.

(6) Baowu Carbon cooperated with JFE Chemical Corporation and Xinghe Tianhe Carbonization Co., LTD. to jointly establish Wuhai Baojie New Energy Materials Co., LTD. to construct and operate the graphite anode material project of 10,000 tons/year. This joint venture's registered capital is RMB 260 million. Baowu Carbon contributed RMB 130 million with shareholding ratio of 51%.

(7) The Company further strengthened business integration and optimized equity structure. In 2019, Baosteel International optimized its stainless steel and logistics business, transferred equity of Ningbo Baosteel Stainless Steel Processing Co., Ltd., Foshan Baosteel Stainless Steel Trading Co., LTD., and Shanghai Baotong Transportation Co., LTD., and recovered the investment of RMB 280 million.

(8) The Company has been promoting the disposal of inefficient and ineffective assets and has further strengthened the reduction of legal persons and the disposal of equity participation companies. In 2019, through equity transfer, capital reduction, liquidation and de-registration, consolidation by merger, etc., the Company reduced five legal persons, including Baosteel Karamay Steel Pipe Co., Ltd., and Chongqing Baojing Steel Processing and Delivery Co., Ltd., and withdrew from 4 equity participation companies, including Henan Longyu Energy Co., Ltd. and Guangzhou Nansha Gangbao Wharf Co., LTD. A total of RMB 1.11 billion was recovered.

2. Changes in fixed assets and construction in progress

Fixed assets decreased by RMB 3.29 billion compared with that at the beginning of year, including the transfer of construction in progress to fixed assets of RMB 15.15 billion and provisioned depreciation of RMB 18.47 billion.

3. Situation of overseas assets

As of the end of 2019, the Company had overseas assets of 183.3 (unit: RMB 100 million Currency: RMB), accounting for 5.4% of the total assets.

(1) Development of overseas 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 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. On February 27, 2017, the Company absorbed and merged Wuhan Iron & Steel Co., Ltd. in a stock-for-stock deal, and its overseas subsidiaries were included into the Company. As of the end of 2019, 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.

(2) Operation condition of overseas assets

The overseas trade subsidiaries mainly include Howa, Baosteel Europe, Baosteel America, Baosteel Singapore companies directly held by Baosteel and the subsidiaries of WISCO Limited, including Wugang Trading, Wugang Australia and WISCO India; the overseas shipping service subsidiaries include Bao-Trans and WISCO Shipping Company Limited; the overseas steel manufacturing and processing service 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 assets

As of the end of 2019, the assets of the Company's overseas subsidiaries totaled RMB 18.33 billion and net assets reached RMB 7.66 billion. In 2019, overseas subsidiaries totally have achieved a net profit of RMB 960 million and a return on equity of 12.6%.

III. Analysis of Core Competitiveness during the Reporting Period

☒ Applicable ☐ Not applicable

In 2019, the Company continued to strengthen integration, synergies were further revealed and the Company's core competitiveness was significantly enhanced. The Company's leading position in domestic carbon steel plate market has been further strengthened. The Company's core competitiveness is mainly reflected in technological innovation, manufacturing capacity, cost control, customer service, brand building, sustainable development capacity and others.

Section III Summary of the Company's Business

1. Technological innovation

Technological innovation is leading the quality steel development. In 2019, the Company made great progress in new products and major technology research and development. The R&D investment rate was 3.0%, and the proportion of invention patent applications was 92.89%. Eight products, including "oriented silicon steel with ultra-low iron loss B18R060" and "non-oriented silicon steel B27AHV1300M for electric vehicle motors", have realized first worldwide launching. Breakthrough has been achieved in 20 iconic technologies, such as "plate-shape control technology for the whole process of hot-rolled heat-treated high-strength steel". The Company has actively joined the national science and technology innovation system and undertaken national assigned research and development projects, such as the R&D of Xiapu fourth-generation sodium cooled fast reactor steel plate and the applied technology. It has also established the European R&D center platform to promote in-depth technical cooperation and exchanges with top European research institutions so as to maintain leading technology of the Company.

2. Manufacturing capacity

The Company has focused on variety development and quality improvement, strengthened unified system management, unified product standards of multi-base enterprises, promoted multi-base manufacturing with the same quality and strengthened mutual supply and coordination among the four bases. In this way, conflicts of bottleneck processes of the base has been alleviated, the contract delivery capacity has been further improved and the manufacturing capacity has also be enhanced.

Leading market share has been maintained for key products. Under the severe situation of sharp market demand declination for automobile sheets, the Company's cold-rolled automobile sheet continues to maintain the market share of more than 50%. The sales volume of hot-dip aluminum-silicon alloy coated products increased by 6.3 times than that of last year so as to achieve rapid market occupation. The Company has realized 100% domestic market share of oriented silicon steel for DC EHV and Qingshan Base achieved zero breakthrough for DC EHV goods supply.

Remarkable results have been achieved for smart manufacturing. The Company applied technologies such as big data, IoT and AI to continuously upgrade equipment, optimize production process, innovate business process, and continuously improve the intelligence level. In 2019, the Company has made a number of breakthrough achievements.

3. Cost control

The new sound of cost reduction (2019-2021) was carried out. Reform measures were refined centering on manufacturing efficiency improvement, logistics cost and R&D cost optimization, the elimination of inefficient and invalid assets and others. Through benchmarking analysis and in-depth potential exploration of various processes, the Company has built collaborative manufacturing capacity with high efficiency, high quality and low cost so as to ensure the realization of the Company's objectives of cost reduction.

The cost was reduced by RMB 5.43 billion in total in 2019, thus effectively supporting the Company's business performance.

4. Customer service

Adhering to the "customer-centric and market-oriented" enterprise operating mechanism, the Company improved product competitiveness through product structure optimization, product certification, integration of production, marketing and research, EVI promotion, green product promotion and others. The Company continued to promote the construction of service network and capacity layout and enhanced the international operation capacity. 141 marketing service outlets were set up in the world and the Company's business spread in 26 provinces, municipalities directly under the central government, autonomous regions and main overseas consumer markets. For the international development, the Company has established 4 overseas regional headquarters, three overseas steel processing service centers and 16 laser tailored blanks factories.

5. Brand building

Baosteel established the slogan of "Creation Beyond Vision". Centering on the brand connotation of "Innovation, Coordination, Green Production, 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 participated in the 18th International Automobile and Manufacturing Technology Exhibition, produced the theme promotional video "Baosteel's smart manufacturing drives the steel in the future" to demonstrate the strong power of the Company for technological innovation and smart manufacturing, and to create and spread the corporate image of "Innovation drives and leads the future". The theme film "Strong gene- a tribute to the 70th anniversary of the founding of the People's Republic of China" was produced to demonstrate the original aspiration of Baosteel to serve the country with steel and to demonstrate the corporate image as the "steel backbone of P.R.C."

On the 5th China Brand Economy (Shanghai) Forum, Baosteel ranked the 28th in the list of Top 100 Chinese enterprises with brand innovation value, with a brand innovation value of RMB 9.19 billion, up 10 places from the previous year. It was the only steel enterprise on the list. Besides, the Company also ranked the 9th in the list of Top 100 of Chinese manufacturers with brand innovation value, and the 3rd in the list of Top 50 Shanghai enterprises with brand innovation value.

6. Sustainable development capacity

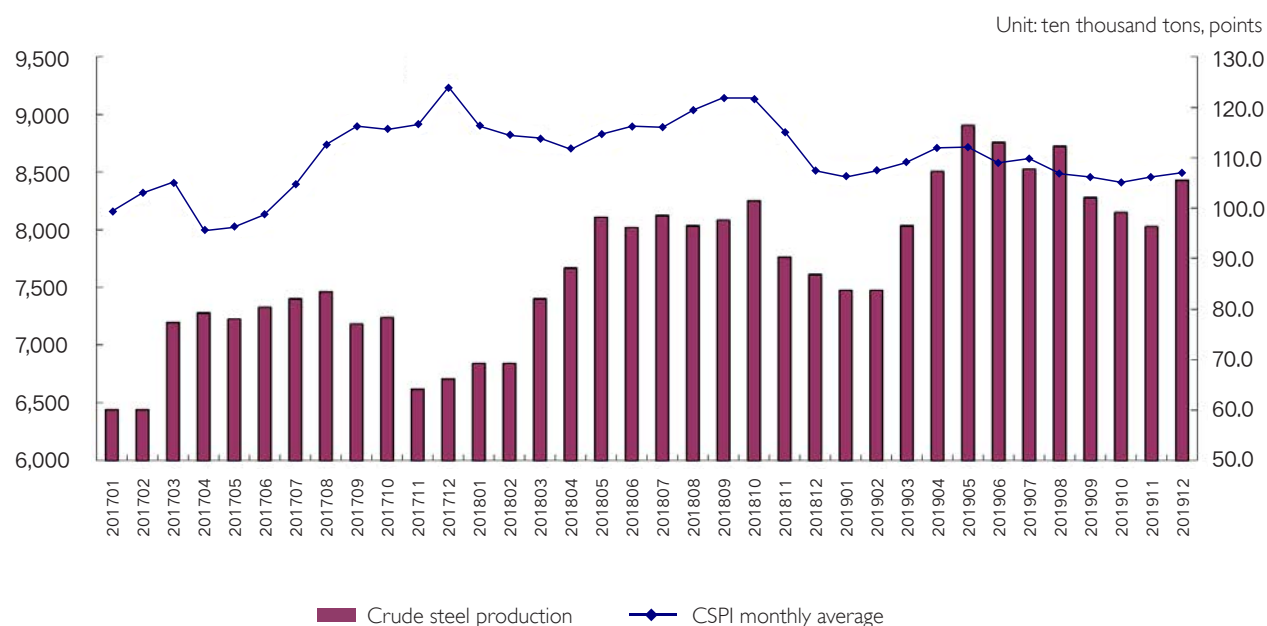
The Company adheres to green development and further increases the investment in energy conservation and environmental protection. Focusing on the "three governance and four transformations" (extra-low emission of waste gas, zero discharge of wastewater, and no release of solid waste from the factory; cleaning, greening, beautification and cultural construction), the Company accelerates the construction of green urban steel mills. The main environmental indicators have been continuously improved, and our four bases are harmoniously integrated into the city to lead green manufacturing of the steel industry. We vigorously promoted the protection of the Yangtze River, carried out the campaign to remove waste from the Yangtze River and carried out the comprehensive transformation of ultra-low emission. A number of projects have been completed and put into operation.

Section IV Discussion and Analysis about Operation

I. Discussion and Analysis about Operation

In 2019, China's economy achieved progress while maintaining stability and was kept within a reasonable range. GDP reached 6.1% and achieved the projected target of 6%-6.5%. The total value of imports and exports of goods trade was RMB 31.54 trillion, up 3.4% year-on-year. The industrial added value of enterprises above designated size nationwide grew by 5.7% year on year, of which the manufacturing industry increased by 6.0%.

Thanks to the stable operation of downstream industries such as infrastructure construction and real estate, the market demand was relatively good in 2019 for the steel industry. The annual crude steel output was 996 million tons, up 8.3% year on year. The high supply pressure in the steel industry had showed up. Downstream industries varied largely for development. Among them, the infrastructure, real estate and home appliance industries kept growing, the machinery industry developed steadily, the automobile industry still suffered a downturn, and the container industry fell into a downturn. Affected by the Brazilian mine disaster, the Australian hurricane and market expectations, the annual average price of 62% Iron Ore Platts was USD 93.40, up 34% from last year. In the same period, the average domestic steel index CSPI dropped by 6% compared with last year. The profit margin of steel enterprises was heavily squeezed so that the profit level of the industry decreased significantly over the last year. The Company's purchase and sale price difference also decreased significantly compared with last year. According to statistics of CISA (China Iron and Steel Industry Association), 89 domestic large and medium-sized steel enterprises made the profit of RMB 188.99 billion in 2019, down 30.9% year-on-year.



Source: wind information

In 2019, Baosteel was confronted with the severe challenges of the internal and external operating environment. In the face of the sharp rise in imported iron ore price, the decline in the domestic plate market, the imbalance of demand structures in the downstream industry and other great pressures, the Company increased the cost reduction efforts based on the optimization and improvement of the management mode of its multiple bases, and fully achieved the core business objectives of 2019 and the expected business performance by finding out gaps through the benchmark against the leaders in the industry, accelerating the Company's internal reforms and improving quality and efficiency, etc. We sold 47,185,000 tons of commodity base materials and achieved operating revenue of RMB 292.06 billion with the total profit of RMB 14.99 billion in 2019.

II. Main Operation during the Reporting Period

Main operation during the reporting period is as follows:

(I) Analysis of principal business

1. Analysis table of changes in relevant items of income statement and cash flow statement

Unit: Million Yuan Currency: RMB

Item	Amount during the reporting period	Amount over the same period last year	Change ratio (%)
Operating revenue	291,594	305,081	-4.4
Operating cost	259,871	259,423	0.2
Sales expenses	3,381	3,502	-3.4
Administrative expenses	5,582	5,991	-6.8
R&D expenses	8,864	7,054	25.7
Financial expenses	2,460	4,375	-43.8
Net cash flow from operating activities	29,504	45,568	-35.3
Net cash flow from investing activities	-22,229	-4,126	438.8
Net cash flow from financing activities	-11,485	-45,197	-74.6

2. Analysis of cost and revenue

√ Applicable ☐ Not applicable

The main operation is as follows:

(1) Principal business by industries, products and regions

Unit: Million Yuan Currency: RMB

Principal business by industries						
Industry	Operating revenue	Operating costs	Gross margin (%)	YoY change in revenue (%)	YoY change in costs (%)	YoY change in gross margin
Steel manufacturing	224,319	200,746	10.5	-2.8	3.6	Down by 5.5 ppt.
Processing and distribution	287,123	282,047	1.8	-4.0	-3.5	Down by 0.5 ppt.
Others	16,370	13,270	18.9	23.9	27.8	Down by 2.5 ppt.
Offset between segments	-235,722	-236,007				
Total	292,090	260,055	11.0	-4.4	0.3	Down by 4.1 ppt.

Principal business by products						
Products	Operating revenue	Operating costs	Gross margin (%)	YoY change in revenue (%)	YoY change in costs (%)	YoY change in gross margin (%)
Cold-rolled carbon steel sheets and coils	86,351	77,120	10.7	-9.2	-3.1	Down by 5.6 ppt.
Hot-rolled carbon steel sheets and coils	75,354	67,639	10.2	-4.6	6.0	Down by 9.0 ppt.
Steel tubes and pipes	14,112	12,430	11.9	0.04	0.9	Down by 0.8 ppt.
Long material products	8,224	6,599	19.8	4.2	1.9	Up by 1.9 ppt.
Other steel products	17,432	14,883	14.6	1.7	10.0	Down by 6.4 ppt.
Total	201,473	178,670	11.3	-5.5	1.7	Down by 6.3 ppt.

Section IV Discussion and Analysis about Operation

Principal business by regions						
Regions	Operating revenue	Operating costs	Gross margin (%)	YoY change in revenue (%)	YoY change in costs (%)	YoY change in gross margin (%)
Domestic market	259,398	228,746	11.8	-5.5	-0.6	Down by 4.3 ppt.
Overseas market	32,692	31,309	4.2	4.5	6.4	Down by 1.7 ppt.

Principal business by industries, products and regions

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, and the others part includes information technology, carbon material and finance, and other businesses.

Affected by the factors such as gradual decline in policy dividends brought about by supply-side reform, increased supply pressure in the steel industry, diversified demand from downstream industries, the decline of steel price and the soar of iron ore price, in 2019, the gross margin rates of main products in the Company decreased compared with that of previous year.

(2) Production output and sales analysis table

√ Applicable ☐ Not applicable

Major items	Unit	Production output	Sales	Inventory	YoY change in production output (%)	YoY change in sales (%)	YoY change in inventory (%)
Cold-rolled carbon steel sheets and coils	Ten thousand tons	1,776	1,781	145	-3.7	-3.8	-8.3
Hot-rolled carbon steel sheets and coils	Ten thousand tons	2,082	2,107	48	2.7	2.6	1.9
Steel tubes & pipes	Ten thousand tons	218	219	18	-2.4	-1.0	-5.4
Long products	Ten thousand tons	198	197	8	9.6	9.9	73.9
Other steel products	Ten thousand tons	414	414	18	3.6	2.8	28.2
Total	Ten thousand tons	4,687	4,719	236	0.3	0.2	-2.6

Note: The sales in 2019 included the 1.965 million tons of carbon steel products sold to BNA, but excluding the sales of 2.276 million tons of cold-rolled carbon steel sheets and coils of BNA.

Information of production output and sales

The Company exported 3.621 million tons of steel products in 2019, with export channel sales set out as follows:

Region	2019	2018
East Asia and Australia	23.81%	19.60%
Europe and Africa	20.96%	18.25%
America	9.69%	11.59%
Southeast Asia and South Asia	45.54%	50.54%
Total	100.00%	100.00%

In 2019, the Company stabilized and gradually improved the overseas market scale of the three major strategic products, including automobile sheets, grain-oriented silicon steel and tin plates, planned to establish stable overseas customer groups of various varieties, and maintained stable supply by means of long-term agreements with annual price or half-a-year price applied. The Company further expanded cooperation with well-known multinational enterprises and promoted centralized procurement, and also improved sales, service and product development capabilities by working with industry leaders.

In 2019, Baosteel won SOY award for outstanding global suppliers of GM for the sixth time and was awarded as the only outstanding steel supplier of GM South Korea. At the same time, the Americas Technical Service Center has been put into operation and can be used for the design of Ford's global platform models.

(3) Cost analysis table

Unit: Million Yuan Currency: RMB

By Industries							Notes
Industry	Cost structure	Amount in this period	Ratio in total cost (%)	Amount in the same period last year	Ratio in total cost in the same period last year (%)	Change of amount in this period compared with the same period last year (%)	
Iron & steel manufacturing	Fuel and raw materials	144,224	73.1	130,702	70.7	10.3	
	Others	53,135	26.9	54,079	29.3	-1.7	
	Total	197,359	100	184,781	100	6.8	

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

(4) Major customers and major suppliers

√ Applicable ☐ Not applicable

The sales amount to the top five customers was RMB 34.03 billion, accounting for 11.7% of the annual operating revenue; in which the sales amount to affiliated parties in the sales amount to the top five customers was RMB 30.84 billion, accounting for 10.6% of the annual operating revenue.

The procurement amount from the top five suppliers was RMB 44.32 billion, accounting for 42.8% 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 5.22 billion, accounting for 5.0% of the annual total fuel procurement amount.

3. Costs

√ 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 compared with the same period last year (%)
Sales expense	3,381	3,502	-3.44%
Administrative expense	5,582	5,991	-6.83%

(2) Financial expenses

Unit: Million Yuan Currency: RMB

Items	Amount in the period	Amount over the same period last year	Change of amount in this period compared with the same period last year (%)
Interest incomes	233	243	-3.8
Interest expenditures	2,438	3,075	-20.7
Exchange gains and losses	100	1,463	-93.2
Others	156	80	94.9
Total	2,460	4,375	-43.8

Financial expenses this year compared to last year decreased by RMB 1.91 billion, of which the interest expenditures decreased by RMB 640 million, mainly due to the decline of average liabilities with interests this year; the exchange loss dropped by RMB 136 billion year on year, mainly because the RMB depreciated against US dollar by 1.65% this year; the Company used RMB financing as the main financing currency and the foreign currency debt ratio decreased, resulting in the exchange loss of RMB 100 million, while RMB depreciated against US dollar by 5.04% in the same period last year; and the foreign currency debt held by the Company (this part of the debt is hedged through forward transactions) resulted in the exchange loss of RMB 1.46 billion.

Section IV Discussion and Analysis about Operation

4. R&D investment

(1) R&D investment table

√ Applicable ☐ Not applicable

Unit: Million Yuan Currency: RMB

Expenditure of R&D investment	8,864
Capitalization of R&D investment	-
Total R&D investment	8,864
Ratio of total R&D investment to operating revenue (%)	3.04
Number of R&D staff	1,332
Ratio of R&D staff to total staff (%)	2.22
Ratio of R&D investment capitalization (%)	-

(2) Situation

√ Applicable ☐ Not applicable

In 2019, the Company continued to develop quality iron and steel products. Eight products have realized first worldwide launching, including the grain oriented silicon steel with ultra-low iron loss B18R060, non-grain oriented silicon steel for electric vehicle motor B27AHVI300M, grain oriented silicon steel with self-adhesive coating and without undercoat for motor iron core 35Q155-Z, CT120 hot rolled steel strip for non-quenched coiled tubing, steel for high grade ocean platform mooring chain R6, high strength and high tenacity perforating gun pipe BG130P, galvanized quenching ductile steel QP980EG, and hot rolled high strength steel for counterenamel BTC500S.

In 2019, two achievements of the Company, including Dioxin Pollution Control Technology and Countermeasure for Waste Incineration and Steel Smelting and Key Technology and Application of Heating Strengthening in Metallurgical Furnace, won the second prize of national science and technology progress award.

Five achievements, including the Key Technology for Design and Manufacturing of Complex Hydroformed Pipe Fittings for Automobiles and the Industrial Application, won the first prize of metallurgical science and technology progress award. Another six achievements were awarded with the second and third prizes for metallurgical science and technology progress respectively.

The Development and Application of High-Speed Cold Rolling Technology of Ultra-High Strength Steel won the second prize of Shanghai science and technology progress award. Thirteen achievements, including the Intelligent Rolling Technology and Application of Ultra-Thin and High Surface Quality Hot-Rolled High-Strength Strip Steel, were awarded the first, second and third prizes of Hubei science and technology progress award respectively.

5. Cash flow

√ Applicable ☐ Not applicable

In 2019, net cash and cash equivalents decreased by RMB 4.25 billion, including RMB 29.5 billion of net cash flow from operating activities, RMB -22.23 billion of net cash flow from investing activities, RMB -11.48 billion of net cash flow from financing activities, and RMB -40 million of net cash flow affected by exchange rate changes. Excluding the impact of Finance Co., net cash and cash equivalents of the Company decreased by RMB 1.44 billion, including RMB 32.57 billion of net cash flow from operating activities, RMB -22.12 billion of net cash flow from investing activities, RMB -11.85 billion of net cash flow from financing activities, and RMB -40 million of net cash flow from exchange rate changes.

Unit: Million Yuan Currency: RMB

Items	2019		2018		YoY change	
	Including Finance Co.	Excluding Finance Co.	Including Finance Co.	Excluding Finance Co.	Including Finance Co.	Excluding Finance Co.
Net cash flow from operating activities	29,504	32,571	45,568	46,985	-16,064	-14,414
Net cash flow from investing activities	-22,229	-22,122	-4,126	-4,143	-18,103	-17,979
Net cash flow from financing activities	-11,485	-11,851	-45,197	-45,215	33,713	33,365
Effect of fluctuation in exchange rate on cash	-42	-43	-104	-117	62	73
Net increase in cash and cash equivalents	-4,252	-1,445	-3,860	-2,490	-392	1,046

(1) Cash flow from operating activities

Without regard to the impact of Finance Co., the net cash flow from operating activities in 2019 was RMB 32.57 billion, a decrease of RMB 14.41 billion from the RMB 46.98 billion in the same period last year. This is mainly caused by the following factors:

- (1) The net profit this year was RMB 13.36 billion, RMB 9.45 billion less than the RMB 22.82 billion in the same period last year.
- (2) Depreciation and amortization were RMB 19.03 billion, RMB 150 million less than the RMB 19.18 billion in the same period last year.
- (3) Assets impairment was RMB -270 million, RMB 580 million less than the RMB 310 million in the same period last year.
- (4) Financial expense was RMB 2.35 billion, RMB 2.01 billion less than the RMB 4.36 billion in the same period last year.
- (5) Investment income was RMB 3.75 billion, RMB 300 million less than the RMB 4.05 billion in the same period last year.
- (6) Income from disposal of assets, income from the change of fair value, deferred tax asset and liabilities decreased RMB 290 million cash flow, with a decrease of 130 million in the same period last year, representing a decreased cash flow of RMB 160 million.
- (7) Inventory decreased than that at the beginning of the year and increased RMB 1.33 billion cash flow, with a decrease of cash flow of RMB 1.68 billion due to the increase of inventory in the same period last year, representing an increased cash flow of RMB 3.01 billion for two years.
- (8) Receivables under operating activities increased RMB 1.69 billion cash flow than that at the beginning of the year, with an increase of RMB 5.42 billion due to the decrease of receivables in the same period last year, representing a decreased cash flow of RMB 3.73 billion for two years.
- (9) Payables under operating activities decreased RMB 870 million cash flow than that at the beginning of the year, with an increase of RMB 760 million due to the increase of payables in the same period last year, representing a decreased cash flow of RMB 1.63 billion for two years.

(2) Cash flow from investing activities

Without regard to the impact of Finance Co., the net cash flow from investing activities was RMB -22.12 billion, RMB 17.98 billion less than the RMB -4.14 billion in the same period last year. This is mainly caused by the following factors:

- (1) The net investment expenditure was RMB 8.93 billion, the net expenditure was RMB -5.79 billion during the same period last year, representing a decrease of RMB 14.71 billion, mainly because the Company increased the capital operation according to the liquidity this year while the capital operation was reduced in the same period last year;
- (2) The cash paid for purchasing and establishing fixed assets, intangible assets and other long-term assets was RMB 17.61 billion, which was RMB 12.75 billion during the same period last year, the outflow decreased by RMB 4.86 billion year on year;
- (3) The Company obtained the income from investment of RMB 3.01 billion, which was RMB 2.88 billion during the same period last year, increasing the flow by RMB 130 million year on year;
- (4) The cash from the disposal of fixed assets, intangible assets, other long-term assets as well as cash recovered by subsidiaries was RMB 1.01 billion, which was RMB -440 million during the same period last year, increasing the flow by RMB 1.45 billion year on year;
- (5) The increased flow from cash receipt and expenditure related to other investing activities was RMB 390 million, the flow during the same period last year increased by RMB 380 million, increasing the flow by RMB 20 million year on year.

Unit: Million Yuan Currency: RMB			
Items (without regard to Finance Co.)	2019	2018	YoY change
Cash inflow from investing activities	26,738	65,088	-38,350
Cash outflow from investing activities	48,860	69,232	-20,371
Net cash flow from investing activities	-22,122	-4,143	-17,979

(3) Cash flow from financing activities

Without regard to the impact of Finance Co., the net cash flow from financing activities was RMB -11.85 billion, RMB 33.36 billion more than the RMB -45.22 billion in the same period last year. Details are as follows:

Section IV Discussion and Analysis about Operation

(1) The increase of flow from growth of debt financing scale was RMB 2.7 billion, while the decrease of flow from reduction of debt financing scale last year was RMB 31.67 billion, representing an increase of RMB 34.38 billion in cash flow year on year;

(2) The cash from dividend distribution and interest repayment was RMB 14.22 billion (including cash dividends paid of RMB 11.41 billion and interest payment of RMB 2.81 billion), the dividend distribution and interest expenses during the same period in previous year were RMB 13.88 billion (including cash dividends paid of RMB 10.28 billion and interest payment of RMB 3.6 billion), decreasing the flow of RMB 340 million compared with the same period last year;

(3) The cash received from attracting investment was RMB 210 million, RMB 210 million less than the RMB 430 million in the same period last year;

(4) The net cash flow related to other financing activities was decreased by RMB 460 million compared with the same period last year.

Unit: Million Yuan Currency: RMB

Items (without regard to Finance Co.)	2019	2018	YoY Change
Impact of change in financing scale on flow	2,704	-31,672	34,377
Cash paid for dividend and profit distribution or interest repayment	-14,219	-13,878	-341
Cash received from investors	215	426	-212
Other cash related to financing activities	-551	-91	-459
Net cash flow from financing activities	-11,851	-45,215	33,365

(II) Major changes in profits caused by non-core business

☐ Applicable ☒ Not applicable

(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	130,564	38.4	120,734	36.0	8.1	
Including: Monetary capital	13,439	4.0	17,110	5.1	-21.5	
Inventory	40,300	11.9	41,569	12.4	-3.1	
Notes receivable	627	0.2	29,190	8.7	-97.9	Mainly due to different listed items upon the implementation of new financial instrument standards in 2019
Receivables financing	28,112	8.3	-	-	100.0	Mainly due to different listed items upon the implementation of new financial instrument standards in 2019
Accounts receivable	10,878	3.2	12,901	3.8	-15.7	
Prepayments	5,002	1.5	6,349	1.9	-21.2	
Non-current assets	209,069	61.6	215,116	64.1	-2.8	
Including: Fixed assets	147,436	43.4	150,726	44.9	-2.2	
Construction in progress	8,468	2.5	7,767	2.3	9.0	
Available-for-sale financial assets	-	-	12,637	3.8	-100.0	Mainly due to different listed items upon the implementation of new financial instrument standards in 2019

Debt investment	763	0.2	-	-	100.0	Mainly due to different listed items upon the implementation of new financial instrument standards in 2019
Long-term equity investment	19,393	5.7	19,032	5.7	1.9	
Other equity instrument investments	679	0.2	-	-	100.0	Mainly due to different listed items upon the implementation of new financial instrument standards in 2019
Other non-current financial assets	11,763	3.5	-	-	100.0	Mainly due to different listed items upon the implementation of new financial instrument standards in 2019
Total assets	339,633	100.0	335,850	100.0	1.1	
Current liabilities	132,587	39.0	133,677	39.8	-0.8	
Including: Short-term borrowings	13,068	3.8	38,454	11.4	-66.0	The Company issued ultra-short term commercial paper to pay off the bank loan
Notes payable	14,163	4.2	16,250	4.8	-12.8	
Accounts payable	29,423	8.7	29,296	8.7	0.4	
Advance received from customers	22,372	6.6	19,884	5.9	12.5	
Non-current liabilities due within one year	3,643	1.1	5,162	1.5	-29.4	The Company's medium-term notes of RMB 5 billion is cashed and the medium-term notes due within one year of RMB 3 billion is transferred in.
Other current liabilities	34,213	10.1	6,077	1.8	463.0	Rolling issuance of ultra-short term commercial paper of RMB 28 billion
Non-current liabilities	15,830	4.7	12,597	3.8	25.7	
Including: Long-term borrowings	2,008	0.6	5,610	1.7	-64.2	The Company adjusts financing structure according to the financing arrangement
Notes payables	9,000	2.6	3,000	0.9	200.0	Medium term note of RMB 3 billion is reclassified into the non-current liabilities due within one year and Medium term note of RMB 9 billion is reissued
Total liabilities	148,417	43.7	146,274	43.6	1.5	
Shareholders' equity	191,216	56.3	189,576	56.4	0.9	
Total liabilities and shareholders' equity	339,633	100.0	335,850	100.0	1.1	

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

√ Applicable ☐ Not applicable

Unit: Million Yuan Currency: RMB

Items	Book value at the end of the year	Limited cause
Monetary capital	1,473.0	Legal required reserve that financial company deposited at Central Bank
Fixed assets	644.4	Mortgage loan
Intangible assets	61.8	Mortgage loan
Total	2,179.2	

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3. Other information

☐ Applicable ☒ Not applicable

(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 the processing	Production output (ton)		Sales (ton)		Operating revenue		Operating cost		Gross margin (%)	
	This year	Previous year	This year	Previous year	This year	Previous year	This year	Previous year	This year	Previous year
Cold-rolled steel	17,760,588	18,447,534	17,813,323	18,521,327	86,351	95,114	77,120	79,623	10.7	16.3
Hot-rolled steel	20,816,047	20,274,942	21,068,072	20,540,084	75,354	78,987	67,639	63,785	10.2	19.2
Others	8,295,391	8,030,513	8,303,713	8,036,809	39,769	39,134	33,911	32,324	14.7	17.4

2. Steel manufacturing and sales by form of finished products

☒ Applicable ☐ Not applicable

Unit: Million Yuan Currency: RMB

By the form of finished products	Production output (ton)		Sales (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	42,024,140	41,652,423	42,329,300	41,955,958	176,061	186,496	156,606	152,884	11.1	18.0
Tubes & pipes	2,180,861	2,235,323	2,192,478	2,214,503	14,112	14,106	12,430	12,313	11.9	12.7
Others	2,667,025	2,865,244	2,663,330	2,927,759	11,300	12,633	9,635	10,535	14.7	16.6

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	5,224,787	330,000	4,071	136
Overseas import	74,104,497	70,760,000	46,952	38,387

(V) Investment analysis

1. Analysis of equity investment outside Baosteel

☒ Applicable ☐ Not applicable

In 2019, the Company spent RMB 1.5 billion in equity investment, RMB 80 million 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
Ouyeel Co., Ltd.	Internet production service platform	30.42%	110.00	Capital increase
Baosight Software (Wuhan) Co., Ltd.	Software service	100.00%	291.95	Acquisition
Wuhai Baohua Wanchen Coal Chemical Co., Ltd.	Chemical industry	70.25%	180.00	Capital increase
Wuhai Baojie New Energy Materials Co., Ltd.	Chemical industry	51.00%	132.60	New investment
Wuhan WISCO Big Data Industrial Park Co., Ltd.	Software	20.00%	60.00	New investment
Total			774.55	

2. Main non-equity investment

☒ Applicable ☐ Not applicable

In 2019, the Company completed the fixed-asset investment of RMB 16.86 billion.

(1) Raised fund project situation

None.

(2) Non-raised fund project

1) New projects

Dongshan base newly built No.3 blast furnace system project: expand sintering machine, coke oven, blast furnace, converter, continuous casting, hot rolling, cold rolling and corresponding supporting public auxiliary facilities, etc., and after the completion, 4.02 million tons of molten iron, 3.60 million tons of molten steel, 4.50 million tons of hot rolled products, and 1.66 million tons of cold rolled products were newly increased. Piling construction of the main works was tailed up and the civil construction has been started.

3. Financial assets measured by fair value

☒ Applicable ☐ Not applicable

Unit: Million Yuan Currency: RMB

Items	At the beginning of 2019	At the end of 2019	Purchase during the reporting period	Change of fair value
Trading financial assets	2,034	832	1,887	1
Derivative financial assets	60	49	-	1
Other equity instrument investments	581	679	-	98
Other current assets	4,633	14,843	31,178	70
Other debt investments	94	-	-	-
Other non-current financial assets	11,899	11,763	-	200
Total	19,301	28,166	33,065	370

(VI) Sales of major assets and equities

☒ Applicable ☐ Not applicable

In December 2019, Baosteel International transferred 12.96% shares in Henan Longyu Energy Co., Ltd. by means of public listing on Shanghai Stock Exchange at a listing price of RMB 1.045 billion. Henan Energy and Chemical Industry Group Co., Ltd. obtained the shares through delisting at a price of RMB 1.045 billion. The above shares were delivered on December 25, 2019.

(VII) Analysis of main holding and joint-stock companies

☒ Applicable ☐ Not applicable

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

As of the end of 2019, 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 2019, Meishan Steel had a total asset of RMB 26.13 billion, a net asset of RMB 14.37 billion, and a net yearly profit of RMB 360 million.

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

As of the end of 2019, the Company owned 90% of the equity. With a registered capital of RMB 20 billion, Zhanjiang Iron & Steel 's main business specializes in the processing and sales of black metal smelting and rolling. By the end of 2019, Zhanjiang Iron & Steel had a total asset of RMB 58.94 billion, a net asset of RMB 26.41 billion, and a net yearly profit of RMB 2.1 billion.

3. Wuhan Iron & Steel Co., Ltd.

As of the end of 2019, the Company owned 100% of the equity, and has the registered capital of RMB 500 million, and its main business scope includes manufacturing of metallurgical products and byproducts, extended steel products, etc. As of the end of 2019, the Company had total assets of RMB 61.12 billion, net assets of RMB 30.67 billion, and realized net profit of RMB 170 million in current year.

4. Baosteel-Nippon Steel Automotive Steel Sheets Co., Ltd.

As of the end of 2019, the Company owned 50% of the equity. With a registered capital of RMB 3 billion, BNA's main business includes manufacturing and sales of cold-rolled steel sheets and hot-dip galvanized steel sheets for automobile, automotive parts and other services related to its principal business. By the end of 2019, BNA had a total asset of RMB 5.72 billion, a net asset of RMB 4.66 billion, and a net yearly profit of RMB 240 million.

5. Yantai Lubao Steel Pipe Co., Ltd.

As of the end of 2019, the Company had 100% of its shares, the Company's registered capital is RMB 2.5 billion, and its main business scope includes processing and sales of seamless steel pipes. As of the end of 2019, the Company had total assets of RMB 5.04 billion, net assets of RMB 3.26 billion, and realized net profit of RMB 580 million in current year.

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

As of the end of 2019, the Company had 50.63% of its shares, the Company's 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 2019, the Company had total assets of RMB 1.36 billion, net assets of RMB 540 million, and realized net profit of RMB 20 million in current year.

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

As of the end of 2019, 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 2019, Baosteel International had a total asset of RMB 54.16 billion, a net asset of RMB 17.71 billion, and reporting a net yearly profit of RMB 2.68 billion.

8. Shanghai Baosight Software Co., Ltd.

As of the end of 2019, the Company owned 50.81% of the equity. With a registered capital of RMB 1.14 billion, 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 2019, Baosight had a total asset of RMB 10.27 billion, a net asset of RMB 7.27 billion, and reporting a net yearly profit of RMB 930 million.

9. Baowu Carbon Materials & Technology Co., Ltd.

As of the end of 2019, 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 2019, the Company had a total asset of RMB 6.42 billion, a net asset of RMB 4.82 billion, and reporting a net yearly profit of RMB 350 million.

10. Shanghai Baosteel Asset Management Co., Ltd.

As of the end of 2019, the Company had 100% of its shares. Its main business scope includes asset management, maintenance of engineering machinery and metallurgical equipments, etc. As of the end of 2019, the Company had total assets of RMB 1.02 billion, net assets of RMB 970 million, and realized net profit of RMB 10 million in current year.

11. Baosteel Group Finance Co., Ltd.

By the end of 2019, the Company owned 62.1% of equities of this company 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 2019, this company's total assets have been RMB 19.66 billion, net assets of RMB 2.41 billion, and net profits of RMB 270 million in this year.

12. Overseas Company

By the end of 2019, the Company has set up overseas subsidiaries in the US, Japan, Germany, Singapore and Hong Kong, which play a significant role in expanding sales and purchasing network of the Company, and improving the competitiveness of the Company in the international market.

(VIII) Structured entity controlled by the Company

☐ Applicable ☒ Not applicable

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

(I) Industry structure and trend

☒ Applicable ☐ Not applicable

In 2020, the International Monetary Fund (IMF), the World Bank (WB) and other institutions predict that the global economy will fall into recession due to the impact of the global pandemic of COVID-19 and the specific recession degree will depend on the global epidemic prevention effect.

The COVID-19 epidemic in China has been basically under control and economic activities are resuming. In 2020 and in the years ahead, the basic trend of steady and long-term growth for China's economy remains unchanged.

COVID-19 epidemic has a great short-term impact on the steel industry, but a limited long-term impact. Domestic steel demand will remain stable, with the growth rate of infrastructure investment picking up, the growth rate of real estate investment falling, and the demand for steel in the manufacturing sector remained stable. Under the impact of the global economic recession and the epidemic, direct and indirect steel exports from China will decline. Domestic production capacity replacement projects will be implemented in a centralized way and the release of production capacity will bring supply pressure to the market. The overall oversupply will be further intensified in the market.

(II) Company's development strategy

☒ Applicable ☐ Not applicable

With the mission of "being a model of high-quality development in the steel industry and a leader of future steel industry" and the vision of "being the most competitive steel enterprise in the world and the most valuable listed company in investment", Baosteel will focus on creating a competitive, green, smart, technology-based and efficient company.

During the planning period, we will adhere to high quality development, implement "I+5" development strategy, innovate and deepen the multiple manufacturing base management mode, continuously improve the cost reform, leading technology, service first, smart manufacturing and urban steel mill, and actively explore and practice future steel so as to become a world leading steel enterprise.

(III) Business plan

☒ Applicable ☐ Not applicable

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

Compared with the annual business objectives, our business performance in 2019 is the best in the domestic industry. According to the disclosed regular reports of global steel enterprises, Baosteel's EBITDA per ton of steel ranks among the top three steel enterprises above designated size in the world. The cost is reduced by RMB 5.43 billion compared with the previous year. The market share of cold-rolled automotive sheet exceeds 50%; the labor efficiency of regular employees has increased by 11%; a new round of planning and major projects achieves node targets.

2. Baosteel's business objectives, plans and work priorities in 2020

In the year 2020, China aims to comprehensively achieve moderately prosperous society. It is also a key year for the Company to accelerate the implementation of a new round of planning objectives. Centering on the general business policy of "comprehensively finding out gaps through the benchmark against the leaders in the industry, creating excellent efficiency, striving for value creation and staying ahead in the industry", the Company will make efforts to achieve general business objectives of "the best business performance in China, EBITDA per ton of steel ranked top three

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worldwide, RMB 1.08 billion in cost reduction, over 50% market share of the cold rolled automobile sheets, the steel output per capita in the main steel business to reach 1,200 tons/person•year; capital turnover efficiency to achieve the industrial average level and major projects to achieve node goals”.

In 2020, Baosteel plans to produce 43.43 million tons of iron and 46.36 million tons of steel, sell 44.78 million tons of commodity billets, achieves the total operating revenue of RMB 270.4 billion and the operating cost of RMB 239.0 billion.

Centering on the general business policy and general business objectives of the Company in 2020 and combined with the planning requirements, Baosteel will focus on promoting the following work within this year:

(1) Comprehensively find out gaps through the benchmark against the leaders in the industry, and create excellent efficiency. We persist in keeping the planning as the central task, and comprehensively make four bases benchmark against and catch up with the leaders in the industry. We optimize management and pursue excellent efficiency oriented at high efficiency. We benchmark against advanced steel enterprises at home and abroad in terms of assets, capital, manufacturing, management and others, implement strict management and achieve the goal of “self-transcendence, outperforming the market and striving for the excellence”.

(2) Keep innovation as the central task and strive for leading technology. The Company will actively promote the implementation of technological innovation, realize the research and breakthrough of a batch of “disruptive, forward-looking and breakthrough” technologies, promote the implementation of 11 projects in the 4th round of “golden apple” program and seize the commanding height of steel technologies in the future. The Company will enhance the centralized planning of technological innovation, improve the R&D team’s ability to serve various bases, actively join the national science and technology innovation system and promote a batch of national key R&D projects.

(3) Deepen the management mode of multiple manufacturing bases and fully explore the reform potential. We will accelerate the design of the multi-base management target mode for functional departments of the headquarters and implement the reform and optimization plan. We will optimize the production, marketing and research mechanism, procurement and supplier management mechanism, and the mechanism of one R&D institute for one business field, etc. to improve business operation efficiency. We will strengthen the construction of “five centers” and enhance the management ability of “one company and multiple bases”. We also further optimize and improve the performance traction mechanism for the bases, purchasing, marketing and R&D and stimulate the enthusiasm and innovative vitality of employees.

(4) Promote the implementation of the new round of cost planning and strengthen the benchmarking of various processes. The Company will continuously promote cost reform and strictly control expenditures by means of optimizing costs for logistics and R&D, clearing up inefficient and ineffective assets, reducing comprehensive financial costs, improving labor efficiency and others, striving for achieving the preset objective for the sales and management costs for each ton of steel in three years. Centering on finding out gaps through the benchmark against leaders in the industry, the Company will explore cost reduction potential of each base and promote cost reduction at the manufacturing end.

(5) Strengthen production and marketing coordination and quickly adapt to market changes. We will further strengthen fine management at the site to achieve stable and low-cost operation of steel production processes. With limited resources, we will promote production and marketing coordination among the four bases to ensure maximum market share of core products and maximum benefits of the whole process. We will strengthen market development and achieve the annual sales target with high quality. Overseas market will also be vigorously expanded to achieve export targets of key products. Besides, we will also explore the new marketing mode of color-coated and hot-rolled products.

(6) Practice the strategy of smart manufacturing. We will promote the construction and application of our big data center and complete big data center infrastructure erection and more than 6 big data application pilots in 2020. We will accelerate the R&D and application of AI machine vision and other new technologies, further promote the construction of intelligent production lines (factories), and initiate a batch of smart manufacturing renovation projects.

(7) Build green and ecological city steel mills. We will push forward to implement the planning for steel mills in cities, fully complete the performance indicators for energy and environmental protection, and ensure zero major environmental protection events. We will promote “ultra low emission of waste gas, zero discharge of waste water, no release of solid wastes from the factory, cleaning, greening, beautification and cultural construction” and implement ultra-low emission transformation projects of this year as scheduled, promote plant greening and appearance upgrading, optimize environmental protection and production emergency plan during major activities.

(8) Optimize industrial layout. We will promote the construction of Zhanjiang Iron & Steel No. 3 blast furnace system project and ensure project construction as scheduled, and organize to study feasibility of the Yancheng “future factory” project. We will actively participate in Baowu ecosystem construction, further explore business cooperation and mode of logistics, financial supply chain and others, and lead the transformation and development of the industry.

(9) Adhere to the employee-centered, and promote the common development of employees and the enterprise. We will optimize the construction of the information platform for the supervision and administration of work safety, improve the monitoring, analysis, early warning and emergency response of safety risks and hidden dangers based on information technology. We will continue to increase investment in staff development and training, improve the incentive and restraint mechanisms, explore innovative compensation mode, and promote the Company’s talent highland strategy. We will increase welfare for employees and constantly improve the working environment to meet employees’ aspirations for a better life.

(10) Win the war for epidemic prevention and control. For this purpose, the Company will ensure sufficient material supply and strictly control

crowded places. We will take detailed prevention and control measures and assume the management responsibilities. While ensuring safety of employees, we will stabilize production pace, realize efficient and low-cost production, strengthen the scheduling, communication and promotion of purchasing, sales, logistics and other links on the supply chain so as to minimize the impact of global supply chain fluctuation. Management of inventory and capital will also be further strengthened to prevent operation and capital risks.

3. The Company's business plan in 2020 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 business plan

In 2020, Baosteel budgets RMB 28.72 billion for fixed asset investment, which will mainly be used for Dongshan Base No.3 blast furnacesystem project;Baoshan Base No. 2 blast furnace in situ overhaul, non-grain oriented silicon steel product structure optimization project;advance payment and interim payment of Qingshan Base raw material yard closing, silo and other projects; a certain amount of funds will also be invested for product structure adjustment, smart manufacturing, environmental protection ultra-low emission transformation and other technical improvement projects of the four bases.

(IV) Possibly faced risks

☒ Applicable ☐ Not applicable

1. Overall risk and related risk handling measures of the Company

Since 2008, the Company has been continuously summarizing experience and lessons in coping with the financial crisis, and meanwhile promoting comprehensive risk management centering on realizing enterprise's strategic objectives, improving business performance, ensuring asset safety and legal compliance. In 2019, the Company had no major risk events and the company-level projects with key risks were generally well controlled.

In 2019, we promoted the construction of a sunshine procurement mechanism in specialized areas such as capital materials, raw materials, investment and procurement, and completed the 2019 Sunshine Procurement System Special Implementation Plan of Baosteel. The online purchase rate of all categories (evaluated categories) reached 99.99% (the target is 80%) and the online purchase rate of equipment, materials and spare parts (evaluated categories) reached 100% in this year.

Major risk and hidden dangers were investigated. 31 units (including subsidiaries), such as the marketing department and the procurement department were organized to analyze internal and external business environment and investigate 41 risk categories based on which the Major Risks Investigation Report of Baosteel was prepared.

Dynamic assessment of major risks of the supply chain was strengthened. In 2019, risk management was performed for 20 areas with key risks mainly based on key risk projects, risk events were disclosed by 29 times and 39 risk disclosure reports were released. We organized self-examination of business authorization risks associated with personnel resigned and transferred to another position, formed self-examination reports and implemented 9 rectification issues. We also carried out a dynamic assessment on the risks arising from Sino-U.S. trade frictions and the risks of improving the competitiveness of automobile sheets.

2. Additional risk factors in 2020

Affected by the COVID-19 epidemic, the Company's production and operation in the first quarter encountered great challenges. Due to transportation obstruction and lower operation rate of downstream users, the Company suffered from greater pressure from contract signing, production and sales balance and financial strain. The epidemic has a great impact on the automobile industry which can hardly be removed in a short term. There are risks in the automobile market for slowing demand growth, industrial restructuring, etc. Therefore, the market share and profit of the Company's automobile sheet products are facing great challenges. Besides, the production cost of the Company may further increase due to the rising prices of raw fuels and auxiliary materials such as ore, the operation of environmental protection projects and the control of the total amount of coal used.

(V) Others

☐ Applicable ☒ Not applicable

IV. Circumstances of failure to disclose information according to the standards by the Company due to inapplicable standards or state secrets, trade secrets and other special reasons as well as reasons

☐ Applicable ☒ Not applicable

Section V Important Matters

I. Proposed Plan for 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 plans 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 proportion requirement, and the related decision-making procedures and mechanism were complete. The independent directors have fulfilled their obligations and played active roles, and the medium and small shareholders could fully express their views and concerns. Measures were taken to protect the legal rights and interests of the medium and small shareholders.

In 2019, since the Company recorded a net profit of RMB 7,895,809,057.59, plus the undistributed profit of RMB 42,711,853,524.76 at the beginning of 2019 and minus the cash dividend of RMB 11,138,067,037.50 distributed in 2018, it is predicted that the Company's distributable profit would amount to RMB 39,469,595,544.85 at the end of 2019. 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 plan for 2019:

1. Ten percent of the net profit, or RMB 789,580,905.76, was allocated as a statutory reserve fund for the year 2019;

2. Ten percent of the net profit, or RMB 789,580,905.76, was allocated as an optional reserve fund for the year 2019;

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; and the cash dividend per share to be distributed should not be less than RMB 0.28 per share (including tax). 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 RMB 0.28 per share (including tax), the dividend is expected to be RMB 6,236,848,905 (including tax) based on the total share capital of 22,274,460,375 shares at the end of 2019, accounting for 50.20% of net profit in the consolidated statements attributable to shareholders of the parent company. The actual dividend is calculated based on the share capital registered on the holder-of-record date confirmed in the dividend payout announcement, and is distributed at RMB 0.28 (including tax) per share;

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

5. Cash dividend-net profit ratios from 2017 to 2019:

Item	2019 (expected)	2018	2017
(1) Cash dividend per share (including tax) (RMB)	0.28	0.50	0.45
(2) Total amount of cash dividend (RMB 100 million)	62.37	111.34	100.21
(3) Net profit in the statements of legal person (RMB 100 million)	78.96	142.71	94.01
(4) Net profit attributable to parent company in consolidated statements (RMB 100 million)	124.23	215.65	191.70
(5) Total cash dividends against net profit in the statements of legal person (%)	78.99	78.02	106.59
(6) Cash dividend against net profit attributable to shareholders of parent company in consolidated statements (%)	50.20	51.63	52.27

Note: The cash dividend amount of 2019 was the profit appropriation plan by the board of directors, which hasn't been reviewed or approved by the Company's 2019 shareholders meeting yet.

(II) Plan or proposed plan for dividends distribution of common shares and capitalizing of capital reserves in the last three years (including the reporting period)

Unit: Million Yuan Currency: RMB

Dividend Year	Bonus shares per 10 shares (share)	Dividend payout per 10 shares (Yuan) (tax-inclusive)	Number of the 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
2019	0	2.8	0	6,237	12,423	50.20
2018	0	5.0	0	11,134	21,565	51.63
2017	0	4.5	0	10,021	19,170	52.27

II. Performance Situation of Commitment Matters

(I) Commitments of actual controllers, shareholders, related parties and acquirer, the Company and other committed parties during or until 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.	<p>Baosteel Group makes two commitments at the establishment of the Company:</p> <p>(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.</p> <p>(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.</p> <p>The foresaid commitments shall be valid under the following circumstances:</p> <p>A. The Company goes public at the Stock Exchange of Hong Kong Ltd. and stock exchange within Chinese territory;</p> <p>B. Baosteel Group holds no less than 30% of the outstanding shares of the Company.</p> <p>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.</p> <p>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.</p>	Feb 3, 2000	No	Yes		
Commitment related to refinancing	Solve horizontal competition	Baosteel Group Co., Ltd.	<p>Baosteel Group's commitments in the Company's opinion paper of additional issue and share offer:</p> <p>(1) For the assets and businesses that the group company currently holds and may generate horizontal competition with Baosteel, Baosteel shall have the right to choose proper opportunity to acquire from the group company.</p> <p>(2) For any business opportunity that the group company obtains in the future to engage in any similar business with that of Baosteel, the group company shall give that opportunity to Baosteel, only after Baosteel gives up such business opportunity, the group company may make investment.</p> <p>For the foresaid commitments, please refer to the website of Shanghai Stock Exchange http://www.sse.com.cn/ on Apr 2005.</p>	Aug 10, 2004	No	Yes		
Other commitments made to intermediate and minority shareholders of the Company	Others	Baosteel Group Co., Ltd.	<p>Baosteel Group's commitments regarding Luojing land:</p> <p>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 m² of land in total (hereinafter referred to as "Luoqing 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 coPudong 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:</p> <p>(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).</p> <p>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.</p> <p>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.</p>	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		
Other commitments	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. 2. When this company or its subsidiaries intend to engage in any new business, investment or research that may generates competition with the business of Baosteel, Baosteel shall have preemptive development right and preemptive project acquisition right, this company will make the most efforts in promoting that the price of related transaction is determined fairly and rationally and based on normal business transaction with an independent third party. 3. After the completion of this transaction, this company will promote the performance of related commitments issued by various parties of this transaction regarding peer competition by executing lawful rights. 4. The foresaid commitments shall all be valid during the period when this company serves as the controlling shareholder of Baosteel. In case any right or interest of Baosteel is damaged due to any violation of the 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		
Other commitments	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. 3. When this company or its subsidiaries intend to engage in any new business, investment or research that may generates competition with the business of Baosteel, Baosteel shall have preemptive development right and preemptive project acquisition right, this company will make the most efforts in promoting that the price of related transaction is determined fairly and rationally and based on normal business transaction with an independent third party. 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 horizontal competition with Wuhan Iron & Steel Corporation shall be continuously performed after the completion of this transaction, and shall be valid for Baosteel. 5. The foresaid commitments shall all be valid during the period when this company serves as the controlling shareholder of Baosteel. In case any right or interest of Baosteel is damaged due to any violation of the 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		
Other commitments	Commitment regarding regulating affiliated transactions	Baosteel Group Co., Ltd.	1. This company shall ensure Baosteel to have independent business, complete assets as well as independent and complete system of production, supply, distribution and other auxiliary facilities. 2. This company and other enterprises controlled by this company shall not use the identity as shareholder of Baosteel to seek preemptive deal making with Baosteel Corporation and its subsidiary enterprises. 3. This company and other enterprises controlled by this company shall avoid and reduce unnecessary transactions with Baosteel and its subsidiary enterprises. If there is any indeed necessary and unavoidable transaction, this company and other enterprises controlled by this company shall sign agreement with Baosteel and its subsidiary enterprises in the principle of fairness, fair value and compensation of equal value, perform legal procedures, and legally perform information disclosure obligations and perform related internal decision-making and application procedures according to requirements of related laws, regulations and normative documents as well as the regulations in the "Articles of Association of Baosteel Co., Ltd.", and guarantee not to transact with Baosteel and its subsidiary enterprises in obviously unfair conditions compared with market price, nor use such transaction to engage in any behavior that would damage the lawful rights and interests of Baosteel and its other shareholders. 4. If this company violates any of the 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 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
Other commitments	Commitment regarding regulating affiliated transactions	Wuhan Iron & Steel Group	<p>1. This company and other enterprises controlled by this company shall not use the identity as shareholder of Baosteel to seek preemptive deal making with Baosteel and its subsidiary enterprises.</p> <p>2. This company and other enterprises controlled by this company shall avoid and reduce unnecessary transactions with Baosteel and its subsidiary enterprises. If there is any indeed necessary and unavoidable transaction, this company and other enterprises controlled by this company shall sign agreement with Baosteel and its subsidiary enterprises in the principle of fairness, fair value and compensation of equal value, perform legal procedures, and legally perform information disclosure obligations and perform related internal decision-making and application procedures according to requirements of related laws, regulations and normative documents as well as the regulations in the "Articles of Association of Baosteel Co., Ltd."; and guarantee not to transact with Baosteel and its subsidiary enterprises in obviously unfair conditions compared with market price, nor use such transaction to engage in any behavior that would damage the lawful rights and interests of Baosteel and its other shareholders.</p> <p>3. If this company violates any of the foresaid commitments, this company shall bear and compensate Baosteel for any loss incurred hereof.</p> <p>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.</p>	Sep 22, 2016	No	Yes		
Other commitments	Others	Wuhan Iron & Steel Group	<p>I. Notes and commitments regarding land lease matters.</p> <p>1. For the 39 authorized operating parcels that have obtained "Letter of Authorization for Operation and Management of State-owned Land Use Right", the 2 authorized operation lease parcels that have not obtained "Letter of Authorization for Operation and Management of State-owned Land Use Right", and the lands used in the Stage II project of Wuxin Corporation, subject to the provisions of the current laws and regulations, the Company will no longer handle authorized operating parcels and state-owned land use right registration procedure, and will continue the procedures after the laws and regulations permit.</p> <p>2. This company shall ensure WISCO Limited and its subsidiaries to continuously and stably use the lands including the foresaid lease land; if WISCO Limited 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 WISCO Limited and its subsidiaries suffer for this reason.</p> <p>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 Aug. 23, 2019.</p>	Aug. 21, 2019	No	Yes		
Other commitments	Others	Wuhan Iron & Steel Group	<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, subject to the provisions of the current laws and regulations, the Company will no longer handle authorized operating parcels and state-owned land use right registration procedure, and will continue the procedures after the laws and regulations permit. 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, WISCO Limited and its subsidiaries may continue to occupy and use such properties as is, such properties shall have no property dispute, disagreement or potential dispute.</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, subject to the provisions of the current laws and regulations, the Company will no longer handle authorized operating parcels and state-owned land use right registration procedure, and will continue the procedures after the laws and regulations permit. The Company shall confirm that Wuhan Iron & Steel Corporation and related subsidiaries have fully paid related consideration to this company for obtaining the foresaid real estates or the properties are independently invested and constructed by themselves, then the actual property owner of foresaid real estates shall be Wuhan Iron & Steel Corporation and related subsidiaries; this company commits to ensure that Wuhan Iron & Steel Corporation and its subsidiaries may use the foresaid real estates in long-term, continuous, stable and free manner, and utilize and dispose such properties as instructed by Wuhan Iron & Steel Corporation and its subsidiaries, if generating any income, it shall be owned by Wuhan Iron & Steel Corporation and its subsidiaries.</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", subject to the provisions of the current laws and regulations, the Company will no longer handle authorized operating parcels and state-owned land use right registration procedure, and will continue the procedures after the laws and regulations permit. 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 and its subsidiaries may continue to occupy and use such properties as is, such properties shall have no property dispute, disagreement or potential dispute.</p> <p>4. If this company violates any of the foresaid commitments and causes any loss to WISCO Limited and its subsidiaries, this company commits to make compensation.</p> <p>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 Aug. 23, 2019.</p>	Aug. 21, 2019	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
Other commitments	Others	Wuhan Iron & Steel Group	<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 foresaid 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 foresaid 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 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.</p>	Sep. 22, 2016	No	Yes		
Other commitments	Others	Wuhan Iron & Steel Group	<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 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.</p>	Sep. 22, 2016	No	Yes		
Other commitments	Others	Wuhan Iron & Steel Group	<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 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.</p>	Sep. 22, 2016	No	Yes		
Other commitments	Commitment regarding maintaining the independence of Baoshan Iron & Steel Co., Ltd.	Baosteel Group Co., Ltd., Wuhan Iron & Steel Group	<p>I. Maintain the independence of the personnel of Baosteel</p> <p>This company commits to maintain the independence of the personnel of Baosteel after the completion of this transaction, the senior management of Baosteel, including the general manager, deputy general manager, 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 shall not have part-time job at this company and other enterprises controlled by this company.</p> <p>II. Guarantee the independence and completeness of the assets of Baosteel</p> <p>1. Guarantee Baosteel to have independent and complete assets.</p> <p>2. Guarantee Baosteel to be free of the situation where the funds or assets are occupied by this company and other enterprises controlled by this company.</p> <p>3. Guarantee the residence of Baosteel to be independent from that of shareholders.</p> <p>III. Guarantee the financial independence of Baosteel.</p> <p>1. Guarantee Baosteel to establish independent financial department and independent financial accounting system.</p> <p>2. Guarantee Baosteel to have standard and independent financial accounting system.</p> <p>3. Guarantee Baosteel to open independent account at banks and not to share a bank account with shareholders.</p> <p>4. Guarantee the financial personnel of Baosteel not to have part-time job at this company and other enterprises controlled by this company.</p> <p>5. Guarantee Baosteel to be able to make independent financial decisions, and this company and other enterprises controlled by this company shall not intervene the use of funds of Baosteel.</p> <p>IV. Guarantee the independence of the organs of Baosteel, guarantee Baosteel to have independent and complete organs, which shall be completely separated from the organs of shareholders, especially this company and other enterprises controlled by this company.</p> <p>V. Guarantee the independence of businesses of Baosteel. This company commits to maintain the business independence of the Baosteel after the completion of this transaction, and is free of neither substantial horizontal competition nor obviously unfair affiliated transactions. Guarantee Baosteel to have independent assets, personnel, qualifications and capabilities to develop operational activities, and have the capability of independent operation facing the market.</p> <p>VI. This company commits not to intervene the operational and management activities of Baosteel, not to embezzle interests of the Company.</p> <p>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.</p>	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
Other commitments	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	<p>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;</p> <p>2. I commit to restrain my position-related consumption behaviors;</p> <p>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;</p> <p>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;</p> <p>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;</p> <p>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.</p>	Sep 22, 2016	No	Yes		
Other commitments	Others	Wuhan Iron & Steel Group	<p>A statement and commitment to standardize the lease of land</p> <p>Whereas WISCO Limited intends to acquire part of the operational assets and related liabilities of the Company and our subsidiaries, including Wugang Group Logistics Co., Ltd., WISCO Green City Construction Development Co., Ltd. and WISCO Engineering Technology Group Co., Ltd., the Company hereby makes statement and commitment as follows with regard to land leasing by the Company to WISCO Limited to support this time of transaction:</p> <p>As of the issuance date of this statement and commitment letter, there is no material violation of land and planning laws and regulations in the land use related to the purchased assets, and the Company and its subsidiaries are not subject to major administrative penalties from relevant competent authorities for violating land and planning laws and regulations.</p> <p>In view of the above situation, the Company hereby undertakes as follows:</p> <p>The Company will ensure that WISCO Limited can continue to use the land related to the acquired assets in a stable way. If WISCO Limited is unable to use the land because the state-owned land use right registration formalities or relevant lease registration formalities are not yet handled for the authorized operation site involved in the land, the Company will take all reasonable and feasible measures to remove the relevant obstacles or impacts and bear the relevant losses suffered by WISCO Limited as a result.</p> <p>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 Aug. 28, 2018.</p>	Aug. 27, 2018	No	Yes		
Other commitments	Others	Wuhan Iron & Steel Group	<p>A statement and commitment to property of the Company and our subsidiaries</p> <p>Whereas WISCO Limited intends to acquire part of the operational assets and related liabilities of the Company and our subsidiaries, including Wugang Group Logistics Co., Ltd. (hereinafter referred to as Wugang Logistics), WISCO Green City Construction Development Co., Ltd. (hereinafter referred to as WISCO City Construction) and WISCO Engineering Technology Group Co., Ltd. (hereinafter referred to as WISCO Engineering), the Company hereby makes statement and commitment as follows with regard to problems about such properties of the Company and our subsidiaries. As of the issuance date of this statement and commitment letter, properties owned and currently used by the Company and our subsidiaries, including Wugang Logistics, WISCO City Construction, WISCO Engineering, that will be acquired by WISCO Limited have not yet acquired the House Ownership Certificate.</p> <p>In view of the above situation, the Company hereby undertakes as follows:</p> <p>1. For properties owned by the Company and our subsidiaries specified above for which the Property Ownership Certificate has not yet been handled, the Company confirms that the actual ownership holder of the property is the Company or our subsidiaries specified above. After acquiring the properties of our company and our subsidiaries specified above, WISCO Limited can occupy and use such properties based on the current status. Such properties do not involve any property disputes or potential dispute.</p> <p>2. In case of any loss caused to WISCO Limited due to the Company's breach of the above commitments, the Company promises to make compensation.</p> <p>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 Aug. 28, 2018.</p>	Aug. 27, 2018	No	Yes		

(II) There is a profit forecast of the Company's assets or projects which are 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

Section V Important Matters

III. Capital Occupied Situation and Clearing Up Defaults Progress Situation during the Reporting Period

☐ Applicable ☒ Not applicable

IV. The Company's Explanation on Accounting Firm's "Nonstandard Opinion on Audit Report"

☐ Applicable ☒ Not applicable

V. The Company's Analysis for Accounting Policy, Accounting Estimates Change or Major Accounting Error's Correction Reasons and Effects

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

☒ Applicable ☐ Not applicable

According to the Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments, Accounting Standard for Business Enterprises No. 23 - Transfer of Financial Assets, Accounting Standard for Business Enterprises No. 24 - Hedging and Accounting Standard for Business Enterprises No. 37 - Presentation of Financial Instruments issued and revised by Ministry of Finance in 2017, the Company has implemented the above revised enterprise accounting standards since January 1, 2019. The Company adjusted the cumulative affected amount of relevant items at the beginning of 2019 in accordance with the requirements of the first implementation of the above standards, and such changes in accounting policies led to a decrease in the Group's total assets at the beginning of the period by RMB 587,282,263.98 and net assets by RMB 588,254,303.53. The Company's total assets and net assets at the beginning of the period are not affected.

(II) The Company's analysis for correction reasons and effects of major accounting errors

☐ Applicable ☒ Not applicable

(III) The communication with previous accounting firm

☐ Applicable ☒ Not applicable

(IV) Other information

☐ Applicable ☒ Not applicable

VI. Appointment and Dismissal of the Accounting Firm

Unit: Ten thousand yuan Currency: RMB

Now employ

Name of the domestic accounting firm	Ernst & Young Huaming Certified Public Accountants (special general partnership)
Remuneration of the domestic accounting firm	216.7
Domestic accounting firm's audit age limit	2 years

	Title	Remuneration
Accounting firm for the Company's internal control audit	Ernst & Young Huaming Certified Public Accountants (special general partnership)	95

Note: As the Company's internal control audit covers WISCO Limited from 2019, the internal control audit cost increased by RMB 160,000.00 (including tax).

Appointment and dismissal of the accounting firm

☒ Applicable ☐ Not applicable

Upon deliberation and approval of the general meeting of the shareholders in 2018, Baosteel retained Ernst & Young Huaming Certified Public Accountants (special general partnership) (hereinafter referred to as the "Ernst & Young") to deal with accounting affairs for 2019 financial

statements audit and for internal audit control. The financial statements audit fee was RMB 2,167,000.00 (tax included) and the internal control audit fee was RMB 790,000.00 (tax included). See details in Temporary No. 2019-035 announcement disclosed by Baosteel on April 25, 2019.

By the end of 2019, 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 two consecutive years.

Changes of hired accounting firm during the audit period

☐ Applicable ☒ Not applicable

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

Major litigation and arbitrations that have been disclosed in the previous annual report but have not yet been closed

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
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 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.	147	No		The verdict in the first instance was in favour, but is still waiting to see whether the plaintiff will appeal.	

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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 of the Company and Its Controlling Shareholder, Actual Controllers during the 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 objects were the Company's senior management personnel, core management personnel, and technical backbone. At the first time, 136 incentive objects were granted with totaling 47,446,100 shares which were originated from common shares of the Company's A stock repurchased from Shanghai Stock Exchange through public auction. In the same year, 2 incentive objects 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 object and canceled the share.

In 2015, restricted stocks held by the incentive objects were still in the lock-up period. Because of personnel changes, in the whole year, a total of 9 incentive objects 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 objects and canceled the shares.

In 2016, since the 2015 annual performance of the Company 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 objects 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 plan, the Company complied with the national policies and related regulations regarding restricted corporate stocks, restricted stocks that hadn't reached unlocked 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 reviewed and passed the Proposal Regarding Unlocking of the Baosteel's Restricted Stock Plan 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 progress of integration, merger and combination of Baowu, strengthen the coordination effect among various bases and the Company's long-term and stable development, the Company implemented the second phase of restricted stock plan, 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 share directionally issued from Baosteel 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, 8 incentive objects were adjusted and exited from the second phase of restricted stock plan. According to national policy and Baosteel's related provisions on restricted stock, restricted stock not yet reaching unlocking 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 Regarding Unlocking during the Third Unlocking Period of the Company's Initial Restricted Stock Plan was deliberated and adopted on the first meeting of Baosteel's 7th boards according to which the unlocking was agreed. The Company handled unlocking formalities for 100 incentive objectives for the third unlocking period for a total of 11,360,700 restricted stocks. In the same year, according to the second phase of restricted stock plan, 10 million restricted stocks were reserved for follow-up qualified incentive objects and new key staff. On December 18, 2018, the Proposal on the Implementation, Reserving and Awarding of the Second Phase of A-share Restricted Stock Plan was deliberated and adopted on the fifth meeting of the 7th Baosteel's boards, according to which 9,566,700 restricted stocks were awarded to 76 incentive objects. The source of stocks was A-share common shares issued by Baosteel to incentive objects.

In 2019, due to change of personnel, 50 incentive objects adjusted and quit the second phase of restricted stock plan, 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 January 3, 2020, the Proposal on Matters Regarding the Release of Restricted Stocks during the First Lockup Expiration Period of the Company's Second Phase of A-share Restricted Stock Plan was deliberated and adopted on the first meeting of Baosteel's 7th boards according to which the unlocking was agreed. The Company

handled unlocking formalities for 1,062 incentive objectives for the first unlocking period for a total of 54,895,700 restricted stocks.

The related information regarding restricted stock plan 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 followup implementation

☐ Applicable ☒ Not applicable

(II) Incentive information undisclosed in temporary announcement or with follow-up development

Equity incentive information

☐ Applicable ☒ Not applicable

Other information

☐ Applicable ☒ Not applicable

Employee stock ownership plan

☐ Applicable ☒ Not applicable

Other incentive measures

☐ Applicable ☒ Not applicable

XIV. Major Affiliated Transactions

(I) Affiliated transaction related to daily operation

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

1. Buying and selling products and accepting services

Unit: Million Yuan Currency: RMB

Related party	Contents of related transaction	Pricing principle	Transaction amount
Ouyee Co., Ltd.	Sales of steel products, etc.	Market price	20,986
Baosteel Resource International Co., Ltd.	Sales of raw fuel, etc.	Market price	5,399
Baosteel Special Steel Co., Ltd.	Sales of steel products, auxiliary materials, energy medium, etc.	Market price	2,329
Wuhan Iron & Steel Group Co., Ltd.	Sales of steel products, energy medium, etc.	Market price or agreement price	1,410
Baosteel Metal Co., Ltd.	Sales of steel products, etc.	Market price	1,610
Wugang United Coking	Sales of raw fuel, energy medium, etc.	Market price or agreement price	1,832
Baowu Group Environmental Resources Technology Co., Ltd.	Sales of steel by-products, energy medium, etc.	Market price	2,559
Baosteel Resources Co., Ltd.	Sales of raw fuel, etc.	Market price	2,793
Subtotal of product sales		Market price	38,918
Baosteel Resource Co., Ltd.	Procurement of raw fuel	Market price	8,445
Wuhan Iron & Steel Group Co., Ltd.	Procurement of raw fuel, auxiliary materials, energy medium, etc.	Market price	6,004
Baosteel Special Steel Co., Ltd.	Procurement of steel products	Market price	4,138
Baosteel Group Xinjiang Bayi Iron & Steel Co., Ltd.	Procurement of steel products	Market price	1,987
Ningbo Baoxin Stainless Steel Co., Ltd.	Procurement of steel products	Market price	5,953

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Baosteel Engineering Technology Group Co., Ltd.	Procurement of equipments, spare parts, etc.	Market price	1,059
Baowu Group Guangdong Shaoguan Iron & Steel Co., Ltd.	Procurement of steel products	Market price	3,058
Baosteel Resource International Co., Ltd.	Sales of raw fuel, etc.	Market price	1,358
Baosteel Desheng Stainless Steel Co., Ltd.	Procurement of steel products	Market price	2,880
Ouyeel Co., Ltd.	Procurement of steel products	Market price	1,662
Wugang United Coking	Procurement of coke, energy medium, etc.	Market price or agreement price	12,587
Subtotal of commodity procurement			49,131
Baosteel Engineering Technology Group Co., Ltd.	Acceptance of testing, overhaul, engineering services, etc.	Agreement price or agreement price	2,123
Subtotal of received labors			2,123

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

The sales above accounted for 13.4% of the Company's operating revenue during the reporting period; procurement and accepting services took up 18.9% and 0.8% respectively of the Company's operation cost during 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 Co.), a national non-bank financial institution with Baowu Group holding 37.38% 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.

During this reporting period, Finance Co., provided a total of RMB 6.43 billion to controlled subsidiaries of Baowu Group, with outstanding loan of RMB 760 million, and a total interest income of RMB 20 million.

During this reporting period, Finance Co., discounted RMB 4.04 billion for cash to controlled subsidiaries of Baowu Group, with the discount balance of RMB 790 million, and the received discount interest of RMB 30 million.

During this reporting period, Finance Co., conducted the interbank business of RMB 1.69 billion to financial subsidiaries of Baowu Group, with the closing balance of RMB 1.0 billion and the net interest expenditure of RMB 20 million.

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

3. Entrusted assets management

In order to effectively raise the use efficiency of temporarily idle funds, maintain and increase capital value, Baosteel entrusted the financial subsidiary of Baowu Group for assets management, including purchasing financial products like funds and trust. Trading volume during the reporting period was RMB 2.17 billion, with the closing balance of RMB 1.86 billion, and the investment income of RMB 80 million.

(II) Affiliated transactions in the acquisition or sale of assets or equity

1. Matters disclosed intemporary announcement and without progression or change in the follow-up implementation

☐ Applicable ☒ Not applicable

2. Matters disclosed intemporary announcement but with progression or change in the follow-up implementation

☐ Applicable ☒ Not applicable

3. Matters undisclosed in temporary announcement

☒ Applicable ☐ Not applicable

Unit: Million Yuan Currency: RMB

Related party	Association relationship	Type of related transaction	Content of related transaction	Pricing principles of related transactions	Book value of transferred assets	Appraised value of transferred assets	Transfer price	Settlement methods of related transaction	Gains from the transfer of assets	The impact of the transaction on the Company's operating results and financial position	Reasons for the large difference between transaction price and book value or appraised value and market fair value
Wuhan Iron and Steel Group	A brother company in the Group	Equity investment	Acquired 100% equity of Wuhan Iron & Steel Engineering Technology Group Co., Ltd. held by Wuhan Iron and Steel Group	Appraised value	273.39	291.95	291.95	Cash		Included in the scope of consolidation	N/A

(III) Major affiliated transactions of joint external investment

1. Matters already disclosed in temporary announcement and without progress or change in follow-up implementation

☐ Applicable ☒ Not applicable

2. Matters already disclosed in temporary announcement and with progress or change in follow-up implementation

☒ Applicable ☐ Not applicable

Unit: Million Yuan Currency: RMB

Co-investor	Association 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, Shanghai Baodi Real Estate Asset Management Co., Ltd.	Brother companies in the group	Wuhan WISCO Big Data Industrial Park Co., Ltd.	Computer, automation, network communication system, software and hardware product development, integration, etc.	2,000.00	337.86	298.51	-1.49	N/A
Wuhan Iron & Steel Group, Wuhan Steel and Power Co., Ltd., Wugang Resource Group Co., Ltd., Wugang Group Kunming Steel & Iron Co., Ltd.	Brother companies in the group	Wuhan WISCO Big Data Industrial Park Co., Ltd.	Financial services	1,200.00	23,302.82	1,642.06	616.36	N/A

(1) Baosight Software, as a holding subsidiary of Baosteel, invested together with Wuhan Iron & Steel Group, Shanghai Baodi Real Estate Asset Management Co., Ltd., and Wuhan Qingshan District State-owned Capital Investment and Operation Holding Group Co., Ltd. to establish Wuhan WISCO Big Data Industrial Park Co., Ltd. of which Baosight Software holds 20% of the shares. The registered capital of the Company is RMB 2 billion, contributed by all parties in cash according to the proportion of equity. For the first phase, a total of RMB 300 million were contributed where Baosight Software has completed the contribution of RMB 60 million.

(2) According to the relevant regulatory requirements and the integration needs of similar businesses, the two financial companies subordinate to

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Baowu Group need to be integrated. According to the integration plan and the resolution of the eighth meeting of the seventh board of directors of the Company, WISCO Limited and IETC as subsidiaries of the Company reduced capital contribution to WISCO Finance. WISCO Limited and IETC totally reduced capital contribution to WISCO Finance by RMB 521 million. WISCO Finance made the repayment based on its assessed value of net assets that has been recorded. In June, WISCO Limited and IETC received the total price from capital reduction by RMB 823 million. After that, the registered capital of WISCO Finance is RMB 1.2 billion. Wuhan Iron & Steel Group and WISCO Limited hold 50.5% and 49.5% of its shares respectively and IETC no longer hold equity of WISCO Finance.

3. Matters undisclosed in temporary announcement

☒ Applicable ☐ Not applicable

Unit: Million Yuan Currency: RMB

Co-investor	Association 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
China Baowu Steel Group Corporation Ltd.	Parent-subsidiary corporation	Ouyeel Co., Ltd.	Internet production service platform	4,174.68	23,761.50	4,951.05	62.76	N/A

Major affiliated transactions of joint external investment

Ouyeel Co., Ltd., a joint venture company of Baosteel, completed the second round of increase in capital and share by means of public listing. 841 million shares were issued at a price of 2.4 yuan/share, raised funds of RMB 2.02 billion. The Company, Baosteel International and Baowu Group participated in the subscription. The Company and Baosteel International together subscribed 45.83 million shares at the price of RMB 110 million; Baowu Group subscribed 95.83 million shares at the price of RMB 230 million. After the increase in capital and share, the Company and Baosteel International jointly hold a combined shareholding ratio of 30.42%, and Baowu Group holds a shareholding ratio of 30.47%.

(IV) Affiliated creditor's rights and debts

1. Matters already disclosed in temporary announcement and without progress or change in follow-up implementation

☐ Applicable ☒ Not applicable

2. Matters already disclosed in temporary announcement but with progress or change in follow-up implementation

☐ Applicable ☒ Not applicable

3. Matters undisclosed in temporary announcement

☐ Applicable ☒ Not applicable

XV. Major Contracts and Their Performance Situation

(I) Matters of trusteeship, contracting and lease

1. Trusteeship situation

☐ Applicable ☒ Not applicable

2. Contracting situation

☐ Applicable ☒ Not applicable

3. Leasing situation

☐ Applicable ☒ Not applicable

(II) Guaranty situation

√ Applicable ☐ Not applicable

Unit: Million Yuan Currency: RMB

External guarantees Company (excluding the guaranty for subsidiaries)													
Guarantor	The relationship between the guarantor and the listed company	Secured party	Amount of guarantee	Guarantee occurring date (signing date of the agreement)	Starting date of guarantee	Expiry date of guarantee	Guarantee type	The guarantee has been fulfilled or not	Guarantee is overdue or not	Guaranteed overdue amount	Whether there is an counter guarantee or not	Whether it is guaranteed by related parties	Associated relation
Total amount of guarantee during the reporting period (excluding guarantees for subsidiaries)													
Total amount of guarantee balance at the end of the reporting period (A) (excluding guarantees for subsidiaries)													
Guarantees for subsidiaries from the Company and its subsidiaries													
Total guaranteed amount for subsidiaries during the reporting period													
Total balance of guarantee for subsidiaries at the end of the reporting period (B)													
Total guarantee amount of the Company (including the guaranty towards subsidiaries)													
Total guaranteed amount (A + B)													
Proportion of total guaranteed amount to net assets (%)													
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 2019, this company 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, which is equivalent to RMB 698 million; provided a subsidiary Baosteel Middle East with a joint liability performance bond of USD 24 million, which is equivalent to RMB 167 million;provided a subsidiary Baosteel Singapore Pte Ltd. with a joint liability performance bond of HKD191 million, which is equivalent to RMB 171 million. The foresaid letter of security had no substantial risk expansion, and was 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	29,300	14,136	
Broker finance	Self-owned	-	272	
Trust finance	Self-owned	2,071	1,470	

Note: The incurred amount refers to the principal of the new financial products that year.

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Other information

☒ Applicable ☐ Not applicable

Other investing and financing as well as derivative investment situations

Unit: Million Yuan Currency: RMB

Type	Source of fund	Incurred amount	Unexpired balance	Unrecovered overdue amount
Fund finance	Self-owned	1,137	132	
Other finances	Self-owned	56	0	

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

(2) Single entrusted finance

☐ Applicable ☒ Not applicable

Other information

☐ Applicable ☒ Not applicable

(3) Depreciation reserve of entrusted finance

☐ Applicable ☒ Not applicable

2. Information of entrusted loan

(1) General information of entrusted loan

☐ Applicable ☒ Not applicable

Other information

☐ Applicable ☒ Not applicable

(2) Single entrusted loan information

☐ Applicable ☒ Not applicable

Other information

☐ Applicable ☒ Not applicable

(3) Depreciation reserve of entrusted loan

☐ Applicable ☒ Not applicable

3. Other information

☐ Applicable ☒ Not applicable

(IV) Other major contracts

☐ Applicable ☒ Not applicable

XVI. Other Major Matters

☐ Applicable ☒ Not applicable

XVII. Working Situation on Actively Implementing Social Responsibilities

(I) Poverty-relief work of listed company

☒ Applicable ☐ Not applicable

1. Targeted poverty alleviation planning

☒ Applicable ☐ Not applicable

In 2019, the Company further implemented the General Secretary Xi's important discourse on poverty alleviation and the decision and arrangements of the CPC Central Committee and the State Council on crucial poverty alleviation. Taking the opportunity of the thematic education on "Remaining true to our original aspiration and keeping our mission firmly in mind", the Company attached great importance to poverty alleviation and actively performed social responsibilities as a listed company according to the Group Corporation's requirements on fixed-point poverty alleviation. We focused on beating poverty with alleviation, stuck to "precision" poverty alleviation and increased the input for poverty alleviation based on the proportion of the 5:4:1 for village promotion, industrial development and education. We have carefully formulated and implemented the plan for 2019 fixed-point poverty alleviation and assistance construction projects, gave priority to our work of seeing that the basic living needs of rural poor populations are met and that such people have access to compulsory education, basic medical services, and housing, and supported economic and social construction of poverty-stricken areas in terms of capital, talent, technology, industry and others, thus vigorously promoting economic and social development of poor counties and accelerating poverty alleviation of people in financial difficulties.

2. Summary of annual targeted poverty alleviation

☒ Applicable ☐ Not applicable

In 2019, the Company attached great importance to and earnestly implemented the fixed-point poverty alleviation work. Through strict process control and joint efforts of the whole company, the Company has made many positive and beneficial explorations in the aspects of industrial poverty alleviation, consumption poverty alleviation, poverty alleviation pairing and co-construction. In 2019, a total of RMB 48 million was invested to Yunnan as scheduled to support 57 construction projects, mainly focusing on infrastructure construction, industrial poverty alleviation, education and training. Besides, we mobilized employees and social forces to further intensify poverty alleviation of consumption online and offline. We helped a targeted county in Yunnan for poverty alleviation to set up the first poverty alleviation counter in Shanghai to sell poverty alleviation products. We also organized related units to recruit employees in Yunnan for employment poverty alleviation. We partnered with poor villages and their party branches and donated school supplies, sports goods and public benefit books to poor students. By the end of 2019, a total of 51 assistant construction projects had been completed in addition 2 projects under construction in Guangnan, 1 project in Ning'er, 2 projects in Jiangcheng and 1 project in Zhenruan. In April, Zhenruan Town in Puer City of Yunnan, as an object for fixed-point poverty alleviation of our company, got out of poverty successfully. The Company, as a central enterprise designated poverty alleviation unit, has performed our social responsibilities and has made positive contributions to the victory in the battle against poverty.

3. Effect of targeted poverty alleviation

☒ Applicable ☐ Not applicable

Unit: ten thousand yuan Currency: RMB

Indicator	Amount and development
I. General Situation	Further strengthen the efforts of poverty alleviation, invest the aid fund of RMB 48 million within the plan and confirm 57 construction aid projects. In addition, donate school supplies, sporting goods, books, and quilts valued RMB 241,000 to poor areas. In 2019, Baosteel organized 48 person-times survey in four counties in Yunnan Province (including 8 person-times at the level of company leader, 17 person-times at the level of factory and branch cadre, and 23 person-times of other personnel).
Including: 1. Funds	4,800
2. Worth of materials	24.1
3. Number of registered poor population supported (person)	17,687
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

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1.2 Number of industrial poverty alleviation projects (units)	13
1.3 Investment amount of industrial poverty alleviation project	1,300.41
1.4 The number of poverty people who are helped to put on record for poverty alleviation (person)	8,031
2. Transfer and employment for poverty alleviation	
Wherein: 2.1 Vocational skill training investment amount	35
2.2 Number of vocational skill training participants (person/time)	618
2.3 Number of people in poverty family who are helped to obtain employment (person)	151
3. Relocation for poverty alleviation	
4. Education for poverty alleviation	
Wherein: 4.1 Investment amounts for funding poor students	315
4.2 Number of poor students (person) for funding	1,760
4.3 Amount of resource input to improve the education in poverty regions	377.95
5. Health care for poverty alleviation	
Wherein: 5.1 Amount of medical and health resources invested in poverty-stricken areas	24
6. Ecological protection for poverty alleviation	
7. Miscellaneous guarantee	
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	4,800
8.3 Poverty alleviation fund	/
9. Other items	
Wherein: 9.1. Project number	35
9.2. Invested amount	2,756.64
9.3. The number of poverty people who are helped to put on record for poverty alleviation (person)	7,666
III. Awards received (content, grade)	

4. Follow-up targeted poverty alleviation plan

√ Applicable ☐ Not applicable

(1) Improve political stance and earnestly implement the "Statement of Responsibility for Fixed-point Poverty Alleviation Targets by Central Units" and requirements of the SASAC on poverty alleviation by central enterprises. Centering on the prominent problems of well-targeted support, innovation support, and the work of seeing that the basic living needs of rural poor populations are met and that such people have access to compulsory education, basic medical services, and housing, the Company summarizes and publicizes poverty alleviation experience and typical cases, and mobilizes all forces to make efforts to fight against poverty.

(2) Strengthen the management of fixed-point poverty alleviation projects. We will first of all organize to accept projects completed in 2019 and then promote the implementation of projects for 2020. We will strengthen in-process supervision of support funds and organize relevant personnel or departments to visit villages and towns in poverty to get to know actual needs of poverty-stricken areas, and help the areas to solve problems encountered in poverty alleviation projects.

(3) Further strengthen the support to medicine, education and industries. Together with related industrial systems, we will make constant exploration for poverty alleviation by finance, talents, employment and consumption, gradually establish and improve the poverty alleviation industrial chain by actual practice, help poor counties to consolidate poverty alleviation results and actively explore the sustainable poverty alleviation mode from "blood transfusion" to "hemopoiesis".

(II) Social responsibility work

√ Applicable ☐ Not applicableThe Company disclosed the sustainable development report, in the website <http://www.sse.com.cn/>.

(III) Environmental information

1. The environmental protection of the company that belongs to key pollutant discharging unit and or its important subsidiaries published by Environmental Protection Department.

√ Applicable ☐ Not applicable

(1) Pollution discharge information

√ Applicable ☐ Not applicable

During the period of the report, Baosteel has earnestly implemented the major decisions and arrangements concerning ecological 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 ecological environmental protection as one of core work 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, Baosteel 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", Baosteel has studied and solved prominent problems of limiting the environmental protection of the Company according to national laws and regulations and industry standards.

During the reporting period, the total quantity allowed of main pollutants in the exhaust gas of the Company and important subsidiaries is: 22,670.9 tons of particulate matter, 30,623.61 tons of sulfur dioxide and 60,582.02 tons of nitrogen oxides; the Company actually discharged 9,574.67 tons of particulate matter, 14,426.25 tons of sulfur dioxide, and 37,622.26 tons of nitrogen oxides. The total waste water discharge target is COD 2,102.8 tons and ammonia nitrogen 177.78 tons, and the actual discharge was COD 827.14 tons and ammonia nitrogen 82.76 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) in 2019	Total permitted emissions (tons/year) in 2019	Excessive emission in 2019
Headquarter of Baoshan Iron & Steel Co., Ltd.	Particulate matter	Organized emission	536	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)	3184.73	8893.6	None
	Sulfur dioxide					3844.51	7576.1	None	
	Nitrogen oxides					10661.16	13795.6	None	
	COD		6	Wastewater treatment outlet		Water Pollutant Discharge Standard for Iron and Steel Industry (GB13456-2012), Integrated Wastewater Discharge Standard (DB31/199-2018)	121.92	168	None
	Ammonia nitrogen					4.28	8	None	

Section V Important Matters

Wuhan Iron & Steel Co., Ltd.	Particulate matter	Organized emission	293	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)	4021	6452	None
	Sulfur dioxide		125			(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)	6924	12978	None
	Nitrogen oxides		125			(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)	15157	22763	None
	COD		2			Water Pollutant Discharge Standard for Iron and Steel Industry (GB13456-2012)	451	1191	None
	Ammonia nitrogen		2			Water Pollutant Discharge Standard for Iron and Steel Industry (GB13456-2012)	71.3	120	None
Baosteel Zhanjiang Iron & Steel Co., Ltd.	Particulate matter	Organized emission	254	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)	1504	3645	None
	Sulfur dioxide					(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)	1539	3904	None
	Nitrogen oxides					(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)	7210	11577	None
	COD					Water Pollutant Discharge Standard for Iron and Steel Industry (GB13456-2012)	30	158	None
	Ammonia nitrogen					Water Pollutant Discharge Standard for Iron and Steel Industry (GB13456-2012)	0.4	15	None
Shanghai Meishan Iron & Steel Co., Ltd.	Particulate matter	Organized emission	141	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); Air Pollutant Emission Standard for Steel Rolling Industry (GB28665-2012)	841	3600	None
	Sulfur dioxide		30			(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 Standard for Steel Rolling Industry (GB28665-2012)	2058	5800	None
	Nitrogen oxides		23			(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 Standard for Steel Rolling Industry (GB28665-2012)	4372	12000	None
	COD		1	Outlet	All meet the relevant standards	Water Pollutant Discharge Standard for Iron and Steel Industry (GB13456-2012)	109	400	None
	Ammonia nitrogen					Water Pollutant Discharge Standard for Iron and Steel Industry (GB13456-2012)	5.7	30	None
Baosteel-NSC/Arcelor Automotive Steel Sheets Co., Ltd.	Particulate matter	Organized emission	13	Steel rolling	All meet the relevant standards	Air Pollutant Emission Standard for Steel Rolling Industry (GB28665-2012)	14.49	41	None
	Sulfur dioxide		8			Air Pollutant Emission Standard for Steel Rolling Industry (GB28665-2012)	37.57	54	None
	Nitrogen oxides		8			Air Pollutant Emission Standard for Steel Rolling Industry (GB28665-2012)	118.99	196	None
Baowu Carbon Material Technology Co., Ltd.	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);	8	35	None
	Sulfur dioxide		22			(GB16171-2012); Emission Standards for Pollutants of Coking Chemical Industry (GB16171-2012);	20	303	None
	Nitrogen oxides		22			(GB16171-2012); Emission Standards for Pollutants of Coking Chemical Industry (GB16171-2012);	86	218	None
	COD		2		All meet the relevant standards	Emission Standards for Pollutants of Coking Chemical Industry (GB16171-2012);	106	142	None
	Ammonia nitrogen		2			Emission Standards for Pollutants of Coking Chemical Industry (GB16171-2012);	0.85	1.5	None

Baosteel Huangshi Coated and Galvanized Sheet Co., Ltd.	Particulate matter	Organized emission	I	Cold rolling unit	All meet the relevant standards	Air Pollutant Emission Standard for Steel Rolling Industry (GB28665-2012)	1.45	4.3	None
	Sulfur dioxide						3.17	8.51	None
	Nitrogen oxides						17.11	32.42	None
	COD	I	Outlet		All meet the relevant standards	Water Pollutant Discharge Standard for Iron and Steel Industry (GB13456- 2012)	9.22	43.8	None
	Ammonia nitrogen						0.23	3.28	None

(2) Construction and operation of pollution control facilities

√ Applicable ☐ Not applicable

The Company and subsidiaries actively face the pressure of environmental protection, adjust the process of ecological environmental protection management and carry out fine environmental protection management guided by existing laws and regulations and industrial policy requirements. We strengthen the performance of ecological environmental protection, guide employees to give full play to their subjective initiative, strengthen supervision, and ensure the control objectives under control.

According to the latest environmental requirements and the distribution of pollution sources, the Company and its subsidiaries strengthened the comprehensive treatment of waste gas, wastewater and pollutants during the reporting period. Baosteel mainly implemented the construction for the dry quenching coke flue gas desulfurization plant project of No. 1 coke oven, new flue gas purification unit project for No. 3 and No. 4 coke ovens, flue gas environmental protection renovation project for No. 4 unit of the power plant. It also promoted closed transformation of the raw material farm and the belt conveying system, configured dry quenching gas purification device for the third and the fourth phases, carried out adaptability improvement for ultra-low flue gas emission of No.3 sintering machine, the full door-frame type B closed transformation of the coal farm, and newly added metallurgical iron-containing dust sludge resource regeneration device, etc. WISCO Limited mainly carried out environmental protection renovation project for 2-A transportation area of the ironworks, flue gas purification device project for 1#, 2#, 4#, 5# and 6# coke ovens of the coking company, desulfurization and denitrification project of flue gas of the No.4 sintering machine, new flue gas denitrification device project of the No.1 sintering machine, sewage and wastewater treatment pipeline construction project for the steel rolling area, and the new biochemical waste water treatment project. Menshan Iron & Steel mainly carried out the transformation of purchased coke long storage tanks and coal silos, deep denitration treatment of flue gas for 4# and 5# sintering machine, deep desulfurization transformation of 3# and 4# gas boilers, full enclosed transformation of the water transportation coal conveying system, sintering ring cold shaft furnace environmental protection transformation, ultra-low emission transformation for the dedusting system of blast furnace ore tank and the raw material area, in-depth treatment and recycling of coking wastewater and other projects. It further promoted primary dust removal transformation of 1# steel converter, deep desulfurization and low-nitrogen combustion transformation of 1#, 2#, 5# and 6# gas boilers, transformation of unorganized dust control for the mixing yard of the lime kiln, etc. Zhanjiang Iron & Steel completed full-load denitrification transformation of the power plant, VOCs recovery transformation of the jet area and other related projects. Some other projects are under steadily implementation, such as new main flue gas denitrification and equipment function improvement for sintering, new SCR denitrification of pellets, closing of type A and type B stock yards and other ultra-low emission transformation projects. It has completed the external drainage comprehensive utilization project and became the first iron & steel company with "zero wastewater discharge" capacity in China, and has completed the project of the water control center. Baowu Carbon Materials mainly carried out the new carbon material upgrading and transformation project, RO concentrated water crystallization project for the fourth phase, phenol-cyanogen wastewater deep recycling device upgrading and transformation project, centralized rectification project of unorganized exhaust gas emissions in the old chemical production area, wastewater plant VOC collection project for the third phase, etc.

Baosteel attaches great importance to the operation and management of environmental protection facilities. It has 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. The details are shown below:

Section V Important Matters

Company and subsidiaries	Key projects	EIA issuance/ acceptance situation	Remarks
Baoshan Iron & Steel Co., Ltd.	Newly added metallurgical iron-containing dust sludge resource regeneration device	A reply on EIA has been received	
	Offsite overhaul of 1420/1550/1730 acid regeneration unit in cold rolling plant		
	Two-step project for the renovation of blast furnace gas holder		
	Renovation of the front dedusting system of No.1 blast furnace	EIA registration form filing has been completed	
	Comprehensive renovation of electric furnace dedusting system for round and square billet production lines of Steel Pipe and Bar Business Division		
	Centralized coal supply of the blast furnace and environmental protection renovation of No.1 and No.2 blast furnace coke belt conveyor		
	Renovation of phosphating water treatment device in pipe processing center	The acceptance has been completed	
	Newly added acid-making device and supporting engineering for sintering		
	Comprehensive transformation of ultra-low emission of No.1, 2 and 3 units in the power plant		
	Baosteel reservoir expansion and transformation project		
	Comprehensive transformation project for improving the production capacity of blooming round steel		
	Ore yard OG, OH, OI closed renovation project		
	Oriented silicon steel product structure optimization (one-step project)		
	Integration and overhaul engineering of No.1 and No.2 sintering machine		
WISCO Limited	Newly added flue gas cleaning device for 9 # and 10 # coke ovens	A reply on EIA has been received	
	Newly added slab surface hot scarfing machine for No.3 steelmaking affiliated factory		
	Flue gas cleaning device for #1 and #6 coke ovens		
	Renovation of No.1 ammonium sulphate recycling and ammonia distillation system	EIA registration form filing has been completed	
	No.4 sintering machine flue gas desulfurization and denitrification project		
	Environmental protection transformation project of steel slag treatment process in the bar stock plant		
	Environmental protection renovation project of steel slag treatment in No.3 steel plant		
	Newly built project for 4 # LD outlet converter gas pipeline in the gas affiliated factory		
	Newly-built project for converter gas pipeline from No.3 pressurized outlet to 07# power station in the gas affiliated factory		
	Newly built project for DN600 coke oven gas pipeline of No.1/4/5 sintering machine in the gas affiliated factory		
	Newly built project for DN1800 coke oven gas pipeline from No.2 pressurized outlet to the crude desulfurization area in the gas affiliated factory		
	Gas pipeline project for No.3 pressurized outlet to crude desulfurization coke oven in the Energy Center		
	WISCO Limited Manufacturing Control Center and Archives construction project		
	Renovation project of raw materials environmental protection dedusting system in the quality inspection center		
	Renovation of low-power acid equipment and chemical acid mist gas emission purification system in the quality inspection center		
	Renovation of C3 dedusting system for raw materials of No.5 blast furnace in iron works		
	Project of mobile dust collection facilities at the sand outlet in iron works		
	4 # blast furnace return ore bunker project in iron works		
	Dust suppression facilities provided for gravitational dust collection and discharge spots of WISCO Limited		
	Reconstruction of 507 transfer station dust system of No.5 blast furnace		
	Spray dust suppression facilities for raw coal transportation preparation line of No.8 blast furnace of WISCO Limited		
	Newly built fully-sealed process CDQ filling system of WISCO Limited		
	Pneumatic conveying project of No. 4 and No.5 sintering machine area in iron works		
	Dust suppression facilities installed at No. 5 and No. 6 blast furnace raw coal systems and transfer stations in iron works		
	Renovation of No. 4, No. 6, No. 7 and No. 8 blast furnace raw material dedusting systems in the blast furnace branch of iron works		
	Renovation project of car tippler materials line and dust removal facilities in iron works		
	Construction project for sewage interception pipe network in steel rolling area		
	Renovation of dust suppression system of bridge-style grab ship unloader in port area		
	Environmental protection renovation of belt conveyors at 1# and 4# wharfs of Ministry of Transport and new wharf shore power system project		
	Project for newly added online heat treatment rail production line in the large branch of the bar stock plant		
	Newly added flue gas cleaning device for 9 # and 10 # coke ovens	The acceptance has been completed	

Shanghai Meishan Iron & Steel Co., Ltd.	Hazardous waste warehouse environmental improvement and renovation project	EIA registration form filing has been completed
	Deep desulfurization renovation project of No. 3 and No. 4 gas boilers in the thermal power plant	A reply on EIA has been received
	New water transportation coal conveying system project	The acceptance has been completed
	No. 3 sintering machine cycle cooling system renovation project	
Baosteel Zhanjiang Iron & Steel Co., Ltd.	No.3 blast furnace system engineering project	A reply on EIA has been received
	Newly added 2 # LF and 3 # RH refining project in steel plant	
	Exterior drainage comprehensive utilization system project	
	Heating furnace process energy-saving transformation project of heavy plate plant	
	Construction project of finished parking lot and supporting facilities of the logistics department	
	Comprehensive reconstruction project of bulk material recovery for pellet traveling grate in iron works	
	Newly added coal refined acid tail gas treatment device and ammonium sulphate tail gas treatment and transformation project in iron works	
	1550 and 2030 cold rolling acid regeneration ultra-low emission renovation project	
	Closed renovation project of raw material A-type yard in iron works	
	Dedusting system upgrade project of iron works	
	Primary flue gas ultra-low emission renovation project of No. 1 converter in steel plant	EIA registration form filing has been completed
	Distributed photovoltaic power generation project of Zhanjiang Iron & Steel	
	Construction project of pellet production supporting facilities in iron works	
	Advanced construction project of three cold-rolled finished bays	
	Iron production supporting facilities construction project of iron works	
	Comprehensive efficiency improvement project of waste heat resources in scorch area	The acceptance has been completed
	Desulfurization and regeneration system project of graphite in iron works	
	Newly added debenzene pretreatment device project in hydrogen production station	
	Production supporting project on the east of Baosteel Zhanjiang Iron & Steel Base	
	Newly added acid-making device and supporting project for sintering in iron works	
	Railway factory station project of Baosteel Zhanjiang Iron & Steel Base	
	Newly added lime raw material underground silo and supporting facilities in steel plant	
Baowu Carbon Material Technology Co., Ltd.	Pellet landing system renovation project of iron works	EIA registration form filing has been completed
	Heavy plate plant heating furnace process energy-saving transformation project	
	Centralized rectification project of unorganized exhaust gas emissions in the old chemical production area	A reply on EIA has been received

According to the Pollutant Discharge Permit Management Interim Provisions, Discharge Permit Application and Issuance of Technical Specifications - Iron and Steel Industry and other requirements, the Company and its subsidiaries have required the application of pollutant discharge permit since September 2017, have applied for the change of pollutant discharge permit and have obtained the Pollutant Discharge Permit issued by local ecological environmental protection departments. The Company will strictly follow requirements of the pollutant discharge permit, be sure to work with permit, and carry out self-monitoring, ledger keeping, regular reporting and information disclosure.

(4) Emergency plan against environmental emergencies

☒ Applicable ☐ Not applicable

In order to ensure the safety of the enterprises, society and the worker's life and property, prevent the occurrence of environmental emergencies, and to ensure quick and efficient control and disposal in case of any environmental emergency, Baosteel has assessed environmental risks faced by the Company 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 Environmental Emergencies (for trial implementation), Guideline for Preparing the Risk Assessment Report of Environmental Emergencies of the Enterprises (for trial implementation), and has compiled emergency plans of all subsidiaries and recorded at local ecological environmental protection departments. During the reporting period, Baosteel headquarters, Zhanjiang Iron & Steel and Huangshi Company initiated and completed the revision, review and filing of plans for environmental emergencies.

(5) Environment self-monitoring plan

☒ Applicable ☐ Not applicable

Section V Important Matters

In accordance with the requirements of the pollutant discharge permit and the technical guidelines for self-monitoring of pollutant discharge units, each subsidiary regularly conducts the self-monitoring of environmental protection, and publishes the self-monitoring information on provincial and municipal information disclosure platforms such as the national pollution source monitoring information management and sharing platform, Shanghai enterprises and public institutions information disclosure platform.

By constantly strengthening the capacity building of monitoring stations, we will update environmental monitoring equipment, improve the accuracy of monitoring, change the monitoring management mode, and make monitoring, analysis of exceeding limits, rectification, tracking and supervision as the important functions of environmental monitoring, so as to achieve closed-loop management of exceeding limits. At the same time, according to national and local requirements, we will carry out self-monitoring seriously, and timely, complete and truthful release of self-monitoring data and related information. During the reporting period, the self-monitoring disclosure rate reached 100%.

(6) Other environmental information that should be disclosed

☐ Applicable ☒ Not applicable

2. Environmental protection situation of companies other than key pollutant discharge units

☐ Applicable ☒ Not applicable

3. Reasons for why companies other than key pollutant discharge units did not disclose the environmental information

☐ Applicable ☒ Not applicable

4. Subsequent progress or changes in the disclosure of environmental information content during the reporting period

☐ Applicable ☒ Not applicable

(IV) Other information

☐ Applicable ☒ Not applicable

XVIII. Information of Convertible Corporate Bonds

☐ Applicable ☒ Not applicable

Section VI Change of Common Shares and Shareholders

I. Change in Common Share Capital

(I) Table of changes in common shares

1. Table of changes in common shares

As of the end of the reporting period, the Company's total share capital was 22,274,460,375 shares, including 173,373,450 marketable shares with trading limited condition and 22,101,086,925 marketable shares without trading limited condition. The changes in shares during the reporting period are detailed in the following table:

Unit: share

	Before the change				Changes in the period (+, -)		After the change	
	Shares	Ratio (%)	Shares newly issued	Bonus share	Share transferred from reserve	Others	Sub-total	Shares Ratio (%)
I. Shares with trading limited condition	166,828,200	0.749	+9,566,700			-3,021,450	+6,545,250	173,373,450 0.778
1. State-owned shares								
2. State-owned legal person shares								
3. Other domestic shares	166,828,200	0.749	+9,566,700			-3,021,450	+6,545,250	173,373,450 0.778
Among which: Domestic non-state-owned legal person shares								
Domestic natural person shares	166,828,200	0.749	+9,566,700			-3,021,450	+6,545,250	173,373,450 0.778
4. Foreign shares								
Among which: Foreign legal person shares								
Foreign natural person shares								
II. Marketable shares without trading limited condition	22,101,086,925	99.251						22,101,086,925 99.222
1.RMB common shares	22,101,086,925	99.251						22,101,086,925 99.222
2.Domestic listed international investment shares								
3.Overseas listed international investment shares								
4. Others								
III. Total of common shares	22,267,915,125	100	+9,566,700			-3,021,450	+6,545,250	22,274,460,375 100

2. Changes of common shares

☒ Applicable ☐ Not applicable

(1) On the fifth meeting of the seventh board of directors of the Company on December 18, 2018, the Proposal on Implementation, Reserving and Granting of the Company's Second Phase of A-share Restricted Stock Plan was deliberated and adopted. It was agreed to grant 9,566,700 reserved restricted shares to 76 incentive objects on the grant date of December 18, 2018. The grant of the reserved restricted shares was registered on January 17, 2019. After that, the total share capital of the Company is 22,277,481,825 shares, including 176,394,900 marketable shares with trading limited condition and 22,101,086,925 marketable shares without trading limited condition.

(2) It was deliberated and approved on the second temporary shareholders' meeting of 2018 held on Sept. 18, 2018 that the Company would repurchase and de-register 1,347,750 restricted shares from incentive objects of the second phase of A share restricted stock plan who have not yet meet the unlocking conditions before January 22, 2019. After the de-registration of restricted shares this time, the total share capital of the Company is 22,276,134,075 shares, including 175,047,150 marketable shares with trading limited condition and 22,101,086,925 marketable shares without trading limited condition.

(3) It was deliberated and approved on the 2018 shareholders' meeting held on May 17, 2019 that the Company would repurchase and de-register 1,673,700 restricted shares from incentive objects of the second phase of A-share restricted stock plan who have not yet meet the unlocking conditions before August 27, 2019. After the de-registration of restricted shares this time, the total share capital of the Company is 22,274,460,375 shares, including 173,373,450 marketable shares with trading limited condition and 22,101,086,925 marketable shares without trading limited condition.

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(4) On the 13th meeting of the 7th board of directors of the Company held on January 3, 2020, the Proposal on Matters Regarding the Release of Restricted Stocks during the First Lockup Expiration Period in the Company's Second Phase of A-share Restricted Stock Plan was deliberated and adopted. On January 16, 2020, 54,895,700 shares released from sales restriction in the first unlocking period in the second phase of A-share restricted stock plan were circulated in the market. After that, the total share capital of the Company is 22,274,460,375 shares, including 118,477,750 marketable share with trading limited condition and 22,155,982,625 marketable shares without trading limited condition.

(5) It was deliberated and approved on the annual shareholders' meeting of 2018 held on May 17, 2019 and the first temporary shareholders' meeting of 2020 held on January 21, 2020 that the Company would repurchase and de-register 3,172,250 restricted shares from incentive objects of the second phase of A share restricted stock plan who have not yet meet the unlocking conditions before March 27, 2020. After the de-registration of restricted shares this time, the total share capital of the Company is 22,271,288,125 shares, including 115,305,500 marketable shares with trading limited condition and 22,155,982,625 marketable shares without trading limited condition.

3. Impact of common share changes on financial indicators 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 increased 6,545,250 shares due to the implementation of reserved grants and the repurchase and cancellation of restricted stocks in the second phase of A share restricted stock plan, which basically had no impact on the current earnings per share, net assets per share and other financial indicators.

4. Other contents deemed necessary by the Company or required by the securities regulator to disclose

☐ Applicable ☒ Not applicable

(II) Change of restricted shares

☒ 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	166,828,200	-3,021,450	+9,566,700	173,373,450	Stock incentive	
Total	166,828,200	-3,021,450	+9,566,700	173,373,450	/	/

II. Issuance of Securities and Listing

(I) Issuance of securities as of the reporting period

☒ Applicable ☐ Not applicable

Unit: share Currency: RMB						
Type of stocks and derivative securities	Issue date	Issue price (or interest rate)	Issue amount	Listing date	Approved amount of stock and derivative securities listed for transactions	Transaction end date
Common shares						
Baosteel (600019)			9,566,700	Jan. 17, 2019	9,566,700	

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

☐ Applicable ☒ Not applicable

(II) Total common shares of the Company as well as changes in the structure of shareholders and the structure of the Company's assets and liabilities

☒ Applicable ☐ Not applicable

As of the end of reporting period, the total share capital of the Company was 22,274,460,375 shares, up by 6,545,250 shares compared with that at the beginning of the year; China Baowu held 50.73% of the Company's stocks, down by 0.2% compared with that at the end of 2018; WISCO Group held 13.39% of the Company's stocks.

In January 2020, China Baowu, the controlling shareholder of the Company, transferred 486,753,644 shares of the Company held by it to Shougang Group Co., Ltd. for free. After that, China Baowu holds 10,813,395,355 shares of the Company.

On February 4, 2020, Hwabao Investment Co., Ltd., a wholly-owned subsidiary of China Baowu, increased its holding of the Company's shares by 71,711,403 shares by call auction. After that, China Baowu and its persons acting in concert held 13,867,279,230 shares of the Company in total, accounting for 62.26% of the total share capital of the Company.

On March 17, 2020, Hwabao Investment Co., Ltd., a wholly-owned subsidiary of China Baowu, increased its holding of the Company's shares by 5,000,000 shares by call auction. After that, China Baowu and its persons acting in concert held 13,872,279,230 shares of the Company in total, accounting for 62.28% of the total share capital of the Company.

On March 27, 2020, the Company repurchased and de-registered 3,172,250 restricted shares from incentive objects of the second phase of A-share restricted stock plan who have not yet meet the unlocking conditions. After that, the total share capital of the Company is 22,271,288,125 shares. China Baowu and its persons acting in concert hold 13,872,279,230 shares in total, accounting for 62.29% of the total share capital of the Company.

The Company's asset-liability ratio at the end of 2019 was 43.7%, up by 0.1% compared with that at the beginning of the year.

(III) Existing internal employee stocks

☐ Applicable ☒ Not applicable

III. Shareholders and Actual Controllers

(I) Total shareholders

Total number of common shareholders at the end of the reporting period	355,332
Total number of common shareholders at the end of last trading month before the disclosure date of the annual report	356,748
Total number of preferred stockholders whose voting rights are recovered at the end of reporting period	
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	

(II) Table for the shares held by top ten shareholders and top tenholders of marketable shares (or shareholders without trading limited condition) by the end of the reporting period

Unit: share

Name of shareholders (full name)	Shares held by top ten shareholders				Pledged or frozen		Shareholder's nature
	Increase or decrease during the period	Shares held at the end of the reporting period	Ratio (%)	Number of held shares with trading limited condition	Status	Number	
China Baowu Steel Group Corp., Ltd. (Note)	-	11,300,148,999	50.73	-	Pledged	2,850,000,000	State-owned
Wuhan Iron & Steel Group Co., Ltd.	-	2,982,172,472	13.39	-	None		State-owned
Hong Kong Securities Clearing Co., Ltd.	289,551,729	826,303,368	3.71	-	None		Foreign legal person
China National Petroleum Corporation	-	800,000,000	3.59	-	None		State-owned
China Securities Financial Corporation	-	666,600,578	2.99	-	None		State-owned
GIC PRIVATE LIMITED	170,238,731	321,452,898	1.44	-	None		Foreign legal person
China Ocean Shipping (Group) Company	-	280,000,000	1.26	-	None		State-owned
Central Huijin Asset Management Co., Ltd.	-	194,224,180	0.87	-	None		State-owned
China Construction Bank Corporation – E funds CSI state-owned enterprise exchange-traded funds for the Belt and Road Initiative	155,383,042	155,383,042	0.70	-	None		Unknown
He Xiangjian	26,976,103	101,816,109	0.46	-	None		Domestic natural person

Section VI Change of Common Shares and Shareholders

Shares held by top ten shareholders without trading limited condition			
Name of shareholders	Number of marketable shares without trading limited condition	Type and number of shares	
		Type	Number
China Baowu Steel Group Corp., Ltd. (Note)	11,300,148,999	RMB common share	11,300,148,999
Wuhan Iron & Steel Group Co., Ltd.	2,982,172,472	RMB common share	2,982,172,472
Hong Kong Securities Clearing Co., Ltd.	826,303,368	RMB common share	826,303,368
China National Petroleum Corporation	800,000,000	RMB common share	800,000,000
China Securities Financial Corporation	666,600,578	RMB common share	666,600,578
GIC PRIVATE LIMITED	321,452,898	RMB common share	321,452,898
China Ocean Shipping (Group) Company	280,000,000	RMB common share	280,000,000
Central Huijin Asset Management Co., Ltd.	194,224,180	RMB common share	194,224,180
China Construction Bank Corporation – Efunds CSI state-owned enterprise exchange-traded funds for the Belt and Road Initiative	155,383,042	RMB common share	155,383,042
He Xiangjian	101,816,109	RMB common share	101,816,109
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, this 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			

Note: China Baowu Steel Group Corporation Limited completed the issuing work of the public issuing of 2017 convertible corporate bonds (Phase 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.

The number of shares held by top ten shareholders with trading limited condition and the trading limited conditions

√ Applicable ☐ Not applicable

Unit: share

No.	Name of shareholders with trading limited condition	Number of shares with trading limited condition	Condition for listing and trading of shares with trading limited condition		Trading limited conditions
			Tradable time	Newly-added tradable shares	
1	Zhu Junsheng	357,000			See notes
2	Zhou Jianfeng	333,000			See notes
3	Chu Shuangjie	333,000			See notes
4	Liu An	333,000			See notes
5	Sheng Genghong	333,000			See notes
6	Yao Linlong	333,000			See notes
7	Wu Kunzong	333,000			See notes
8	Fu Jianguo	333,000			See notes
9	Zhu Qingming	333,000			See notes
10	Zhou Xuedong	333,000			See notes
11	Ji Chao	333,000			See notes
12	Zhang Wenxue	333,000			See notes
13	Zhu Renliang	333,000			See notes
14	Liu Qiang	333,000			See notes
15	Zhi Xiwei	333,000			See notes
16	Zhang Yong	333,000			See notes
17	Zhou Longyun	333,000			See notes
Notes on affiliation, alliance or collusion among the aforementioned shareholders		The foresaid shareholders are all the incentive objects in the second phase of A-share restricted stock plan. For further details regarding the trading limited conditions of the foresaid shareholders, please refer to the website of Shanghai Stock Exchange http://www.sse.com.cn .			

Note: On January 16, 2020, the restricted stocks in the second phase of A-share restricted stock plan held by the above shareholders which were granted to be unlocked during the first unlocking period were listed for transactions.

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	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]
Shares held by other listed companies at home and abroad in the period	As of December 31, 2019, 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, 57.18% A-shares of Masteel, 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 New China Life Insurance, and 15% A-shares of Shougang.
Others	None

2. Natural person

☐ Applicable ☒ Not applicable

3. Special explanation for the Company's absence of controlling shareholders

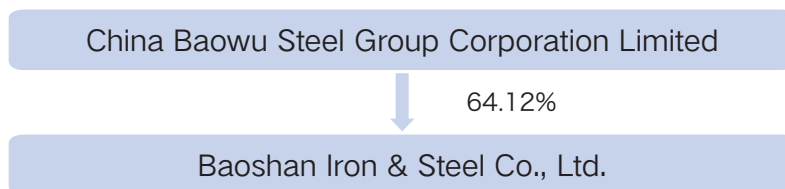
☐ Applicable ☒ Not applicable

4. Index and date of changes of controlling shareholders during the reporting period

☐ Applicable ☒ Not applicable

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

☒ Applicable ☐ Not applicable



(II) Actual controllers

1. Legal person

☐ Applicable ☒ Not applicable

2. Natural person

☐ Applicable ☒ Not applicable

3. Special explanation for the Company's absence of actual controllers

☐ Applicable ☒ Not applicable

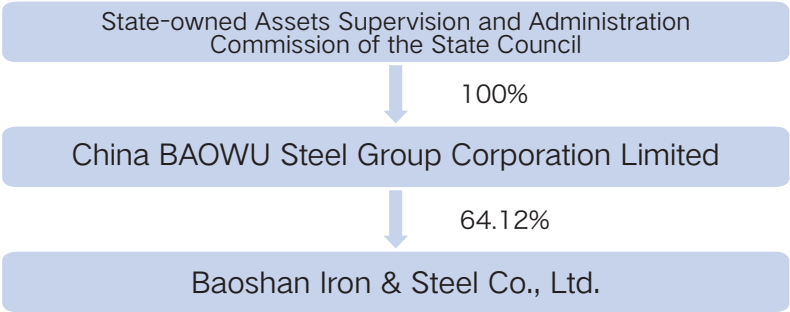
Section VI Change of Common Shares and Shareholders

4. Index and date of changes of actual controllers during the reporting period

☐ Applicable ☒ Not applicable

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

☒ Applicable ☐ Not applicable



6. Actual controller controls the Company through trust or other asset management methods

☐ Applicable ☒ Not applicable

(III) Other information of controlling sharehodlers and actual controllers

☐ Applicable ☒ Not applicable

V. Other Legal Person Shareholders Holding More Than 10% of the Shares

☐ Applicable ☒ Not applicable

VI. Shareholding Restriction Reduction

☐ Applicable ☒ Not applicable

Section VII Preferred Stock

☐ Applicable ☒ Not applicable

Section VIII Directors, Supervisors, Senior Executives and Employees

I. Shareholding Changes and Remuneration

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

√ Applicable □ Not applicable

Unit: share

Name	Position (note)	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	51	Jan. 9, 2019	Apr. 29, 2021						Yes
Zou Jixin	Director	Male	51	Feb. 24, 2017	Apr. 29, 2021						Yes
Zhang Jingang	Director	Male	49	Feb. 24, 2017	Apr. 29, 2021						Yes
Hou Angui	Director	Male	47	Jan. 28, 2019	Apr. 29, 2021					105.22	No
Hou Angui	General Manager	Male	47	Jan. 9, 2019	Apr. 29, 2021						No
Zhou Jianfeng	Director	Male	56	Jan. 28, 2019	Apr. 29, 2021	595,900	595,900			266.48	No
Yao Linlong (Note 1)	Director	Male	55	Mar. 23, 2020	Apr. 29, 2021	661,600	661,600				Yes
Luo Jianchuan (Note 2)	Director	Male	56	Jan. 21, 2020	Apr. 29, 2021						No
Zhang Kehua	Independent director	Male	66	Feb. 24, 2017	Apr. 29, 2021					35	No
Lu Xiongwen	Independent director	Male	53	May 25, 2018	Apr. 29, 2021					35	No
Xie Rong	Independent director	Male	67	May 25, 2018	Apr. 29, 2021					35	No
Bai Yanchun	Independent director	Male	53	May 25, 2018	Apr. 29, 2021					35	No
Tian Yong	Independent director	Male	60	Sep. 9, 2019	Apr. 29, 2021					11.67	No
Zhu Yonghong	Chairperson of Board of Supervisors	Male	50	Feb. 24, 2017	Apr. 29, 2021						Yes
Yu Hansheng	Supervisor	Male	56	Feb. 24, 2017	Apr. 29, 2021						Yes
Zhu Hanming	Supervisor	Male	56	Dec. 19, 2017	Apr. 29, 2021						Yes
Wang Zhen	Supervisor	Male	46	Sep. 9, 2019	Apr. 29, 2021						Yes
He Meifen	Supervisor	Female	55	Mar. 19, 2013	Apr. 29, 2021	560	560			149.23	No
Ma Jiangsheng	Supervisor	Male	47	Apr. 12, 2017	Apr. 29, 2021					11.72	No
Chu Shuangjie	Deputy General Manager (executive)	Male	55	Feb. 24, 2017	Apr. 29, 2021	728,800	728,800	0		271.48	No
Liu An	Deputy General Manager	Male	58	Feb. 24, 2017	Apr. 29, 2021	333,000	333,000	0		265.01	No
Sheng Genghong	Deputy General Manager	Male	55	Jun. 1, 2016	Apr. 29, 2021	622,600	622,600	0		287.16	No
Wei Chengwen	Deputy General Manager	Male	49	Apr. 24, 2019	Apr. 29, 2021					63.24	No
Hu Yuliang (Note 3)	Deputy General Manager	Female	46	Jan. 23, 2020	Apr. 29, 2021						No
Wang Juan (Note 4)	CFO	Female	47	Feb. 26, 2020	Apr. 29, 2021	363,600	363,600			189.41	No
Wang Juan	Secretary of Board of Directors	Female	47	Apr. 9, 2018	Apr. 29, 2021						No
Zou Jixin	Resigned General Manager	Male	51	Feb. 24, 2017	Jan. 8, 2019						Yes
Zhu Junsheng	Resigned director	Male	59	Apr. 27, 2012	Jan. 8, 2019	819,800	679,800	-140,000	His shares were reduced six months after resignation	9.12	No
Wu Xiaodi	Resigned director	Male	50	May 25, 2018	Jul. 29, 2019	521,600	216,350	-305,250	Equity incentive stocks were repurchased on January 7, 2019		Yes
Buck Pei	Resigned director	Male	62	Apr. 27, 2012	Jan. 3, 2020					35	No
Wang Qiangmin (Note 5)	Resigned director	Male	49	Sep. 9, 2019	Mar. 6, 2020	426,600	262,625	-163,975	Equity incentive stocks were repurchased on August 23, 2019		Yes

Xia Dawei	Resigned independent director	Male	66	Apr. 26, 2013	Sep. 9, 2019				26.25	No
Liu Guowang	Resigned supervisor	Male	47	May 20, 2014	Jan. 8, 2019					Yes
Yao Linlong (Note 6)	Resigned Deputy General Manager	Male	55	Apr. 9, 2018	Jan. 19, 2020				172.28	No
Wu Kunzong (Note 7)	Resigned CFO	Male	48	Jun. 1, 2016	Feb. 26, 2020	333,000	333,000		224.67	No
Total	/	/	/	/	/	5,407,060	4,797,835	-609,225	/	2,227.94

Note 1: Mr.Yao Linlong was elected as a director at the Company's second extraordinary general meeting in 2020 held on March 23, 2020.

Note 2: Mr. Luo Jianchuan was elected as a director at the Company's first extraordinary general meeting in 2020 held on January 21, 2020.

Note 3: Ms. Hu Yuliang was appointed as a deputy general manager on the 14th meeting of the 7th Board of Directors of the Company held on January 23, 2020.

Note 4: Ms.Wang Juan was appointed as the chief financial officer on the 15th meeting of the 7th Board of Directors of the Company held on February 26, 2020.

Note 5: Mr.Wang Qiangmin resigned as director of the Company on March 6, 2020.

Note 6: Mr.Yao Linlong resigned as deputy general manager of the Company on January 19, 2020.

Note 7: Mr.Wu Kunzong resigned as chief financial officer of the Company on February 26, 2020.

Name	Main working experiences
Zou Jixin	<p>Born in July 1968, Chinese nationality, Secretary of Party Committee and Chairman of Baoshan Iron & Steel Co., Ltd., Senior Engineer.</p> <p>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 Corporation Ltd. From February 2017 to January 2019, he served as a General Manager and Deputy Secretary of Party Committee of Baoshan Iron & Steel Co., Ltd. He served as a Director of Baoshan Iron & Steel Co., Ltd since February 2017 and Secretary of Party Committee and Chairman of Baoshan Iron & Steel Co., Ltd. since January 2019.</p> <p>Mr.Zou was graduated from Chongqing Technology College in 1989, and obtained MBA Degree of US Ohio University in 2004.</p>
Zhang Jingang	<p>Born in March 1970, Chinese nationality, Deputy General Manager of China BAOWU Steel Group Co., Ltd., Director of Baoshan Iron & Steel Co., Ltd., Professor-level Senior Engineer.</p> <p>Mr. Zhang has abundant experiences in production, manufacturing, enterprise management and corporate governance of steel enterprise. He served as the Deputy Chief of No.2 Steel Making Factory and Deputy Chief of No.1 Steel Making Factory of Ansteel, Deputy Secretary General of China Steel Industry Association, Director of Investment Planning Department of Ansteel, Director of Production Coordination Center of Ansteel, Board Secretary of Ansteel Group, and Deputy General Manager of Baosteel Group. Since October 2016, he served as the Deputy General Manager of China BAOWU Steel Group Corporation Ltd. Since February 2017, he served as a director of Baoshan Iron & Steel Co., Ltd.</p> <p>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.</p>
Hou Angui	<p>Born in February 1972, Chinese nationality, Director, General Manager, Deputy Secretary of the Party Committee of Baoshan Iron & Steel Co., LTD, senior engineer.</p> <p>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, Deputy General Manager, General Manager Assistant of Baosteel Group, General Manager assistant of China Baowu and Chairman of Baosteel Engineering, Party Secretary and Senior Deputy General Manager of Ouyeel and the Chairman of Ouyeel. In January 2019, he took the post of the Director, General Manager and Deputy Party Committee Secretary of Baoshan Iron & Steel Co., Ltd.</p> <p>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.</p>
Zhou Jianfeng	<p>Born in September 1963, Chinese nationality, Director, Deputy Secretary of The Party Committee and Senior Engineer of Baoshan Iron & Steel Co., LTD.</p> <p>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, Deputy General Manager of a branch of Baosteel, Business Director of Baosteel Group and Deputy General Manager of Hanbao 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 Co., Ltd. Since January 2019, Mr. Zhou has been a Director and The Deputy Secretary of The Party Committee of Baoshan Iron & Steel Co., Ltd. Since February 2020, he served as the Chairman of Baowu Clean Energy Co., Ltd.</p> <p>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.</p>
Yao Linlong	<p>Born in July 1964, Chinese nationality, General Manager of Steel Industry Development Center of China Baowu Steel Group Corporation Ltd., Deputy General Manager and Engineer of Baoshan Iron & Steel Co., Ltd.</p> <p>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 BNA, General Manager Assistant of Baoshan Iron & Steel Co., Ltd, Executive Director and General Manager of Shanghai Baosteel International Economic & Trade Co., Ltd., and Deputy General Manager of Baoshan Iron & Steel Co., Ltd. Since January 2020, he served as the General Manager of Steel Industry Development Center of China Baowu Steel Group Corporation Ltd. Since March 2020, he served as the Director of Baoshan Iron & Steel Co., Ltd.</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>

Section VIII Directors, Supervisors, Senior Executives and Employees

Luo Jianchuan	<p>Born in April 1963, Chinese nationality, Full-Time External Director of central enterprises, External Director of China Baowu Steel Group Corporation Ltd., Director of Baoshan Iron and Steel Co., LTD, Professor-Level Senior Engineer.</p> <p>Mr. Luo has rich experience in enterprise operation and management. He was once an Engineer of China Nonferrous Metal Mining (Group) Co., Ltd. Bureau of Lead and Zinc, Manager of Haikou Nanxin Industrial Company, General Manager Assistant of CNMC International Trading Co., Ltd., General Manager of Xinquan Company, Deputy Director of the Trading Department of China Copper, Lead and Zinc Group Corporation, General Manager of China Aluminum International Trading Group Co., Ltd., Market Trading Director of Aluminum Corporation of China Limited, the General Manager, Vice President and Senior Vice President of the Marketing Department of Aluminum Corporation of China Limited, Member and Director of the party organization of Aluminum Corporation of China Limited, Executive Director And President of Aluminum Corporation of China Limited, Chairman of China Aluminum Hong Kong, Chairman of China Aluminum International Trading, Chairman of China Aluminum Overseas Shareholding, and Deputy Director of the management committee of CNMC. Currently, Mr. Luo is full-time external director of a central enterprise. He became an external director of China Baowu Steel Group Corporation Ltd. from July 2019 and a director of Baoshan Iron and Steel Co., LTD. from January 2020.</p> <p>Mr. Luo was graduated from Kunming University of Science and technology with a bachelor's degree in mining engineering in 1985 and won a doctor's degree in engineering from Central South University in 2006.</p>
Zhang Kehua	<p>Born in August 1953, Chinese nationality, Independent Director and Professor-level Senior Engineer of Baoshan Iron & Steel Co., Ltd.</p> <p>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, Deputy General Manager of Sinopec Corporation, and 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 Baoshan Iron & Steel Co., Ltd.</p> <p>Mr. Zhang was graduated from East China University of Science and Technology in 1980, and obtained the Master Degree of Management Science and Engineering from China University of Petroleum.</p>
Lu Xiongwen	<p>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.</p> <p>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 chairman of the 6th national steering committee for graduate education in business administration, and the director of GMAC. Since May 2018, he became an independent director of Baoshan Iron & Steel Co., Ltd.</p> <p>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</p>
Xie Rong	<p>Born in November 1952, Chinese nationality, doctor and professor of accounting, certified public accountant, an independent director of Baoshan Iron and Steel Co., LTD.</p> <p>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 and Steel Co., LTD.</p> <p>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.</p>
Bai Yanchun	<p>Born in August 1966, Chinese nationality, a partner and lawyer of Beijing Tongshang Law Firm, Independent Director of Baoshan Iron & Steel Co., LTD.</p> <p>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, Ansteel, 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.</p> <p>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.</p>
Tian Yong	<p>Born in October 1959, Chinese nationality, Chief Partner and Director of Management Committee of Zhongzhun Certified Public Accountants (special general partnership), Independent Director of Baoshan Iron and Steel Co., LTD., Certified Public Accountant, Certified Tax Agent and Senior Auditor.</p> <p>Mr. Tian has many years of experience in national audit, central enterprise audit and financial audit of listed companies. He served successively as Deputy Director and Director of the capital construction audit department and the financial audit department of the National Audit Office. Since 1999, he has successively served as the Chairman, Chief Accountant, Chief Partner and Director of the Management Committee of Zhonghongxin Certified Public Accountants of the Ministry of Posts and Telecommunications and Zhongzhun Certified Public Accountants. Since September 2019, he has been an Independent Director of Baoshan Iron and Steel Co., LTD.</p> <p>Mr. Tian graduated from Liaoning Institute of Finance and Economics in January 1982 and received his master's degree from Renmin University of China in July 1987.</p>
Zhu Yonghong	<p>Born in Jan., 1969, Chinese Nationality, Standing Committee of Party Committee, Chief Accountant and Secretary of the Board of China Baowu Steel Group 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 Baoshan Iron & Steel Co., Ltd; Director of the 7th Board of Directors of Wuhan Iron & Steel Co., Ltd. He assumed the Chief Accountant of China Baowu Steel Group Corporation Limited from Oct., 2016, Standing Committee of Party Committee of China Baowu Steel Group Corporation Limited since Feb. 2019, and 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.</p> <p>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 & Accounting 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 Inspection Committee, a Candidate of the Deputy Secretary of the Disciplinary Inspection Committee of China BAOWU Steel Group Co., Ltd., a Supervisor of Baoshan Iron & Steel Co., Ltd., Engineer.</p> <p>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, Secretary of Party Committee and Director of Human Resource Department (Organization Department) of Heavy Plate Factory of Baosteel Branch, Deputy Secretary of Disciplinary Department & Director of Supervisory Department of Baosteel Head Office, Deputy Secretary of Disciplinary Inspection Committee & Director of Supervisory Department of Baosteel, Secretary of Party Committee of Energy & Environmental Protection Department, Secretary of Party Committee of Cold Rolling Factory, Deputy Secretary of Disciplinary Inspection Committee of Baosteel Group. Since November 2016 to October 2018, he served as a candidate of Deputy Secretary of Disciplinary Inspection Committee of China Baowu Steel Group Co., Ltd., since December 2016, he served as a Member of Standing Committee of the Disciplinary Inspection Committee of China Baowu Steel Group Co., Ltd., since October 2018, he concurrently served as the Standing Committee Member of Disciplinary Inspection Committee of China Baowu Steel Group Co., Ltd. Since December 2017, he served as a Supervisor of Baoshan Iron & Steel Co., Ltd.</p> <p>Mr. Zhu obtained Bachelor of Engineering of Thermal Power Engineering Department from the University of Science and Technology Beijing in July 1985, Bachelor of Law of Social Sciences Department of the University of Science and Technology Beijing in July 1987, and obtained the Master Degree of MBA from Asia (Macao) International Open University in August 2003.</p>
Wang Zhen	<p>Born in April 1973, Chinese nationality, Director of the Party Committee Organization Department and General Manager of the Human Resources Department of China Baowu Steel Group Corporation Ltd., Supervisor of Baoshan Iron and Steel Co., LTD, Senior Political Engineer and Engineer.</p> <p>Mr. Wang has rich experience in the party and the masses, human resources management, enterprise management and so on. He joined Baosteel in July 1994, and served successively as the Deputy Director of the Party Committee Organization Department (HR department), Deputy President Assistant and Vice Party Committee Secretary of Baosteel Development Co., Ltd. (successively served part-time as the president of the manufacturing services division and the chairman of Baosteel Ecological Greening Company), the Deputy Party Committee Secretary and Discipline Inspection Commission Secretary of Baowu Group Environmental Resources Technology Co., Ltd., Deputy Director of the Party Committee Organization Department and Deputy General Manager of the HR Department (presiding over work) of China Baowu Steel Group Corporation Ltd. From September 2019, he became the director of the Party Committee Organization Department and General Manager of the HR Department of China Baowu Steel Group Corporation Ltd. From September 2019, he became the supervisor of Baoshan Iron and Steel Co., LTD.</p> <p>Mr. Wang graduated from Central South University of Technology in July 1994 and obtained the master's degree in project management from Northeastern University in January 2011.</p>
He Meifen	<p>Born in May 1964, Chinese Nationality, Director of Audit Department, Supervisor of Baoshan Iron & Steel Co., Ltd., Senior Engineer.</p> <p>Ms. He has extensive experience in steel products planning management, financial management and internal audit. Ms. He joined Baosteel in 1984 and successively held positions as clerk of Planning Department, office secretary, Head of Budget Division of Operation Management Department in Baosteel Group, 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 & 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.</p> <p>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, Deputy General Manager (standing) of Baoshan Iron & Steel Co., Ltd., Professor-level Senior Engineer.</p> <p>Mr. Chu has extensive experience in steel manufacturing and technology management. Mr. Chu joined Baosteel in 1996 and successively held positions as engineer in Cold Rolling Plant, Deputy Director, Director of Silicon Steel Branch of Cold Rolling Department, Deputy Director, Director of Cold Rolling Plant, Director of Silicon Steel Department, Assistant President of the Company's Baosteel Branch and Director of Silicon Steel Department of Baoshan Iron & 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, Deputy General Manager of Baoshan Iron & Steel Co., Ltd. He worked as Deputy General Manager 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). Since Feb. 2017, he served as the Deputy General Manager (standing) of Baoshan Iron & Steel Co., Ltd.</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, Deputy General Manager 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; General Manager of Ningbo Baoxin Stainless Steel Co., Ltd.; General Manager of Stainless-Steel Branch and No.1 Steel Company; General Manager and Chairman of Ningbo Iron & Steel Co., Ltd.; General Manager of Planning Development Department, General Manager Assistant of Baosteel Group. He became General Manager Assistant of Baosteel Group 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 Deputy General Manager of Wuhan Iron and Steel (Group) Corporation d from Nov. 2016 to Mar. 2017 and Deputy General Manager of Baoshan Iron & Steel Co., Ltd. since Feb. 2017. He served as the Executive Director and General Manager of Wuhan Iron and Steel Company Limited from Feb. 2017 to Mar. 2019, and the Secretary of the Party Committee and Executive Director of Wuhan Iron and Steel Company Limited since Mar. 2019.</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, Deputy General Manager 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 Iron & Steel Project Headquarter, Deputy General Manager of Guangdong Steel Group Company, the Deputy General Manager and General Manager of Zhanjiang Iron & Steel. From August 2013 to May 2016, he was General Manager and Executive Vice Commander-in-chief of Project Headquarter of Zhanjiang Iron & Steel. Mr. Sheng has been Chairman, Secretary of CPC Committee and Commander-in-chief of Project Headquarter of Zhanjiang Iron & Steel since May 2016 and Deputy General Manager 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>

Section VIII Directors, Supervisors, Senior Executives and Employees

Wei Chengwen	<p>Born in September 1970, Chinese nationality, Deputy General Manager of Baoshan Iron and Steel Co., LTD., Senior Engineer.</p> <p>Mr. Wei has rich experience in production management and equipment management in iron and steel enterprises. He joined Baosteel in July 1992 and successively served as the Deputy Director and the Director of the Equipment Department and the General Manager Assistant of Baosteel (served as the equipment department director from July 2012 to January 2014, served as the Factory Manager of the steel mill from January 2014 to June 2016). From June 2016 to November 2018, he was the Party Committee Standing Member, General Manager and Director of Baosteel Group Xinjiang Bayi Iron & Steel Co., Ltd. From November 2018 to April 2019, he was the General Manager, Vice Secretary of the Party Committee, Director of Baosteel Group Xinjiang Bayi Iron & Steel Co., Ltd. From April 2019, he became the Deputy General Manager of Baoshan Iron and Steel Co., LTD.</p> <p>Mr. Wei graduated from Xi'an Jiaotong University in July 1992 with a bachelor's degree in high voltage technology and equipment; in September 2007, he received a master's degree in automatic control from Northeastern University.</p>
Hu Yuliang	<p>Born in May 1973, Chinese nationality, Deputy General Manager of Baoshan Iron and Steel Co., LTD., Senior Engineer.</p> <p>Ms. Hu has rich experience in production, manufacturing, operation management and procurement management in iron and steel enterprises. She joined Baosteel in July 1995 and successively served as the director of the transportation department of Baoshan Iron and Steel Co., LTD. and concurrently the manager of Majishan Port Project, the manager of the Heavy Plate Factory and concurrently the manager of wide heavy plate project, General Manager of the Equipment And Material Procurement Department, director of the Operation Improvement Department, General Manager Assistant and concurrently the director of the operation improvement department, the general manager of Baosteel operation improvement department and concurrently the director for continuous improvement, General Manager Assistant and Ouyee Deputy General Manager, General Manager Assistant and concurrently the General Manager of the Service Development Center, etc. From November 2016 to December 2017, she was the General Manager Assistant of China Baowu Steel Group Corporation Ltd. and concurrently the General Manager of the Service Development Center. From December 2017 to May 2018, she was the General Manager Assistant of China Baowu, General Manager of Baosteel Resources (International)/ Baosteel Resources, and the Deputy Secretary of the Party Committee of Baosteel Resources International (concurrently served as the General Manager of Baosteel Resource Shanghai from January 2018). From May 2018 to January 2020, she served as the President of Baosteel Resources (International)/ Baosteel Resource, the Deputy Secretary of the Party Committee of Baosteel Resources International and concurrently the general manager of Baosteel Resource Shanghai. From January 2020, she was the Deputy General Manager of Baoshan Iron and Steel Co., LTD.</p> <p>Ms. Hu graduated from Tsinghua University in July 1995 and obtained MBA degree from Fudan University in September 2002.</p>
Wang Juan	<p>Born in November 1972, Chinese Nationality, CFO and 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 March 2020; Director of Baosteel Board Secretary's Office from January 2018. She has been Board Secretary of Baoshan Iron & Steel Co., Ltd. from April 2018. She served as CFO of Baoshan Iron & Steel Co., Ltd. from February 2020.</p> <p>Ms. Wang graduated from Shanghai Institute of Building Materials in 1996, received the bachelor of engineering degree, and obtained the master of economics from Fudan University in June 2006.</p>

Other information

☐ Applicable ☒ Not applicable

(II) Granted equity incentive of directors and senior executives during the reporting period

☒ Applicable ☐ Not applicable

Unit: share

Name	Position	Number of restricted stock held at beginning of year	Number of restricted stock newly granted during reporting period	Granted price of restricted stock (RMB)	Already unlocked shares	Other	Shares not unlocked yet	Number of restricted stock held at end of year	Market price at end of reporting period (RMB)
Zhou Jianfeng	Director	333,000	/	/			333,000	333,000	1,911,420
Wang Qiangmin (Note 1)	Director	281,100	/	/		-163,975	117,125	117,125	672,298
Chu Shuangjie	Deputy General Manager	333,000	/	/			333,000	333,000	1,911,420
Liu An	Deputy General Manager	333,000	/	/			333,000	333,000	1,911,420
Sheng Genghong	Deputy General Manager	333,000	/	/			333,000	333,000	1,911,420
Yao Linlong	Deputy General Manager	333,000	/	/			333,000	333,000	1,911,420
Wu Kunzong	Financial Director	333,000	/	/			333,000	333,000	1,911,420
Wang Juan	Secretary of Board of Directors	255,000	/	/			255,000	255,000	1,463,700
Total	/	2,534,100	/	/		-163,975	2,370,125	2,370,125	/

Note 1: Since Mr. Wang Qiangmin no longer held a post in the Company, 163,975 unlocked restricted stocks he held had been repurchased and cancelled in August 2019.

Note 2: On January 16, 2020, the restricted stocks in the second phase of A-share restricted stock plan which were granted to be unlocked during the first unlocking period were listed for transactions.

II. Employment of Directors, Supervisors, and Senior Executives in Service or Leaving the Company During the Reporting 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	
Wang Qiangmin	China Baowu Steel Group Corp., Ltd.	General Manager of Steel Industry Development Center	Feb. 2019	Dec. 2019
Yao Linlong	China Baowu Steel Group Corp., Ltd.	General Manager of Steel Industry Development Center	Jan. 2020	
Luo Jianchuan	China Baowu Steel Group Corp., Ltd.	External Director	Jul. 2019	
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.	Deputy Secretary of the Discipline Inspection Commission	Oct. 2018	
Wang Zhen	China Baowu Steel Group Corp., Ltd.	Director of the CPC Organization Department	Sep. 2019	
Wang Zhen	China Baowu Steel Group Corp., Ltd.	General Manager of Human Resources Department	Sep. 2019	
Description of post in shareholding company	None			

(II) Posts in other companies

√ 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
Zhang Jingang	Chongqing Changshou Iron and Steel Co., Ltd.	Deputy Chairman	Feb. 2019	
Zhang Jingang	Commercial Aircraft Corporation of China, Ltd.	Director	Aug. 2019	
Zhou Jianfeng	Baosteel Zhanjiang Iron & Steel Co., Ltd.	Chairman of Board of Supervisors	Jun. 29, 2015	Dec. 5, 2019
Zhou Jianfeng	Baowu Clean Energy Co., Ltd.	Chairman	Feb. 2020	
Luo Jianchuan	China Information and Communications Technology Group Co., Ltd.	External Director	Jun. 2018	May 2021
Luo Jianchuan	China COSCO Shipping Corporation Limited	External Director	Jul. 2019	Jun. 2022
Lu Xiongwen	School of Management, Fudan University	Dean	Sep. 2006	
Lu Xiongwen	Graduate Management Admission Council (GMAC)	Director	Jun. 2011	
Lu Xiongwen	The 4 th , 5 th and 6 th National Education Guidance Committee for the Postgraduate of Engineering Management P.R. China	Vice Chairman	Sep. 2008	
Lu Xiongwen	Shanghai Jinqiao Export Processing Zone Development Co., Ltd.	Independent Director	Mar. 2016	
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	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	

Section VIII Directors, Supervisors, Senior Executives and Employees

Xie Rong	Shanghai International Trust Co., Ltd.	Independent Director	May 2016	
Bai Yanchun	Beijing Commerce & Finance Law Offices	Lawyer	Mar. 7, 2013	
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	
Tian Yong	Zhongzhun Certified Public Accountants (special general partnership)	Chief Partner; Director of Management Committee	Oct. 2013	
Tian Yong	Beijing Institute of Certified Public Accountants	Director	Oct. 2013	
Zhu Yonghong	Wuhan Iron & Steel Group Finance Corporation Limited	Chairman of the Board	May 2015	Apr. 2019
Zhu Yonghong	Wugang Group Kunming Steel & Iron Co., Ltd.	Chairman of the Board	Mar. 2016	Dec. 2019
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	
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	
Zhu Yonghong	Hwabao WFP Fund Management Co., Ltd.	Chairman of the Board	Jun. 2019	
Yu Hansheng	Wuhan Iron and Steel Company Limited	Supervisor	Apr. 2017	
Wang Zhen	Baowu Group Environmental Resources Technology Co., Ltd.	Chairman of the Supervisory Committee	Aug. 2019	
He Meifen	Shanghai Baosight Software Co., Ltd.	Supervisor	Apr. 2010	
He Meifen	Baosteel Zhanjiang Iron & 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	National Standardization Technical Committees	Deputy-director Member	Jun. 2019	
Liu An	Hangzhou Iron & Steel Co., Ltd.	Director	Nov. 2016	
Liu An	Wuhan Iron and Steel Company Limited	Deputy General Manager	Feb. 2017	
Liu An	Wuhan Iron and Steel Company Limited	General Manager	Feb. 2017	Mar. 2019
Liu An	Wuhan Iron and Steel Company Limited	Secretary of the Party Committee	Mar. 2019	
Sheng Genghong	Baosteel Zhanjiang Iron & Steel Co., Ltd.	Chairman of Board of Directors, Secretary of Party Committee & General Command of Engineering Commanding Department	May 2016	
Wei Chengwen	Shanghai Association for Quality	Executive director	Aug. 2019	
Wu Kunzong	New China Life Insurance Company Ltd.	Director	Jul. 2014	Jul. 2019
Wu Kunzong	Baosteel Zhanjiang Iron & Steel Co., Ltd.	Director	Jun. 2016	
Wu Kunzong	Shanghai Baosight Software Co., Ltd.	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	
Wu Kunzong	Shanghai Meishan Iron & Steel Co., Ltd., Baosteel Group Shanghai Meishan Ltd.	General Manager	Feb. 2020	
Wang Juan	Baosteel Group Finance Co., Ltd.	Director	May 2014	
Wang Juan	Shanghai National Accounting Institute	Postgraduate supervisor	Dec. 2014	
Wang Juan	Shanghai Ouyee Financial Information Service Corporation	Director	Apr. 2017	
Wang Juan	Baosteel Special Steel Long Material Co., Ltd.	Director	Aug. 2017	Jul. 2019
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. Remunerations of the Directors, Supervisors, and Senior Executives

☒ Applicable ☐ Not applicable

Decision-making procedure of the remunerations of directors, supervisors, and senior executives	
Basis for determining the remunerations of directors, supervisors and senior executives	The annual payable remunerations of senior executives, directors and supervisors to be paid by the Company will be confirmed after examination and approval by Board of Directors in accordance with their annual performance and with the Performance Appraisal Method for Senior Executives and Remuneration Management Method for Senior Executives examined and approved by Board of Directors.
Remunerations payable for directors, supervisors and senior executives	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 this year totaled RMB 22.2794 million (pre-tax)
Total remunerations actually received by the Directors, Supervisors and Senior Executives by the end of reporting period	RMB 22.2794 million

IV. Change in Directors, Supervisors and Senior Executives

☒ Applicable ☐ Not applicable

Name	Position	Change	Reason of change
Zou Jixin	Chairman	Hired	Newly hired in Jan. 2019
Zou Jixin	General manager	Leave office	Resigned in Jan. 2019
Hou Angui	Director, general manager	Hired	Newly hired in Jan. 2019
Zhou Jianfeng	Director	Hired	Newly hired in Jan. 2019
Zhu Junsheng	Director	Leave office	Resigned in Jan. 2019
Liu Guowang	Supervisor	Leave office	Resigned in Jan. 2019
Wei Chengwen	Deputy general manager	Hired	Newly hired in Apr. 2019
Wang Qiangmin	Director	Hired	Newly hired in Sept. 2019
Tian Yong	Independent director	Hired	Newly hired in Sept. 2019
Wang Zhen	Supervisor	Hired	Newly hired in Sept. 2019
Wu Xiaodi	Director	Leave office	Resigned in Jul. 2019
Xia Dawei	Independent director	Leave office	Resigned in Sept. 2019
Buck Pei	Director	Leave office	Resigned in Jan. 2020
Luo Jianchuan	Director	Hired	Newly hired in Jan. 2020
Hu Yuliang	Deputy general manager	Hired	Newly hired in Jan. 2020
Yao Linlong	Deputy general manager	Leave office	Resigned in Jan. 2020
Wang Juan	CFO	Hired	Newly hired in Feb. 2020
Wu Kunzong	CFO	Leave office	Resigned in Feb. 2020
Wang Qiangmin	Director	Leave office	Resigned in Mar. 2020
Yao Linlong	Independent director	Hired	Newly hired in Mar. 2020

V. Punishment by Securities Regulatory Authorities in the Last 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	14,860
Number of employees in service in the main subsidiaries	37,463
Total number of employees in service	52,323
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	33,652
Sales personnel	1,726
Technical personnel	13,202
Financial personnel	626
Administrative personnel	3,117
Total	52,323

Educational background

Category of educational background	Number (person)
Master's degree or above	3,801
Bachelor's degree	18,793
College degree	17,407
Secondary vocational school education or below	12,322
Total	52,323

(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 formulated and implemented corresponding compensation incentive policies for employees according to the nature and features of their posts.

(III) Training scheme

☒ Applicable ☐ Not applicable

Centering on the Company's development strategy, production and operation, talent training work of the Company in 2019 mainly focused on capacity building. Based on "I+5" strategic capacity cultivation and requirements of national laws and regulations, we highlighted reform and innovation, focused on core capacity improvement, strengthened the orientation of solving problems and carried out talent training by layers and categories.

(IV) Labor outsourcing information

☐ Applicable ☒ Not applicable

VII. Others

☐ Applicable ☒ Not applicable

Section IX Corporate Governance

I. Corporate Governance

√ Applicable ☐ Not applicable

The Company has established a corporate governance structure with Baosteel features which is in line with the characteristics of steel industry, supports the strategic development and adapts 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 relations, kept perfecting internal control system and overall risk management system, and rigorously performed the obligation of information disclosure in an effort to improve the quality of corporate governance and operation.

During the reporting period, the 7th board of directors of Baosteel 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 Baosteel has 6 supervisors in total, including 2 employee supervisors, accounting for 1/3.

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 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 Mr. Xie Rong is the director; the Remuneration And Assessment Committee is composed of 6 directors, including 5 independent directors and independent director Mr. Lu Xiongwen is the director of the committee; the Nomination Committee is composed of 5 directors, including 3 independent directors and independent director Mr. 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.

In order to further implement the revised Company Law, the Guidelines for Articles of Association of Listed Companies and other relevant laws and regulations, safeguard the interests of small and medium investors, improve the Company's investment value, and improve the corporate governance, the Company has modified and improved the Articles of Association and the Rules of Procedure of the Audit Committee of the Board of Directors which have been deliberated and adopted on the shareholders' meeting.

In 2019, Baosteel steadily carried out various investor relations work, promoted the Company's strategy of "one mode and five capabilities", and demonstrated potential future growth points centering on hot spots such as merger and expansion, smart manufacturing and sustainable development. At the same time, to cope with the trend of internationalization of China's capital market, the Company has increased its coverage of overseas investors and enhanced its influence in the global market.

In 2019, the Company's interaction with investors is as follows:

Activities on investor relations	Frequency	Remarks
Online performance conference	5 times	3 times of online performance release on p5w.net (combined release of 2018 annual report and 2019 Q1 quarterly report) In June and September 2019, two collective receptions of listed companies in Shanghai
On-site performance conference	2 times	In April 2019, 2018 annual report performance conference In August 2019, Interim performance conference + smart manufacturing factory visit
Investment banking strategy meeting	43 times	Attended 14 international investment banking conferences held by Morgan Stanley, Goldman Sachs and Citibank Attended 29 meetings of CITIC Securities, Guangfa Securities and Changjiang Securities
Telephone conference	25 times	In cooperation with performance release, the Company hosted 3 telephone conferences Participated in 22 telephone meetings of the brokers as a guest
Reception of investors	56 batches / 274 persons	Domestic investor survey: 30 batches, 149 persons Overseas investors (including Hong Kong, Macao and Taiwan) survey: 125 persons in 26 batches
Overseas roadshow (including Hong Kong, Macao and Taiwan)	4 times	In March 2019, Daiwa Securities investment seminar; Japan In May 2019, roadshow in Hong Kong and Singapore In November 2019, Morgan Stanley Asia Pacific Summit, Singapore In December 2019, Hong Kong road show
Others		In March 2019, the Company attended the first investor relations summit of Chinese listed companies, and the secretary of the Company shared his experience in investor relations as a guest In September 2019, the Company participated in the activity of "I am a shareholder -- minority investors visiting listed companies" held by Shanghai Stock Exchange and received a group of 60 small and medium investors In December 2019, the Company attended the "China Wealth Management Annual Meeting" of New Wealth

In 2019, the Company was included in Fortune and the list of "Top 50 Best Boards of Directors in China 2019" released by Aon Hewitt, won the Medal for Excellence in Corporate Governance of "Round Table" for 15 consecutive years in the 15th "Round Table" Forum of the Board of Directors of China's Listed Companies; it was named the most admired company in the Institutional Investor magazine for Asia-Pacific Company Management Team 2019.

Section IX Corporate Governance

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 ☒ Not applicable

II. Brief Introduction of Shareholders' Meeting

Session	Date	Reference websites	Disclosure date
First temporary shareholders' meeting in 2019	Jan. 28, 2019	http://www.sse.com.cn/	Jan. 29, 2019
Annual shareholders' meeting of 2018	May 17, 2019	http://www.sse.com.cn/	May 18, 2019
Second temporary shareholders' meeting in 2019	Sep. 9, 2019	http://www.sse.com.cn/	Sep. 10, 2019

Shareholders meeting information

☐ Applicable ☒ Not applicable

III. Directors' Duty Fulfillment

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

Director name	Independent director or not	Attendance of the board meetings					Attendance of the shareholders' meetings	
		Required number of board meetings for the year	Attendance in person	Attendance by correspondence	Entrusting a representative	Absence	Two successive absence	Times of attendance of the meetings
Zou Jixin	No	7	7				No	1
Zhang Jingang	No	7	6		1		No	1
Hou Angui	No	6	6				No	0
Zhou Jianfeng	No	6	6				No	1
Wang Qiangmin	No	2	2				No	0
Buck Pei	No	7	7	3			No	0
Xia Dawei	Yes	5	5	1			No	0
Zhang Kehua	Yes	7	7	2			No	0
Lu Xiongwen	Yes	7	7	2			No	0
Xie Rong	Yes	7	7	1			No	0
Bai Yanchun	Yes	7	7	1			No	0
Tian Yong	Yes	2	2				No	0
Wu Xiaodi	No	4	2		2		No	0

Information of absence from board meeting for two times in a row

☒ Applicable ☐ Not applicable

Number of Board Meetings held in the year	7
Including: number of on-site meetings	5
Number of meetings in communication mode	2
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 strengthen the promotion of overseas strategy, pay attention to the transfer of industrial chain to Southeast Asia, and do a good job in overseas strategy research and overseas talent reserve.

The Remuneration and Assessment Committee believes that human resource is the first resource of an enterprise, and the key to the competition among enterprises is the competition of talents, so that the Company should make a plan for human resource cultivation.

The Audit Committee believes that the Company should further increase the investment in new technology, new product research and development, high-tech talent introduction and other aspects to make preparations for the Company's future development.

V. Risks for the Company Found by Board of Supervisors

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

In case of horizontal competition, the corresponding solutions, work progress and follow-up work plans of the Company

☒ Applicable ☐ Not applicable

Based on product types, application fields and main sales areas, the Company has certain overlap and market competition in the main steel business with Maanshan Iron & Steel Co., Ltd. (hereinafter referred to as "Masteel") indirectly controlled by the Company's controlling shareholder China Baowu. To avoid horizontal competition, China Baowu issued a Commitment Letter on Avoiding Horizontal Competition to Masteel on August 26, 2019, promising that it will, in accordance with requirement of the securities regulators, then applicable laws, regulations and related regulatory rules, comprehensively apply multiple means such as asset restructuring, business adjustment, entrusted management to prudently proceed with relevant business integration to solve the problem of horizontal competition within 5 years or a shorter time if possible in principle of promoting the development of the listed company and safeguarding interests of shareholders, especially minority shareholders.

VII. Establishment and Implementation of the Evaluation Mechanisms and the Incentive Mechanism for Senior Executives during the Reporting Period

☒ Applicable ☐ Not applicable

The Company, under a well-formed structure of corporate governance, has implemented a performance appraisal and compensation management mechanism for senior executives, which was approved by the Compensation and Performance Appraisal Committee and the Board of Directors. Senior executives' performance objectives, daily compensation management, performance appraisal and use of performance results are conducted in accordance with standard procedures, and the incentives of senior executives depend on the performances of the Company and their performance.

Section IX Corporate Governance

VIII. Whether the Internal Control Self-evaluation Report was Disclosed or not

☒ Applicable ☐ Not applicable

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

The Company developed internal control evaluation 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 19th meeting of the 7th Board of Directors of the Company, and disclosed to outside, website of disclosure <http://www.sse.com.cn>.

Significant defects 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 opinion for the Company, and the content of the report was disclosed at <http://www.sse.com.cn>.

Whether the internal control audit report has been disclosed or not: yes

X. Others

☐ Applicable ☒ Not applicable

Section X Corporate Bond

☐ Applicable ☒ Not applicable

Section XI Financial Report

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AUDITOR'S REPORT

Ernst & Young Hua Ming (2020) Shen Zi No. 60469248_B01

Baoshan Iron & Steel Co., Ltd.

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 the Company's balance sheets as at 31 December 2019, and the consolidated and the Company's income statements, the consolidated and the Company's cash flow statements and the consolidated and the Company's statements of changes in shareholders' equity for the year then ended, and the notes to the financial statements.

In our opinion, the accompanying financial statements of the Company present fairly, in all material respects, the consolidated and the Company's financial position as at 31 December 2019, and the consolidated and the Company's financial performance and cash flows for the year then ended in accordance with the Accounting Standards for Business Enterprises ("ASBEs").

2. Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing ("CSAs"). 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 the audit 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 included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide a basis for our audit opinion on the accompanying financial statements.

Provision for decline in value of inventories

Description

As at 31 December 2019, the balance of inventories was RMB41,774,308,165.36, and the balance of provision for decline in value of inventories was RMB1,474,562,687.21, as disclosed in Note V.11 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.14 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 for the current year. Therefore, we determined that the provision for decline in value of inventories was a key audit matter.

We mainly performed the following audit procedures:

- (1) Assessing the internal control related to the provision for decline in value of inventories and testing the effectiveness of the internal control;
- (2) Evaluating whether the Company's method of identifying the inventories with a risk of decline in value was reasonable; reviewing management's method of estimating the net realizable value of inventories and relevant parameters used in estimating the net realizable value of inventories;
- (3) On a sample basis, reviewing the net realizable value test conducted by the management, including the obtaining of subsequent selling prices to test the reasonableness of the estimated price, and the implementation of reasonable test for further processing costs, selling expenses and relevant taxes;

Section XI Financial Report

- (4) Checking the accuracy of the computation sheet 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 RMB423,610,826.04 and RMB860,442,537.53, respectively, as at 31 December 2019, which totaled RMB1,284,053,363.57 as disclosed in Note V. 38 and 46 to the financial statements.

In view of significant judgments and estimations required in the recognition and measurement of termination benefits, we determined that the expected termination benefits was a key audit matter:

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 from the Company, and with the assistance of the internal valuation experts of Ernst & Young Hua Ming LLP, examining the assessment method, actuarial assumptions and overall calculation results of the Company's termination benefit plan.

Revenue recognition

Description

For the current year, the amount of revenue was RMB291,593,978,707.94, of which sales of goods were RMB282,452,361,802.59, representing 96.9% of the total revenue, as disclosed in Note V. 55 to the financial statements.

The revenue derived from selling goods had a significant impact on the financial statements, and the performance of the iron and steel industry is positively correlated with the economic environment and steel prices which fluctuate significantly. Therefore, we determined that revenue recognition was a key audit matter:

We mainly performed the following audit procedures:

- (1) Assessing the internal control related to the revenue recognition and testing 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 was recorded in the correct accounting period;
- (4) Randomly selecting income transaction records, checking supporting documents such as warehouse lists, receiving notes to verify the authenticity and accuracy of sales of goods;
- (5) Randomly selecting 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 on 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, other than the financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

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

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

As part of an audit in accordance with CSAs, 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

Chinese Certified Public Accountant: 周优妹

(Engagement partner)

Zhou Youmei

Chinese Certified Public Accountant: 徐乐乐

Xu Lele

Beijing, the People's Republic of China

28 April 2020

The auditor's report and the accompanying financial statements are English translations of the Chinese auditor's 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 2019

Unit: Yuan Currency: RMB

ASSETS	Note V	31 December 2019	1 January 2019	31 December 2018 (Restated)
Current assets				
Cash and bank balances	1	13,438,849,057.06	17,110,002,574.20	17,110,002,574.20
Financial assets held for trading	2	831,864,315.42	2,034,034,611.87	-
Financial assets at fair value through profit or loss (FVTPL)	3	-	-	2,031,259,909.48
Derivative financial assets	4	48,511,992.07	60,127,656.74	-
Notes receivable	5	626,770,979.17	430,024,436.86	29,190,333,565.93
Accounts receivable	6	10,877,760,224.00	12,324,739,682.49	12,901,428,073.58
Receivables financing	7	28,111,808,688.91	28,756,529,232.26	-
Prepayments	8	5,002,458,514.42	6,348,565,730.21	6,348,565,730.21
Other receivables	9	1,681,592,687.23	3,117,239,104.10	3,302,028,126.87
Including: Interest receivable		10,785,835.52	14,226,030.25	14,226,030.25
Dividends receivable		1,145,103.12	66,778,713.05	66,778,713.05
Financial assets purchased under resale agreements	10	2,988,600,000.00	500,000,000.00	500,000,000.00
Inventories	11	40,299,745,478.15	41,568,631,679.70	41,568,631,679.70
Other current assets	12	26,656,524,736.23	7,781,323,693.85	7,781,323,693.85
Total current assets		130,564,486,672.66	120,031,218,402.28	120,733,573,353.82
Non-current assets				
Loans and advances to customers	13	192,232,075.00	5,584,789,361.31	5,580,901,203.10
Debt investments	14	763,000,000.00	570,000,000.00	-
Available-for-sale financial assets	15	-	-	12,637,230,889.65
Other debt investments	16	-	94,026,330.00	-
Long-term receivables	17	264,560,984.15	302,259,703.90	302,259,703.90
Long-term equity investments	18	19,392,647,193.87	19,031,688,420.40	19,031,688,420.40
Investment in other equity instruments	19	678,633,155.33	581,043,666.25	-
Other non-current financial assets	20	11,763,241,106.63	11,899,258,534.27	-
Investment properties	21	547,196,501.96	466,585,011.76	466,585,011.76
Fixed assets	22	147,435,917,013.87	150,725,833,025.34	150,725,833,025.34
Construction in progress	23	8,467,766,772.70	7,767,235,365.75	7,767,235,365.75
Intangible assets	24	11,886,956,397.27	12,319,636,119.83	12,319,636,119.83
Goodwill	25	521,901,072.77	524,024,603.46	524,024,603.46
Long-term prepaid expenses	26	1,508,500,131.30	1,393,063,252.51	1,393,063,252.51
Deferred tax assets	27	3,218,948,278.17	3,074,098,831.79	2,900,011,943.31
Other non-current assets	28	2,427,016,998.05	898,016,192.69	1,468,016,192.69
Total non-current assets		209,068,517,681.07	215,231,558,419.26	215,116,485,731.70
Total assets		339,633,004,353.73	335,262,776,821.54	335,850,059,085.52

Consolidated Balance Sheet - continued

AT 31 December 2019

Unit: Yuan Currency: RMB

LIABILITIES AND EQUITY	Note V	31 December 2019	1 January 2019	31 December 2018
				(Restated)
Current liabilities				
Short-term borrowings	30	13,068,010,671.18	38,590,459,474.57	38,454,057,065.49
Customer deposits and deposits from banks and other financial institutions	31	8,743,896,944.17	8,802,169,865.15	8,802,169,865.15
Taking from banks and other financial institutions	32	422,060,100.00	-	-
Financial liabilities at FVTPL		-	-	629,641.69
Derivative financial liabilities	33	11,873,198.14	629,641.69	-
Notes payable	34	14,163,283,601.10	16,250,021,859.42	16,250,021,859.42
Accounts payable	35	29,422,516,984.86	29,295,720,556.40	29,295,720,556.40
Receipts in advance	36	22,371,691,661.35	19,884,475,702.40	19,884,475,702.40
Financial assets sold under repurchase agreements	37	226,463,442.64	142,071,814.59	142,071,814.59
Payroll payable	38	2,544,051,170.00	2,690,028,412.34	2,690,028,412.34
Taxes payable	39	1,923,025,421.13	4,440,142,530.77	4,440,142,530.77
Other payables	40	1,833,294,149.64	2,119,128,040.12	2,478,487,826.26
Including: Interest payable		-	-	359,359,786.14
Dividends payable		60,666,345.73	540,660,334.78	540,660,334.78
Non-current liabilities due within one year	41	3,643,150,014.56	5,385,289,756.59	5,162,332,379.53
Other current liabilities	42	34,213,447,574.77	6,076,755,143.04	6,076,755,143.04
Total current liabilities		132,586,764,933.54	133,676,892,797.08	133,676,892,797.08
Non-current liabilities				
Long-term borrowings	43	2,007,531,180.81	5,610,231,171.28	5,610,231,171.28
Bonds payable	44	9,000,000,000.00	3,000,000,000.00	3,000,000,000.00
Long-term payables	45	960,749,737.09	927,504,518.00	927,504,518.00
Long-term payroll payable	46	1,761,340,882.55	1,128,938,114.66	1,128,938,114.66
Deferred income	47	1,215,988,890.99	1,089,542,195.09	1,089,542,195.09
Deferred tax liabilities	27	884,710,639.80	841,754,750.89	840,782,711.34
Total non-current liabilities		15,830,321,331.24	12,597,970,749.92	12,596,998,710.37
Total liabilities		148,417,086,264.78	146,274,863,547.00	146,273,891,507.45
Shareholders' equity				
Share capital	48	22,274,460,375.00	22,267,915,125.00	22,267,915,125.00
Capital reserve	49	49,978,047,126.60	49,670,627,089.51	49,670,627,089.51
Less: Treasury shares	50	691,760,065.50	665,644,518.00	665,644,518.00
Other comprehensive income	51	(882,025,549.23)	(994,955,449.31)	(348,278,735.39)
Special reserve	52	30,273,443.81	38,668,237.58	38,668,237.58
Surplus reserve	53	34,208,021,470.02	32,628,859,658.50	32,628,859,658.50
Retained earnings	54	73,136,098,014.41	73,430,096,611.48	73,314,022,748.20
Total shareholders' equity attributable to equity holders of the Company		178,053,114,815.11	176,375,566,754.76	176,906,169,605.40
Minority interests		13,162,803,273.84	12,612,346,519.78	12,669,997,972.67
Total shareholders' equity		191,215,918,088.95	188,987,913,274.54	189,576,167,578.07
Total liabilities and shareholders' equity		339,633,004,353.73	335,262,776,821.54	335,850,059,085.52

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: **Wang Juan**Accounting supervisor: **Ran Ruiwen**

Company Balance Sheet

AT 31 December 2019

Unit: Yuan Currency: RMB

ASSETS	Note XV	31 December 2019	1 January 2019	31 December 2018
Current assets				
Cash and bank balances		10,032,788,869.82	9,408,059,019.15	9,408,059,019.15
Financial assets at FVTPL		-	-	36,354,838.66
Derivative financial assets		16,795,580.13	36,354,838.66	-
Notes receivable		-	-	20,513,571,758.90
Accounts receivable	1	20,043,208,340.69	17,056,459,620.05	17,056,459,620.05
Receivables financing		22,678,665,039.82	20,513,571,758.90	-
Prepayments		1,243,775,499.44	1,517,502,941.55	1,517,502,941.55
Other receivables	2	563,326,737.35	662,225,166.29	662,225,166.29
Including: Interest receivable		-	82,540,335.24	82,540,335.24
Inventories		12,852,610,118.55	13,521,669,741.10	13,521,669,741.10
Non-current assets due within one year		-	2,063,508,380.96	2,063,508,380.96
Other current assets		32,834,440,129.48	28,827,643,909.07	28,827,643,909.07
Total current assets		100,265,610,315.28	93,606,995,375.73	93,606,995,375.73
Non-current assets				
Available-for-sale financial assets		-	-	9,033,789,096.20
Long-term receivables		121,747,740.32	143,029,367.15	143,029,367.15
Long-term equity investments	3	82,921,061,384.65	82,050,320,071.06	82,050,320,071.06
Investment in other equity instruments		271,647,000.00	188,892,000.00	-
Other non-current financial assets		8,844,897,096.20	8,844,897,096.20	-
Fixed assets		45,570,147,874.90	46,289,827,418.22	46,289,827,418.22
Construction in progress		2,508,104,973.85	2,974,343,266.06	2,974,343,266.06
Intangible assets		3,264,692,595.75	3,460,000,274.54	3,460,000,274.54
Long-term prepaid expenses		24,800,859.68	33,868,724.42	33,868,724.42
Deferred tax assets		807,696,304.80	1,024,118,330.84	1,024,118,330.84
Other non-current assets		426,422,878.77	469,684,885.08	469,684,885.08
Total non-current assets		144,761,218,708.92	145,478,981,433.57	145,478,981,433.57
Total assets		245,026,829,024.20	239,085,976,809.30	239,085,976,809.30

Company Balance Sheet - continued

AT 31 December 2019

Unit: Yuan Currency: RMB

LIABILITIES AND EQUITY	Note XV	31 December 2019	1 January 2019	31 December 2018
Current liabilities				
Short-term borrowings		10,458,447,037.00	28,752,896,298.43	28,694,000,000.00
Notes payable		5,284,553,874.67	7,761,972,310.96	7,761,972,310.96
Accounts payable		16,037,810,500.39	14,891,007,383.83	14,891,007,383.83
Receipts in advance		9,084,741,766.92	10,889,502,048.45	10,889,502,048.45
Payroll payable		1,317,806,786.90	1,431,007,220.86	1,431,007,220.86
Taxes payable		490,377,679.84	1,081,036,407.58	1,081,036,407.58
Other payables		359,890,724.30	242,819,659.60	524,195,958.69
Including: Interest payable		-	-	281,376,299.09
Non-current liabilities due within one year		3,497,444,829.69	5,222,480,000.66	5,000,000,000.00
Other current liabilities		35,767,699,121.13	6,025,500,000.00	6,025,500,000.00
Total current liabilities		82,298,772,320.84	76,298,221,330.37	76,298,221,330.37
Non-current liabilities				
Long-term borrowings		875,000,000.00	4,249,000,000.00	4,249,000,000.00
Bonds payable		9,000,000,000.00	3,000,000,000.00	3,000,000,000.00
Long-term payables		934,340,065.50	908,224,518.00	908,224,518.00
Long-term payroll payable		487,186,097.57	224,761,034.91	224,761,034.91
Deferred income		318,080,873.59	388,305,218.79	388,305,218.79
Deferred tax liabilities		620,601,694.99	578,062,193.22	578,062,193.22
Total non-current liabilities		12,235,208,731.65	9,348,352,964.92	9,348,352,964.92
Total liabilities		94,533,981,052.49	85,646,574,295.29	85,646,574,295.29
Shareholders' equity				
Share capital		22,274,460,375.00	22,267,915,125.00	22,267,915,125.00
Capital reserve		56,832,321,814.16	56,595,284,290.30	56,595,284,290.30
Less: Treasury shares		691,760,065.50	665,644,518.00	665,644,518.00
Other comprehensive income		(20,629,355.30)	(98,865,566.55)	(98,865,566.55)
Special reserve		34,208,021,470.02	32,628,859,658.50	32,628,859,658.50
Surplus reserve		37,890,433,733.33	42,711,853,524.76	42,711,853,524.76
Total shareholders' equity		150,492,847,971.71	153,439,402,514.01	153,439,402,514.01
Total liabilities and shareholders' equity		245,026,829,024.20	239,085,976,809.30	239,085,976,809.30

Consolidated Income Statement

AT 31 December 2019

Unit: Yuan Currency: RMB

	Note V	2019	2018 (Restated)
Total operating income		292,057,462,783.84	305,506,540,733.92
Including: Operating income	55	291,593,978,707.94	305,081,136,570.18
Interest income		449,080,575.26	410,823,212.47
Fee and commission income		14,403,500.64	14,580,951.27
Less: Total operating costs		281,609,489,082.96	282,143,934,778.97
Including: Operating costs	55	259,871,095,995.98	259,422,850,796.45
Interest expenses		178,671,978.44	169,590,516.73
Fee and commission expenses		5,657,573.75	3,881,986.17
Taxes and levies	56	1,266,479,564.47	1,625,423,561.91
Selling expenses	57	3,381,375,028.62	3,501,932,660.21
Administrative expenses	58	5,581,776,797.48	5,990,786,189.21
Research and development expenses	59	8,864,001,972.52	7,054,083,803.49
Financial expenses	60	2,460,430,171.70	4,375,385,264.80
Including: Interest expenses		2,437,636,361.58	3,074,585,800.61
Interest income		233,399,865.85	242,553,424.22
Add: Other income	61	573,600,636.44	597,788,288.61
Investment income	62	3,699,885,488.13	4,119,890,064.77
Including: Income from investments in associates and joint ventures		1,301,126,402.04	1,355,691,799.96
Income from derecognized financial assets at amortized cost		56,287.56	-
Profit or loss arising from changes in fair value	63	256,867,677.43	189,019,655.46
Credit impairment loss	64	(42,451,323.78)	-
Asset impairment loss	65	323,418,383.23	(319,432,525.10)
Gain on disposal of assets	66	255,306,306.99	-
Operating profit		15,514,600,869.32	27,949,871,438.69
Add: Non-operating income	67	213,090,684.76	313,987,278.18
Less: Non-operating expenses	68	733,643,274.16	679,123,924.04
Total profit		14,994,048,279.92	27,584,734,792.83
Less: Income tax expenses	69	1,525,033,782.56	4,540,450,018.20
Net profit		13,469,014,497.36	23,044,284,774.63
Including: The net loss of the combined party before combination		(12,247,479.63)	(233,856,110.27)
Categorized by operation continuity:			
Net profit from continuing operations		13,469,014,497.36	23,044,284,774.63
Net profit from discontinued operations		-	-
Categorized by ownership:			
Net profit attributable to owners of the Company		12,423,230,251.95	21,448,768,283.52
Profit or loss attributable to minority interests		1,045,784,245.41	1,595,516,491.11

Consolidated Income Statement - continued

AT 31 December 2019

Unit: Yuan Currency: RMB

	Note V	2019	2018 (Restated)
Net other comprehensive income after tax		128,396,896.50	(36,602,358.89)
Net other comprehensive income after tax attributable to owners of the Company	51	112,929,900.08	(46,875,187.82)
Other comprehensive income not to be reclassified into profit or loss		49,783,558.51	(2,150,755.42)
Changes arising from re-measurement of defined benefit plan		(20,406,098.56)	(2,150,755.42)
Changes in fair value of investment in other equity instruments		70,189,657.07	-
Other comprehensive income to be reclassified into profit or loss		63,146,341.57	(44,724,432.40)
Share of other comprehensive income of the investee that will be reclassified to profit or loss under the equity method		33,185,342.63	54,019,248.24
Profit or loss on changes in the investments in other debt obligations		863,837.93	-
Profit or loss on changes in the fair value of available-for-sale financial assets		-	(293,052,667.67)
Translation differences on financial statements denominated in foreign currencies		29,097,161.01	194,308,987.03
Other comprehensive income attributable to minority interests, net of tax	51	15,466,996.42	10,272,828.93
Total comprehensive income:		13,597,411,393.86	23,007,682,415.74
Including: Total comprehensive income attributable to owners of the Company		12,536,160,152.03	21,401,893,095.70
Total comprehensive income attributable to minority interests		1,061,251,241.83	1,605,789,320.04
Earnings per share:	70		
Basic earnings per share (RMB/share)		0.56	0.96
Diluted earnings per share (RMB/share)		0.56	0.96

Company Income Statement

2019

Unit: Yuan Currency: RMB

	Note XV	2019	2018 (Restated)
Operating income	4	135,784,145,710.40	131,362,437,134.44
Less: Operating costs	4	124,239,736,457.79	114,206,599,679.32
Taxes and levies		369,555,245.91	482,372,871.72
Selling expenses		740,425,892.05	780,801,598.43
Administrative expenses		2,000,293,515.33	2,106,698,988.89
Research and development expenses		3,621,792,118.91	3,244,557,770.51
Financial expenses		1,152,896,671.63	1,668,170,252.18
Including: Interest expenses		2,238,691,577.90	2,169,934,824.00
interest income		1,385,708,420.34	1,773,747,914.21
Add: Other income		195,719,916.73	266,149,579.90
Investment income	5	4,255,809,316.05	6,506,661,389.08
Including: Income from investments in associates and joint ventures		913,420,998.63	1,018,556,474.97
Profit or loss arising from changes in fair value		49,578,286.69	395,300,719.56
Credit impairment loss		(8,814,217.95)	-
Asset impairment loss		(65,635,926.68)	(64,057,763.14)
Gain on disposal of assets		237,774,145.42	-
Operating profit		8,323,877,329.04	15,977,289,898.79
Add: Non-operating income		36,039,205.81	106,563,747.06
Less: Non-operating expenses		464,040,153.46	220,681,204.52
Total profit		7,895,876,381.39	15,863,172,441.33
Less: Income tax expenses		67,323.80	1,592,479,458.82
Net profit		7,895,809,057.59	14,270,692,982.51
Net profit from continuing operations		7,895,809,057.59	14,270,692,982.51
Net other comprehensive income after tax		78,236,211.25	(56,271,575.84)
Other comprehensive income not to be reclassified into profit or loss		62,066,250.00	-
Changes in fair value of investment in other equity instruments		62,066,250.00	-
Other comprehensive income to be reclassified into profit or loss		16,169,961.25	(56,271,575.84)
Share of other comprehensive income of the investee that will be reclassified to profit or loss under the equity method		16,169,961.25	23,782,674.16
Profit or loss on changes in the fair value of available-for-sale financial assets		-	(80,054,250.00)
Total comprehensive income:		7,974,045,268.84	14,214,421,406.67

Consolidated Cash Flow Statement

2019

Unit: Yuan Currency: RMB

	Note V	2019	2018 (Restated)
I. CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from the sale of goods and the rendering of services		339,786,971,014.54	350,573,969,360.09
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		422,060,100.00	-
Net decrease in balance with the central bank and due from banks and other financial institutions		-	136,930,638.16
Cash receipts from interest, fees and commissions		475,733,371.98	439,476,969.13
Net increase in financial assets sold under a repurchase agreement		84,391,628.05	11,515,675.90
Receipts of tax refunds		815,748,146.89	699,057,165.18
Other cash receipts relating to operating activities	71	1,471,732,386.17	1,550,008,081.02
Sub-total of cash inflows from operating activities		343,056,636,647.63	353,734,905,082.97
Cash payments for goods purchased and services received		280,019,177,927.96	272,148,472,903.30
Net increase in loans and advances to customers		600,511,787.58	1,613,375,833.09
Net decrease in customer deposits and deposits from banks and other financial institutions		58,179,639.75	-
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		79,742,139.64	-
Cash payments for interest, fees and commissions		167,704,902.10	130,677,497.20
Cash payments to and on behalf of employees		15,621,437,846.91	15,562,981,965.90
Payments of various types of taxes		11,481,193,782.38	13,917,789,647.73
Other cash payments relating to operating activities	71	5,524,546,857.59	4,393,825,459.89
Sub-total of cash outflows from operating activities		313,552,494,883.91	308,167,123,307.11
Net cash flows from operating activities	72	29,504,141,763.72	45,567,781,775.86
II. CASH FLOWS USED IN INVESTING ACTIVITIES			
Cash receipts from disposals and recovery of investments		22,408,257,756.17	78,806,529,269.76
Cash receipts from investment income		2,959,987,458.02	2,954,499,846.44
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		726,426,416.06	137,292,432.37
Net cash receipts from disposal of subsidiaries and other business units		284,368,339.66	-
Other cash receipts relating to investing activities	71	270,983,054.37	297,522,775.76
Sub-total of cash inflows from investing activities		26,650,023,024.28	82,195,844,324.33
Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets		17,624,271,189.31	12,762,272,140.14
Cash payments to acquire investments		31,244,629,246.43	72,925,694,915.63
Net cash payments for disposal of subsidiaries and other business units		-	574,850,105.02
Other cash payments relating to investing activities	71	10,102,100.56	58,606,798.68
Sub-total of cash outflows from investing activities		48,879,002,536.30	86,321,423,959.47
Net cash flows used in investing activities		(22,228,979,512.02)	(4,125,579,635.14)

Consolidated Cash Flow Statement - continued

2019

Unit: Yuan Currency: RMB

	Note V	2019	2018 (Restated)
III. CASH FLOWS USED IN FINANCING ACTIVITIES			
Cash receipts from capital contributions		214,571,133.00	426,249,229.00
Including: Cash receipts from capital contributions from minority owners of subsidiaries		176,400,000.00	409,462,900.00
Cash receipts from borrowings		87,164,560,310.28	81,732,193,411.21
Cash receipts from issue of bonds		72,000,000,000.00	30,688,000,000.00
Sub-total of cash inflows from financing activities		159,379,131,443.28	112,846,442,640.21
Cash repayments of borrowings		156,226,156,695.76	140,274,684,692.58
Cash payments for distribution of dividends or profits or interest expenses		14,087,274,991.29	13,727,813,450.87
Including: Cash payments for distribution of dividends or profits or interest expenses by minority owners of subsidiaries		739,284,523.89	411,365,791.67
Other cash payments relating to financing activities	71	550,636,251.76	4,041,423,169.48
Sub-total of cash outflows from financing activities		170,864,067,938.81	158,043,921,312.93
Net cash flows used in financing activities		(11,484,936,495.53)	(45,197,478,672.72)
IV. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		(42,207,221.70)	(104,282,557.73)
V. NET DECREASE IN CASH AND CASH EQUIVALENTS		(4,251,981,465.53)	(3,859,559,089.73)
Add: Opening balance of cash and cash equivalents		16,217,806,804.83	20,077,365,894.56
VI. CASH AND CASH EQUIVALENTS AT END OF YEAR	72	11,965,825,339.30	16,217,806,804.83

Company Cash Flow Statement

2019

Unit: Yuan Currency: RMB

	Note XV	2019	2018 (Restated)
I. CASH FLOWS FROM/ (USED IN) OPERATING ACTIVITIES			
Cash receipts from the sale of goods and the rendering of services		148,687,141,612.86	139,782,560,730.56
Receipts of tax refunds		232,852,269.33	306,681,428.17
Other cash receipts relating to operating activities		906,161,641.84	663,316,501.02
Sub-total of cash inflows from operating activities		149,826,155,524.03	140,752,558,659.75
Cash payments for goods purchased and services received		136,490,442,384.20	133,544,145,185.19
Cash payments to and on behalf of employees		6,131,868,179.60	6,418,443,998.15
Payments of various types of taxes		3,555,928,666.79	5,355,880,818.10
Other cash payments relating to operating activities		1,089,092,640.16	1,240,759,554.26
Sub-total of cash outflows from operating activities		147,267,331,870.75	146,559,229,555.70
Net cash flows from/ (used in) operating activities		2,558,823,653.28	(5,806,670,895.95)
II. CASH FLOWS FROM/ (USED IN) INVESTING ACTIVITIES			
Cash receipts from disposals and recovery of investments		19,659,000,000.00	61,538,000,000.00
Cash receipts from investment income		3,543,938,893.50	5,599,590,431.93
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		987,582,259.64	41,891,431.95
Other cash receipts relating to investing activities		2,380,463,551.34	279,180,861.97
Sub-total of cash inflows from investing activities		26,570,984,704.48	67,458,662,725.85
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		5,671,784,093.76	6,790,197,746.16
Cash payments to acquire investments		29,698,700,000.80	55,123,403,900.00
Other cash payments relating to investing activities		9,742,100.56	-
Sub-total of cash outflows from investing activities		35,380,226,195.12	61,913,601,646.16
Net cash flows from/ (used in) investing activities		(8,809,241,490.64)	5,545,061,079.69

Company Cash Flow Statement - continued

2019

Unit: Yuan Currency: RMB

III. CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES		
Cash receipts from capital contributions	38,171,133.00	16,786,329.00
Cash receipts from borrowings	85,869,728,619.55	61,316,493,820.09
Cash receipts from issue of bonds	72,000,000,000.00	30,000,000,000.00
Other cash receipts relating to financing activities	9,471,897,284.02	8,374,680,459.45
Sub-total of cash inflows from financing activities	167,379,797,036.57	99,707,960,608.54
Cash repayments of borrowings	147,365,678,619.55	89,877,000,648.47
Cash payments for distribution of dividends or profits or interest expenses	12,965,724,970.50	12,043,662,646.18
Other cash payments relating to financing activities	5,377,522.50	375,792.50
Sub-total of cash outflows from financing activities	160,336,781,112.55	101,921,039,087.15
Net cash flows from/ (used in) financing activities	7,043,015,924.02	(2,213,078,478.61)
IV. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(167,868,235.99)	(44,610,970.11)
V. NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	624,729,850.67	(2,519,299,264.98)
Add: Opening balance of cash and cash equivalents	9,408,059,019.15	11,927,358,284.13
VI. CASH AND CASH EQUIVALENTS AT END OF YEAR	10,032,788,869.82	9,408,059,019.15

Consolidated Statement of Changes in Shareholders' Equity

2019

	2019			
	Attributable to shareholders of the Company			
	Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income
I. Closing balance in prior year	22,267,915,125.00	49,581,655,764.24	665,644,518.00	(348,278,735.39)
Add business combination involving enterprises under common control (Note VI. 1)	-	88,971,325.27	-	-
Changes in accounting policies (Note III. 36)	-	-	-	(646,676,713.92)
II. Balance at 1 January 2019	22,267,915,125.00	49,670,627,089.51	665,644,518.00	(994,955,449.31)
III. Changes for the year	6,545,250.00	307,420,037.09	26,115,547.50	112,929,900.08
(I) Total comprehensive income	-	-	-	112,929,900.08
(II) Shareholders' contributions and reduction in capital	6,545,250.00	5,345,985.53	26,115,547.50	-
1. Capital contributed by shareholders	9,566,700.00	25,818,003.18	38,171,133.00	-
2. The amount of share-based payments recorded in owners' equity of subsidiaries	-	138,245,033.91	-	-
3. Purchase of minority shareholders' equity	-	(1,341,800.00)	-	-
4. Share repurchase	(3,021,450.00)	(9,034,135.50)	(12,055,585.50)	-
5. Disposal of subsidiaries	-	-	-	-
6. Business combination involving enterprises under common control	-	(148,341,116.06)	-	-
(III) Profit distribution	-	-	-	-
1. Transfer to surplus reserve	-	-	-	-
2. Distribution to shareholders	-	-	-	-
(IV) Special reserve	-	-	-	-
1. Transfers in the year	-	-	-	-
2. Amount utilized in the year	-	-	-	-
(V) Others	-	302,074,051.56	-	-
IV. Closing balance in current year	22,274,460,375.00	49,978,047,126.60	691,760,065.50	(882,025,549.23)

	2018			
	Attributable to shareholders of the Company			
	Share capital	Capital reserve	Other equity instruments	Less: Treasury shares
I. Closing balance in prior year	22,268,111,875.00	48,714,559,218.40	77,717,323.62	712,416,884.50
Add business combination involving enterprises under common control (Note VI. 1)	-	88,971,325.27	-	-
II. Balance at 1 January 2018	22,268,111,875.00	48,803,530,543.67	77,717,323.62	712,416,884.50
III. Changes for the year	(196,750.00)	867,096,545.84	(77,717,323.62)	(46,772,366.50)
(I) Total comprehensive income	-	-	-	-
(II) Shareholders' contributions and reduction in capital	(196,750.00)	687,979,739.63	-	(46,772,366.50)
1. Capital contributed by shareholders	-	406,079,335.59	-	(46,396,574.00)
2. The amount of share-based payments recorded in owners' equity of subsidiaries	-	271,536,699.45	-	-
3. Purchase of minority shareholders' equity	-	10,565,131.86	-	-
4. Share repurchase	(196,750.00)	(179,042.50)	-	(375,792.50)
5. Disposal of subsidiaries	-	(22,384.77)	-	-
(III) Profit distribution	-	-	-	-
1. Transfer to surplus reserve	-	-	-	-
2. Distribution to shareholders	-	-	-	-
3. Others	-	-	-	-
(IV) Special reserve	-	-	-	-
1. Transfers in the year	-	-	-	-
2. Amount utilized in the year	-	-	-	-
(V) Others	-	179,116,806.21	(77,717,323.62)	-
IV. Closing balance in current year	22,267,915,125.00	49,670,627,089.51	-	665,644,518.00

Unit: Yuan Currency: RMB

2019						
Attributable to shareholders of the Company				Minority interests	Total shareholders' equity	
Special reserve	Surplus reserve	Retained earnings	Subtotal			
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	
717,278.96	-	53,927,056.04	143,615,660.27	187,462,418.20	331,078,078.47	
-	-	116,073,863.28	(530,602,850.64)	(57,651,452.89)	(588,254,303.53)	
38,668,237.58	32,628,859,658.50	73,430,096,611.48	176,375,566,754.76	12,612,346,519.78	188,987,913,274.54	
(8,394,793.77)	1,579,161,811.52	(293,998,597.07)	1,677,548,060.35	550,456,754.06	2,228,004,814.41	
-	-	12,423,230,251.95	12,536,160,152.03	1,061,251,241.83	13,597,411,393.86	
-	-	-	(14,224,311.97)	(37,194,718.54)	(51,419,030.51)	
-	-	-	(2,786,429.82)	179,186,429.82	176,400,000.00	
-	-	-	138,245,033.91	13,394,540.79	151,639,574.70	
-	-	-	(1,341,800.00)	(15,346,900.00)	(16,688,700.00)	
-	-	-	-	-	-	
-	-	-	-	(70,817,305.21)	(70,817,305.21)	
-	-	-	(148,341,116.06)	(143,611,483.94)	(291,952,600.00)	
-	1,579,161,811.52	(12,717,228,849.02)	(11,138,067,037.50)	(473,658,523.89)	(11,611,725,561.39)	
-	1,579,161,811.52	(1,579,161,811.52)	-	-	-	
-	-	(11,138,067,037.50)	(11,138,067,037.50)	(473,658,523.89)	(11,611,725,561.39)	
(8,394,793.77)	-	-	(8,394,793.77)	(67,323.25)	(8,462,117.02)	
612,348,440.56	-	-	612,348,440.56	19,515,998.70	631,864,439.26	
(620,743,234.33)	-	-	(620,743,234.33)	(19,583,321.95)	(640,326,556.28)	
-	-	-	302,074,051.56	126,077.91	302,200,129.47	
30,273,443.81	34,208,021,470.02	73,136,098,014.41	178,053,114,815.11	13,162,803,273.84	191,215,918,088.95	

2018						
Attributable to shareholders of the Company				Minority interests	Total shareholders' equity	
Other comprehensive income	Special reserve	Surplus reserve	Retained earnings			
(301,403,547.57)	41,582,048.73	29,774,721,062.00	64,569,632,340.12	10,039,901,103.41	174,472,404,539.21	
-	134,634.18	-	430,172,244.29	561,014,085.49	1,080,292,289.23	
(301,403,547.57)	41,716,682.91	29,774,721,062.00	64,999,804,584.41	10,600,915,188.90	175,552,696,828.44	
(46,875,187.82)	(3,048,445.33)	2,854,138,596.50	8,314,218,163.79	2,069,082,783.77	14,023,470,749.63	
(46,875,187.82)	-	-	21,448,768,283.52	1,605,789,320.04	23,007,682,415.74	
-	-	-	-	734,555,356.13	1,877,010,071.47	
-	-	-	-	452,475,909.59	1,700,006,743.83	
-	-	-	-	271,536,699.45	284,919,745.02	
-	-	-	-	10,565,131.86	(6,955,800.00)	
-	-	-	-	-	-	
-	-	-	-	(22,384.77)	(100,938,232.61)	(100,960,617.38)
-	-	2,854,138,596.50	(13,134,550,119.73)	(10,280,411,523.23)	(675,301,937.19)	(10,955,713,460.42)
-	-	2,854,138,596.50	(2,854,138,596.50)	-	-	-
-	-	-	(10,280,411,523.23)	(10,280,411,523.23)	(675,301,937.19)	(10,955,713,460.42)
-	-	-	-	-	-	-
-	(3,048,445.33)	-	-	(3,048,445.33)	(4,303,722.02)	(7,352,167.35)
-	589,413,028.33	-	-	589,413,028.33	19,312,475.76	608,725,504.09
-	(592,461,473.66)	-	-	(592,461,473.66)	(23,616,197.78)	(616,077,671.44)
-	-	-	-	101,399,482.59	444,407.60	101,843,890.19
(348,278,735.39)	38,668,237.58	32,628,859,658.50	73,314,022,748.20	12,669,997,972.67	189,576,167,578.07	

Company Statement of Changes in Shareholders' Equity

2019

	2019		
	Share capital	Capital reserve	Less: Treasury shares
I. Closing balance in prior year	22,267,915,125.00	56,595,284,290.30	665,644,518.00
Add: Changes in accounting policies (Note III. 36)	-	-	-
II. Balance at 1 January 2019	22,267,915,125.00	56,595,284,290.30	665,644,518.00
III. Changes for the year	6,545,250.00	237,037,523.86	26,115,547.50
(I) Total comprehensive income	-	-	-
(II) Shareholders' contributions and reduction in capital	6,545,250.00	143,979,661.20	26,115,547.50
1. Capital contributed by shareholders	9,566,700.00	28,604,433.00	38,171,133.00
2. Share-based payments recognized in owners' equity	-	124,409,363.70	-
3. Share repurchase	(3,021,450.00)	(9,034,135.50)	(12,055,585.50)
(III) Profit distribution	-	-	-
1. Transfer to surplus reserve	-	-	-
2. Distribution to shareholders	-	-	-
(IV) Special reserve	-	-	-
1. Transfers in the year	-	-	-
2. Amount utilized in the year	-	-	-
(V) Others	-	93,057,862.66	-
IV. Closing balance in current year	22,274,460,375.00	56,832,321,814.16	691,760,065.50

	2018		
	Share capital	Capital reserve	Less: Treasury shares
I. Balance at 1 January 2018	22,268,111,875.00	56,360,561,245.89	712,416,884.50
II. Changes for the year	(196,750.00)	234,723,044.41	(46,772,366.50)
(I) Total comprehensive income	-	-	-
(II) Shareholders' contributions and reduction in capital	(196,750.00)	122,098,318.51	(46,772,366.50)
1. Capital contributed by shareholders	-	37,175,305.56	(46,396,574.00)
2. Share-based payments recognized in owners' equity	-	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)	-
(III) Profit distribution	-	-	-
1. Transfer to surplus reserve	-	-	-
2. Distribution to shareholders	-	-	-
(V) Special reserve	-	-	-
1. Transfers in the year	-	-	-
2. Amount utilized in the year	-	-	-
(VI) Others	-	112,624,725.90	-
III. Closing balance in current year	22,267,915,125.00	56,595,284,290.30	665,644,518.00

Unit: Yuan Currency: RMB

2019				
Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total shareholders' equity
(98,865,566.55)	-	32,628,859,658.50	42,711,853,524.76	153,439,402,514.01
-	-	-	-	-
(98,865,566.55)	-	32,628,859,658.50	42,711,853,524.76	153,439,402,514.01
78,236,211.25	-	1,579,161,811.52	(4,821,419,791.43)	(2,946,554,542.30)
78,236,211.25	-	-	7,895,809,057.59	7,974,045,268.84
-	-	-	-	124,409,363.70
-	-	-	-	-
-	-	-	-	124,409,363.70
-	-	-	-	-
-	-	1,579,161,811.52	(12,717,228,849.02)	(11,138,067,037.50)
-	-	1,579,161,811.52	(1,579,161,811.52)	-
-	-	-	(11,138,067,037.50)	(11,138,067,037.50)
-	-	-	-	-
-	292,524,922.93	-	-	292,524,922.93
-	(292,524,922.93)	-	-	(292,524,922.93)
-	-	-	-	93,057,862.66
(20,629,355.30)	-	34,208,021,470.02	37,890,433,733.33	150,492,847,971.71
2018				
Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total shareholders' equity
(42,593,990.71)	-	29,774,721,062.00	41,315,860,945.00	148,964,244,252.68
(56,271,575.84)	-	2,854,138,596.50	1,395,992,579.76	4,475,158,261.33
(56,271,575.84)	-	-	14,270,692,982.51	14,214,421,406.67
-	-	-	-	168,673,935.01
-	-	-	-	83,571,879.56
-	-	-	-	257,030,045.02
-	-	-	-	-
-	-	-	-	(171,927,989.57)
-	-	2,854,138,596.50	(12,874,700,402.75)	(10,020,561,806.25)
-	-	2,854,138,596.50	(2,854,138,596.50)	-
-	-	-	(10,020,561,806.25)	(10,020,561,806.25)
-	-	-	-	-
-	288,358,067.66	-	-	288,358,067.66
-	(288,358,067.66)	-	-	(288,358,067.66)
-	-	-	-	112,624,725.90
(98,865,566.55)	-	32,628,859,658.50	42,711,853,524.76	153,439,402,514.01

Notes To The Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2019

(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 online stock exchange listing coupled with offline 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, from 21 to 26 April 2005, the Company issued five billion of shares with a par value of RMB1.00 each and an offer price of RMB5.12 per share, including three billion of state-owned shares to Shanghai Baosteel Group Corporation and two billion of those shares to the general public, on 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 exercise 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 exercise period was from 28 June to 3 July 2010. A total of 113,785 warrants were successfully exercised before the stock market was 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 a price of not more than RMB5.00 per share and an amount of not more than RMB5 billion in total. The first repurchase began on 21 September 2012, and the Company 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 the reduction of share capital of RMB0.39 billion and finished all the procedures with the 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 reduction 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 the 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 2019 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 shares 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 2019.

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 restricted stocks of the Company were registered on the Shanghai Branch of China Securities Depository and Clearing Corporation Limited on 16 January 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

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

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.

On 18 December 2018, the Company held the 5th meeting of the 7th Board of Directors to discuss and approve the "Proposal on the Implementation of the Second Phase of A-share Reserved Restricted Stock Plan", and granted 9,566,700 reserved restricted shares to 76 eligible incentive objects. Those shares had been registered on the Shanghai Branch of China Securities Depository and Clearing Corporation Limited on 17 January 2019.

In January 2019 and August 2019, the Company reduced its share capital by 1,347,750 shares and 1,673,700 shares respectively, due to the repurchase of restricted stock incentives which have not reached the unlocking conditions.

As at the end of the reporting period, the Company's registered share capital was RMB22,274,460,375. 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 are hereinafter referred to as "the Group".

The Company's financial statements and the Group's consolidated financial statements were approved by the Board of Directors on 28 April 2020.

The scope of consolidation in the consolidated financial statements is determined on the basis of control. The change in the 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 2019 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.

In July 2019, the Group obtained the control right of Baosight Software (Wuhan) Co., Ltd. through the business combination involving entities under common control. The relevant items of the previous financial statements were adjusted when preparing the Group's comparative consolidated financial statements, as if the reporting entity formed after the combination has existed since the final controller began to implement the control. Due to the business involving entities under common control in this year, the relevant items in the financial statements of the Group in the previous year have been restated. In addition, according to the relevant requirements of the Notice on Revising and Circulating Consolidated Financial Statement Formats 2019 (Cai Kuai [2019] No.16), and the Notice on Revising and Issuing the Format of the 2019 Consolidated Financial Statements (Cai Kuai [2019] No.16), the Group has also restated the financial statements for the comparative period on a retrospective basis. Please refer to Note III. 36 and Note XIV.4 for details. Unless otherwise specified, the relevant financial data of 31 December 2018 and year 2018 in the report have been restated.

With effect from 1 January 2019, the Group has adopted the New Standard on Financial Instruments for accounting treatment. According to the transitional requirements, no adjustment is made to information for the comparative period. The relevant financial data of 31 December 2018 and year 2018 in this report are not adjusted under the newly amended accounting standards set out above. Adjustments arising from the difference in first adopting the new standards and the original standards will be dealt with in the opening retained earnings or other comprehensive income on a retrospective basis. Please refer to Note III. 36 for details.

(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.

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(III) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES – continued

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 2019, 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 measurement date, regardless of whether that price is directly observable or estimated using valuation technique. Fair value measurements and/or 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 the 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 purposes 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 as its presentation currency for the financial statements.

6. Business combinations

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 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.

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(III) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

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 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 obtaining control of 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 cash flow statement, 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 cash flow statement, 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 is 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 an equity transaction. 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 is adjusted against retained earnings.

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(III) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES – continued

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 the acquisition date will be under accounting treatment, the fair value of acquirees' shares held before the acquisition date will be revalued, and the difference between fair value and book value will be recognized in profit or loss of the current period; if acquirees' shares held before the acquisition date involve changes of other comprehensive income and other equity of owners under the equity method, the changes will be transferred to income on the 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 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 between the consideration received on disposal and the share of net assets of the subsidiary continuously calculated from the acquisition date is recognized as other comprehensive income. When losing control, the cumulated other comprehensive income is transferred to profit or loss of the period in which control is lost. If the transactions of disposal of equity investment of a subsidiary are not assessed to be 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 the equity method. Refer to Note V.18 for details.

9. Recognition criteria for 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

Translation of 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 a foreign currency that qualifies 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 monetary foreign currency items measured at fair value through other comprehensive income (except for those measured at amortized cost) are recognized as other comprehensive income.

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 or loss for the period upon disposal of the foreign operation.

Foreign currency non-monetary items measured at historical cost are translated into the functional currency at the spot exchange rates on the dates of the transactions and the amounts in the 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 or loss or as other comprehensive income included in capital reserve.

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FOR THE YEAR ENDED 31 DECEMBER 2019

(III) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

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 arise; all items in the income statement as well as items reflecting the distribution of profits are translated at the average exchange rate of the transaction period. The difference between the translated assets and the aggregate of liabilities and shareholders' equity items is 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 for the period during which the cash flows occur. 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 the previous year are presented at the translated amounts in the previous year's financial statements.

11. Financial instruments (Applicable since 1 January 2019)

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Recognition and derecognition of Financial Instruments

The Group recognizes a financial asset or a financial liability when it becomes a party to the contractual provisions of a financial instrument.

The Group derecognizes a financial asset (or part of a financial asset, or part of a group of similar financial assets), i.e. writing off the financial asset from the account and balance sheet, when the following conditions are met:

(1) the rights to receive cash flows from the financial asset have expired;

(2) the Group has transferred its rights to receive cash flows from the financial asset, or has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; and either (a) has transferred substantially all the risks and rewards of the ownership of the financial asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the ownership of the financial asset, but has transferred control of the financial asset.

If the underlying obligation of a financial liability has been discharged or cancelled or has expired, the financial liability is derecognized. If an existing financial liability is replaced by the same creditor with a new financial liability that has substantially different terms, or if the terms of an existing financial liability are substantially revised, such replacement or revision is accounted for as the derecognition of the original liability and the recognition of a new liability, and the resulting difference is recognized in profit or loss for the current period.

Regular way purchases or sales of financial assets are recognized and derecognized using the trade date for accounting. Regular way purchase or sale of financial assets refers to that the financial assets are delivered to or by the Group under the terms of a contract within a period as specified by law or general practice. The trade date is the date on which the Group undertakes to buy or sell a financial asset.

Classification and measurement of financial assets

The financial assets of the Group are classified in the initial recognition based on the business model of the Group's financial asset management and the characteristics of the financial assets' contractual cash flows: financial assets at fair value through profit or loss, financial assets measured at amortized cost, or financial assets at fair value through other comprehensive income. Financial assets are measured at fair value on initial recognition. Only if the Group changes its business model for managing financial assets, all affected financial assets can be reclassified.

However, if the initial recognition of accounts receivable or notes receivable arising from sales of merchandises or provision of services etc. does not include significant financing components or does not consider financing components not exceeding one year; it shall be recognized as the transaction price.

For financial assets measured at fair value through profit or loss, the related transaction expense is directly recognized in profit or loss for the current period. Transaction costs related to other types of financial assets are included in their initial recognition amounts.

The subsequent measurement of a financial asset is determined by its category:

Debt instrument investment measured at amortized cost

Financial assets are classified as financial assets measured at amortized cost if the financial assets meet the following conditions: the Group's business

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(III) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES – continued

model for managing the financial assets is to collect contractual cash flows; the contractual terms of the financial assets stipulate that cash flows generated on a specific date are only for the payment of the principal and the interest based on the outstanding principal amount. The effective interest method is adopted to recognize interest income for this type of financial assets. The gain or loss from its derecognition, revision or impairment is taken to profit or loss for the current period. This type of financial assets primarily include cash, notes receivable, accounts receivable, other receivables, financial assets purchased under resale agreements, loans and advances to customers, investments in debt obligations and long-term receivables. Those debt investments and long-term receivables due within one year from the balance sheet date are presented as non-current assets due within one year. Those debt investments with original maturity within one year are presented as other current assets.

Investment in debt instruments at fair value through other comprehensive income

Financial assets which satisfy all of the following criteria are classified as financial assets at fair value through other comprehensive income: the business model upon which the Group manages the financial asset targets at both obtaining the contracted cash flows and also disposing of the financial asset; the financial asset contract provides that the cashflow generated on certain dates are only for paying the principal and interest which is based on the outstanding principal amount. The effective interest method is adopted to recognize interest income for this type of financial assets. Other than interest income, impairment losses and exchange differences which are recognized as profit or loss for the current period, other fair value changes are taken to other comprehensive income.

When a financial asset is derecognized, the cumulative gains or losses previously taken to other comprehensive income are transferred from other comprehensive income to profit or loss for the current period. This type of financial assets is presented as receivables financing, other debt investments, discounting notes receivable of loans and advances to customers, and notes receivable. Other debt investments due within one year from the balance sheet date are presented as non-current assets due within one year. Other debt investments with original maturity within one year are presented as other current assets.

Investment in equity instruments at fair value through other comprehensive income

The Group irrevocably opts to designate some of the investments in non-trading equity instruments as financial assets at fair value through other comprehensive income, and only recognizes relevant dividend income (other than dividend income expressed to be partial recovery of investment cost) in profit or loss for the current period, while subsequent change in fair value is taken to other comprehensive income, and no impairment provision is needed. When the financial asset is derecognized, the accumulated gain or loss previously taken to other comprehensive income is transferred from other comprehensive income to retained earnings. This type of financial assets is presented as investment in other equity instruments.

Financial assets measured at fair value through profit or loss

The financial assets other than those measured at amortized cost and financial assets measured at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss for the current period. For such financial assets, fair value is used for subsequent measurement, except for hedge accounting, all changes in fair value are recognized in profit or loss for the current period. This type of financial assets is presented as financial assets held for trading and derivative financial assets respectively. Those to be due after one year as of the balance sheet date and expected to be held for more than one year are presented as other non-current financial assets.

Classification and measurement of financial liabilities

The Group's financial liabilities are, on initial recognition, classified into financial liabilities at fair value through profit or loss, other financial liabilities or derivatives designated as effective hedging instruments. For financial liabilities at fair value through profit or loss, relevant transaction costs are directly recognized in profit or loss for the current period, and transaction costs relating to other financial liabilities are included in the amounts at initial recognition.

The subsequent measurement of financial liabilities is determined by its category.

Financial liabilities at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss include financial liabilities held for trading (including derivatives that are financial liabilities) and financial liabilities designated upon initial recognition as measured at fair value through profit or loss. Financial liabilities held for trading (including derivatives that are financial liabilities) are subsequently measured at fair value, except for hedge accounting, all changes in fair value are recognized in profit or loss. Financial liabilities designated as at fair value through profit or loss are subsequently measured at fair value. Other than fair value through other comprehensive income arising from the change in the credit risks of the Group, other fair value changes are taken to profit or loss. All fair value changes, including the influence of the change in credit risks, are taken to profit or loss for the current period, unless where taking the fair value changes arising from the change in the Group's credit risks would result in or increase the accounting mismatch in profit or loss.

Other financial liabilities

This kind of financial liabilities are measured at amortized cost using the effective interest rate method.

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(III) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

Impairment of financial instruments

On the basis of expected credit losses, the Group performs the impairment treatment on financial assets carried at amortized cost and investment in debt instruments at fair value through other comprehensive income, and recognize the loss provision.

For receivables that do not contain significant financing components, the Group uses a simplified measurement method to measure loss provision based on the amount of expected credit losses for the entire duration of the life.

For financial assets other than those measured by the aforesaid simplified measurement method, the Group assesses whether its credit risk has increased significantly since the initial recognition on each balance sheet date. If the credit risk has not increased significantly since the initial recognition and it is still stage one, the Group measures the loss provision based on the amount of expected credit losses over the next 12 months, and calculates interest income based on the carrying amount and effective interest rate. If the credit risk has increased significantly since the initial recognition but no credit loss has been incurred, it is at stage two and the Group measures the loss provision based on the amount of expected credit losses for the entire duration of the life, and calculates interest income based on the carrying amount and effective interest rate. If there has been credit losses since initial recognition, it is at stage three and the Group measures the loss provision based on the amount of expected credit losses for the entire duration of the life, and calculates interest income based on amortized costs and the effective interest rate. For those financial instruments of low credit risk as of the balance sheet date, the Group assumes that its credit risk has not increased significantly since the initial recognition.

Expected credit losses on financial instruments are assessed on individual basis and group basis. Expected credit losses on accounts receivable are assessed by taking into account the credit risk characteristics of different customers, on the basis of groupings by age.

For disclosures on the criteria adopted by the Group in judging the significant increase in credit risk, the definition of assets with incurred credit losses and assumptions underlying the measurement of expected credit losses, please refer to Note VIII.

When the Group no longer reasonably expects to be able to fully or partially recover the contractual cash flows of financial assets, the Group directly writes down the carrying amount of the financial assets.

Offsetting of financial instruments

The net amount after offsetting financial assets and financial liabilities is presented in the balance sheet if the following conditions are satisfied: A lawful right exists for offsetting recognized amounts, and such lawful right is currently enforceable; it is planned that the financial assets and financial liabilities are to be netted off against each other; or that they are to be realized and settled simultaneously.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make payments of specified amounts to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are measured, on initial recognition, at fair value. Other than financial guarantee contracts designated as financial liabilities at fair value through profit or loss for the current period, other financial guarantee contracts are, after initial recognition, subsequently measured at the higher of: the amount of provision for expected credit losses recognized as at the balance sheet date; and the amount initially recognized less the accumulated amortization determined according to the principles of revenue recognition.

Derivative financial instruments

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss for the current period, except where it relates to hedge accounting.

Transfer of financial assets

If the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee, the Group derecognizes the financial asset; if the Group retains substantially all the risks and rewards of ownership of the financial asset, the Group does not derecognize the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it is accounted for as follows: if the Group has not retained control, it derecognizes the financial asset and recognizes any resulting assets or liabilities; if the Group has retained control, it continues to recognize the financial asset to the extent of its continuing involvement in the transferred financial asset and recognizes the relevant liability.

Notes To The Financial Statements – continued

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(III) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES – continued

For ongoing involvement by providing financial guarantees in respect of the transferred financial assets, the assets arising from such involvement is recognized as the lower of the carrying amount of the financial assets and the amount of the financial guarantees. The amount of financial guarantees refers to the maximum amount to be repayable on demand among the considerations received.

12. Financial instruments (Applicable to year 2018)

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.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity date that the Group 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,

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FOR THE YEAR ENDED 31 DECEMBER 2019

(III) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

impairment or amortization is recognized in profit or loss.

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.

Interest obtained, and the dividends declared by the investee during the period in which the available-for-sale financial assets are held and 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 becomes 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 the 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

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(III) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES – continued

amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

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

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FOR THE YEAR ENDED 31 DECEMBER 2019

(III) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

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.

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 foreign exchange 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 derivatives.

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

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(III) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

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.

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 shares before cancellation or sale, and all the expenditures occurred in the repurchase are accounted for as costs 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.

13. Accounts receivable (Applicable to year 2018)

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 has been made for the amount due from entities within the scope of consolidated financial statements of Baowu Group, while bad debt provision has been made for the amount due from other parties with details listed as below.
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FOR THE YEAR ENDED 31 DECEMBER 2019

(III) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

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

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.

14. 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 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 inventories over their 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.

15. 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 the financial statements of the ultimate controlling party are recognized as initial investment cost of long-term equity investment at the 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

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(III) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

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-term equity investments that was changed to be accounted for using the 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. Cumulative changes in fair value of the equity instruments held as financial instruments before the purchase date previously recognized in other comprehensive income are transferred from other comprehensive income to retained earnings (applicable since 2019) or current profit and loss (applicable before 2019) when the equity investments were changed to be accounted for using the cost method.

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 investments 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, the 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

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(III) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

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 are 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 on 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 the book value and the market price is recognized in profit or loss for the current period. For long-term equity investments under the 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 the 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 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 the shares, when preparing separate financial statements, for the investee still under the joint control or significant influence after the disposal, the remaining shares shall be accounted under the equity method and adjusted as they are accounted under the equity method from acquisition date; for the investee no longer under the joint control or significant influence after the disposal, the remaining shares shall be accounted for according to the recognition and measurement of financial instruments, and the difference between the fair value at the date of losing control and the book value is recognized in profit or loss of the 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 the equity methods 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. The remaining shares after disposal are accounted for under the equity method, other comprehensive income and other owners' equity are carried forward in proportion; the remaining shares after disposal are accounted for according to the 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 an investee after partial disposal of shares, the remaining shares after disposal are accounted for according to the recognition and measurement of financial instruments, the difference between the fair value at the date of losing joint control or significant influence and the 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, the difference between the amount of disposal and the 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. For transactions that are not part of the package deal, each transaction shall be accounted for separately.

16. 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

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(III) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES – continued

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.

17. 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

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 was 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.

18. 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 its intended use and other relevant costs. Construction in progress is not

Notes To The Financial Statements – continued

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(III) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

depreciated. Construction in progress is transferred to a fixed asset when it is ready for intended use.

19. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a 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.

20. 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

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 the development phase that does not meet the following conditions is recognized in profit or loss for the period:

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

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(III) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES – continued

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.

21. Impairment of long-term assets

The Group assesses at each balance sheet date whether there is any indication that the long-term equity investment, investment properties, fixed assets and construction in progress, which are measured by the 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 an 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 asset group or sets of asset 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 on such assets is recognized, it is not be reversed in any subsequent period.

22. 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.

23. 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.

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.

24. Employee benefits

Short-term employee benefits

The short-term employee benefits actually occurred are recognized as liabilities, and are recorded 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 are recorded into the current profit or loss or in the costs of relevant assets in the accounting period in which employees provide services.

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(III) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

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 the 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 the 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 refunds 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 costs are recognized as an 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.

Other long-term employee benefits

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 benefits 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 benefits, 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.

25. 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.

26. 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.

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(III) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

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 arrangements

In the 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 the 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 has not occurred (other than a cancellation of some or all the equity instruments granted).

Others

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

27. Revenue

Revenue from sales of goods

Revenue from sales 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.

Revenue arising from the rendering of services

Revenue from the 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 the rendering of services is recognized using the percentage of completion method at the balance sheet date. The stage of completion of a transaction for the 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 are used by others and the effective interest rates.

28. Government grants

Government grants are transfers 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.

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(III) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount. A government grant measured at a nominal amount is 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. 47. As the related subsidies are directly related to the investment in the construction of fixed assets. These government grants are government grants related to assets. A government grant related to an asset shall be recognized as deferred income and included in profit or loss over the useful life of the related asset by the average allocation method (but a government grant measured at nominal amount shall be recognized immediately in profit or loss).

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 purposes, and the lending bank provides loans to the Group at a policy preferential interest rate, one of the following accounting treatments is used: The amount of loans actually received is recorded at the 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 the 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 the effective interest rate to write off the related borrowing costs. The discount fund allocated directly to the enterprise is used to charge against the related borrowing costs. The capitalized borrowing costs that can be directly attributable to the acquisition and construction of the assets that qualify for capitalization shall be accounted for in the deferred income and be included in profit or loss over the useful life of the related asset by average allocation.

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

Relocation compensation received for 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.

29. 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.

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(III) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES – continued

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 the amount is reversed when it becomes probable that sufficient taxable profits will be available.

Offsetting 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.

30. 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.

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. 17.

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(III) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

Unrecognized finance charges are recognized as finance charges 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 unearned finance income is separated into long-term debts receivable and the portion of long-term debts receivable due within one year for presentation.

31. 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:

- (1) Such component represents a separate major line of business or geographical area of operations;
- (2) 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;
- (3) Such component is a subsidiary acquired exclusively for the purpose of resale.

32. Repurchase of shares

Consideration and transaction costs paid for the repurchase of the Company's own equity instruments are charged against shareholders' equity. Other than share-based payments, issuance (including refinancing), repurchase, sale or cancellation of its own equity instruments is treated as change in equity.

33. Profit appropriation

Interim and final cash dividends are recognized as liabilities upon approval by shareholders in a general meeting.

34. Safety funds

Safety funds provided for as required were included in cost of product or the current profit and loss, and credited in special reserve. And the funds are treated separately depending on whether fixed assets are resulted when being used: funds related to expenditure is offset against special reserve directly while those forming fixed assets will consolidate expenditure incurred and recognized as fixed assets when such assets are ready for their intended use, at the same time offsetting equivalent amounts in the special reserve and recognizing equivalent amounts of accumulated depreciation.

35. 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 judgements, 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 judgements, 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 judgements, 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.

Judgements

Business model

The classification of financial assets at initial recognition depends on the business model of the Group's management of financial assets. In judging the business model, the Group considers corporate appraisal, methods of reporting the results of financial assets to key management members, risks affecting the results of financial assets and its management, as well as the methods of remunerating relevant business managers and so forth. In assessing whether the objective is to collect contractual cash flows, the Group needs to analyze and judge the reasons for disposing of the financial assets before maturity, time, frequency and value of the financial assets and so forth.

Contractual cash flow characteristics

The classification of financial assets at initial recognition depends on the contractual cash flow characteristics of the financial assets. When it is necessary

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(III) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

to judge whether the contractual cash flow is only the payment of the principal and the interest based on the outstanding principal, including the assessment of the correction of the time value of money, it is necessary to judge whether there is a significant difference compared with the benchmark cash flow. For financial assets with advanced payment characteristics, it is necessary to judge whether the fair value of the advanced payment characteristics is minimal.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the future accounting periods, are discussed below.

Impairment of financial instruments

The Group uses the expected credit loss model to assess the impairment of financial instruments. The application of the expected credit loss model requires significant judgements and estimations, and all reasonable and evidenced information, including forward-looking information, should be considered. In making such judgments and estimations, the Group infers the expected changes in the debtor's credit risk based on the historical repayment data in combination with economic policies, macroeconomic indicators, and industry risks. Different estimates may affect the provision for impairment, and the provision for impairment may not be equal to the actual amount of impairment loss in the future.

Provision for decline in value of inventories

Note III. 14 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 the 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 (Applicable to year 2018)

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 for 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, carried forward losses of future years and deductible temporary differences are not fully recognized as deferred tax assets in these subsidiaries.

Provision for fixed assets

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 the book value may not be recoverable. If the 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.

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(III) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

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.

Fair value of unlisted equity investment

The valuation of unlisted equity investment is the predicted future cash flow discounted according to the current discount rate of other financial instruments with similar contract terms and risk characteristics. This requires the Group to estimate the expected future cash flow, credit risk, volatility and discount rate, which gives rise to uncertainty.

36. Change of accounting policies and estimates

New Standard on Financial Instruments

In 2017, the MOF issued Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments; Accounting Standard for Business Enterprises No. 23 – Transfer of Financial Assets; Accounting Standard for Business Enterprises No. 24 – Hedge Accounting; and Accounting Standard for Business Enterprises No. 37 – Presentation of Financial Instruments (the “New Standard on Financial Instruments”). With effect from 1 January 2019, the Group has adopted the newly amended accounting standards set out above for accounting treatment. According to the transitional requirements, no adjustment is made to information for the comparative period. Adjustments arising from the difference in first adopting the new standards and the original standards will be dealt with in the opening retained earnings or other comprehensive income on a retrospective basis.

The New Standard on Financial Instruments has changed the classification and measurement of financial assets, affirming three major categories of measurement, namely at amortized cost, fair value through other comprehensive income and fair value through profit or loss. Such categorization takes into account the entity's own business model and the characteristics of the contract cashflow of its financial assets. An investment in equity instruments is required to be measured at fair value through profit or loss with the irrevocable option at inception to be measured at fair value through other comprehensive income for equity instruments not held for trading.

The New Standard on Financial Instruments requires the measurement of impairment of financial assets be changed from the “incurred loss model” to the “expected credit loss model”, which is applicable to financial assets measured at amortized cost, financial assets at fair value through other comprehensive income, loan commitments and financial guarantee contracts.

In its day-to-day capital management, the Group endorses or discounts some of its bank acceptance notes. The business model for managing the aforesaid notes receivable is for the dual purposes of receipt of contract cashflow and sale. Therefore, after 1 January 2019, such notes receivable were re-classified as financial assets at fair value through other comprehensive income, and presented as receivables financing.

After 1 January 2019, some of the equity investments held by the Group were designated as financial assets at fair value through other comprehensive income and presented as investments in other equity instruments.

On the date of first adoption, the categorization and measurement of financial assets conducted according to the standards on the recognition and measurement of financial instruments before and after the amendment are compared as follows:

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(III) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

The Group

Unit: Yuan Currency: RMB

Standards on the recognition and measurement of financial instruments before amendment		
Account	Measurement categories	Carrying amount
Financial assets at fair value through profit or loss	Fair value through profit or loss	2,031,259,909.48
Notes receivable	Amortized cost	29,190,333,565.93
Accounts receivable	Amortized cost	12,901,428,073.58
Other receivables	Amortized cost	3,302,028,126.87
Financial assets purchased under resale agreements	Amortized cost	500,000,000.00
Loans and advances to customers	Amortized cost	5,580,901,203.10
Other current assets	Fair value through profit or loss	4,633,159,726.02
Available-for-sale financial assets	Fair value through other comprehensive income	2,999,372,224.03
	Cost method	9,637,858,665.62
Long-term receivables	Amortized cost	302,259,703.90
Other non-current assets	Amortized cost	570,000,000.00
Financial liabilities at fair value through profit or loss	Fair value through profit or loss	629,641.69

Unit: Yuan Currency: RMB

Standards on the recognition and measurement of financial instruments after amendment		
Account	Measurement categories	Carrying amount
Financial assets held for trading	Fair value through profit or loss	1,971,132,252.74
Derivative financial assets	Fair value through profit or loss	60,127,656.74
Notes receivable	Amortized cost	430,024,436.86
Receivables financing	Fair value through other comprehensive income	28,756,529,232.26
Accounts receivable	Amortized cost	12,324,739,682.49
Other receivables	Amortized cost	3,117,239,104.10
Financial assets purchased under resale agreements	Amortized cost	500,000,000.00
Loans and advances to customers	Amortized cost	1,114,680,223.57
	Fair value through other comprehensive income	4,470,109,137.74
Other current assets	Fair value through profit or loss	4,633,159,726.02
Financial assets held for trading	Fair value through profit or loss	62,902,359.13
Other debt investments	Fair value through other comprehensive income	94,026,330.00
Other non-current financial assets	Fair value through profit or loss	11,899,258,534.27
Investment in other equity instruments	Fair value through other comprehensive income	581,043,666.25
Long-term receivables	Amortized cost	302,259,703.90
Debt investments	Amortized cost	570,000,000.00
Derivative financial liabilities	Fair value through profit or loss	629,641.69

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(III) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

The Company

Unit: Yuan Currency: RMB

Standards on the recognition and measurement of financial instruments before amendment		
Account	Measurement categories	Carrying amount
Notes receivable	Amortized cost	20,513,571,758.90
Accounts receivable	Amortized cost	17,056,459,620.05
Other receivables	Amortized cost	662,225,166.29
Long-term receivables	Amortized cost	143,029,367.15
Financial assets at fair value through profit or loss	Fair value through profit or loss	36,354,838.66
Available-for-sale financial assets	Fair value through other comprehensive income	9,033,789,096.20

Unit: Yuan Currency: RMB

Standards on the recognition and measurement of financial instruments after amendment		
Account	Measurement categories	Carrying amount
Receivables financing	Fair value through other comprehensive income	20,513,571,758.90
Accounts receivable	Amortized cost	17,056,459,620.05
Other receivables	Amortized cost	662,225,166.29
Long-term receivables	Amortized cost	143,029,367.15
Derivative financial liabilities	Fair value through profit or loss	36,354,838.66
Other non-current financial assets	Fair value through profit or loss	8,844,897,096.20
Investment in other equity instruments	Fair value through other comprehensive income	188,892,000.00

On the date of first adoption, the original provision for impairment of financial assets as of 31 December 2018 and the new provision for loss of financial assets as categorized and measured according to the standards applicable to the financial instruments after the amendment are reconciled as follows:

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(III) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

The Group

Unit: Yuan Currency: RMB

Measurement categories	Provision for loss made according to the original standard applicable to financial instruments	Reclassified	Re-measured	Provision for loss made according to the New Standard on Financial Instruments
Loans and receivables (Original standard applicable to financial instruments)/Financial assets measured at amortized cost (the New Standard on Financial Instruments)				
Notes receivable	-	-	3,779,896.81	3,779,896.81
Accounts receivable	1,846,753,766.50	-	576,688,391.09	2,423,442,157.59
Other receivables	184,266,354.24	-	184,789,022.77	369,055,377.01
Loans and advances to customers	19,301,365.90	-	-	19,301,365.90
Available-for-sale financial assets (Original standard applicable to financial instruments)/Financial assets measured at fair value through other comprehensive income (the New Standard on Financial Instruments)				
Debt investments	50,240,011.70	(50,240,011.70)	-	-
Other comprehensive income- Provision for credit losses of other debt investments measured at fair value through other comprehensive income		50,240,011.70	-	50,240,011.70
Available-for-sale financial assets (Original standard applicable to financial instruments)/Financial assets measured at fair value through profit or loss (the New Standard on Financial Instruments)				
Equity investment	699,351,530.08	-	(699,351,530.08)	-
Total	2,799,913,028.42	-	65,905,780.59	2,865,818,809.01

The Company

Unit: Yuan Currency: RMB

Measurement categories	Provision for loss made according to the original standard applicable to financial instruments	Reclassified	Re-measured	Provision for loss made according to the New Standard on Financial Instruments
Loans and receivables (Original standard applicable to financial instruments)/Financial assets measured at amortized cost (the New Standard on Financial Instruments)				
Accounts receivable	32,607,177.48	-	-	32,607,177.48
Other receivables	8,913,785.55	-	-	8,913,785.55
Total	41,520,963.03	-	-	41,520,963.03

Other than such adjustments that have arisen from the change in the "Formats of financial statements" mentioned below, the major impacts of the changes in accounting policies arising from the New Standard on Financial Instruments stated above on the financial statements as at 1 January 2019 are as follows:

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(III) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

The Group

Unit: Yuan Currency: RMB

	Carrying amount presented according to the original standards 31 December 2018 (Restated)	Impact of the New Standard on Financial Instruments		Carrying amount presented according to the new standards 1 January 2019
		Reclassified	Reclassified	
Current assets				
Cash and cash equivalents	17,110,002,574.20	-	-	17,110,002,574.20
Financial assets held for trading	-	2,034,034,611.87	-	2,034,034,611.87
Financial assets at fair value through profit or loss	2,031,259,909.48	(2,031,259,909.48)	-	-
Derivative financial liabilities	-	60,127,656.74	-	60,127,656.74
Notes receivable	29,190,333,565.93	(28,756,529,232.26)	(3,779,896.81)	430,024,436.86
Accounts receivable	12,901,428,073.58	-	(576,688,391.09)	12,324,739,682.49
Receivables financing	-	28,756,529,232.26	-	28,756,529,232.26
Prepayments	6,348,565,730.21	-	-	6,348,565,730.21
Other receivables	3,302,028,126.87	-	(184,789,022.77)	3,117,239,104.10
Including: Interest payable	14,226,030.25	-	-	14,226,030.25
Dividends payable	66,778,713.05	-	-	66,778,713.05
Financial assets sold under repurchase agreements	500,000,000.00	-	-	500,000,000.00
Inventories	41,568,631,679.70	-	-	41,568,631,679.70
Other current assets	7,781,323,693.85	-	-	7,781,323,693.85
Total current assets	120,733,573,353.82	62,902,359.13	(765,257,310.67)	120,031,218,402.28
Non-current assets				
Loans and advances to customers	5,580,901,203.10	-	3,888,158.21	5,584,789,361.31
Debt investments	-	570,000,000.00	-	570,000,000.00
Available-for-sale financial assets	12,637,230,889.65	(12,637,230,889.65)	-	-
Other debt investments	-	94,026,330.00	-	94,026,330.00
Long-term receivables	302,259,703.90	-	-	302,259,703.90
Long-term equity investments	19,031,688,420.40	-	-	19,031,688,420.40
Investment in other equity instruments	-	581,043,666.25	-	581,043,666.25
Other non-current financial assets	-	11,899,258,534.27	-	11,899,258,534.27
Investment property	466,585,011.76	-	-	466,585,011.76
Fixed assets	150,725,833,025.34	-	-	150,725,833,025.34
Construction in progress	7,767,235,365.75	-	-	7,767,235,365.75
Intangible assets	12,319,636,119.83	-	-	12,319,636,119.83
Goodwill	524,024,603.46	-	-	524,024,603.46
Long-term prepaid expenses	1,393,063,252.51	-	-	1,393,063,252.51
Deferred tax assets	2,900,011,943.31	-	174,086,888.48	3,074,098,831.79
Other non-current assets	1,468,016,192.69	(570,000,000.00)	-	898,016,192.69
Total non-current assets	215,116,485,731.70	(62,902,359.13)	177,975,046.69	215,231,558,419.26
Total assets	335,850,059,085.52	-	(587,282,263.98)	335,262,776,821.54

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(III) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

The Group

Unit: Yuan Currency: RMB

	Carrying amount presented according to the original standards 31 December 2018 (Restated)	Impact of the New Standard on Financial Instruments		Carrying amount presented according to the new standards 1 January 2019
		Reclassified	Reclassified	
Current liabilities				
Short-term loans	38,454,057,065.49	136,402,409.08	-	38,590,459,474.57
Customer deposits and deposits from banks and other financial institutions	8,802,169,865.15	-	-	8,802,169,865.15
Taking from banks and other financial institutions	-	-	-	-
Financial liabilities held for trading	-	-	-	-
Financial liabilities at fair value through profit or loss	629,641.69	(629,641.69)	-	-
Derivative financial liabilities	-	629,641.69	-	629,641.69
Notes payable	16,250,021,859.42	-	-	16,250,021,859.42
Accounts payable	29,295,720,556.40	-	-	29,295,720,556.40
Advances from customers	19,884,475,702.40	-	-	19,884,475,702.40
Financial assets sold under repurchase agreements	142,071,814.59	-	-	142,071,814.59
Payroll payable	2,690,028,412.34	-	-	2,690,028,412.34
Taxes payable	4,440,142,530.77	-	-	4,440,142,530.77
Other payables	2,478,487,826.26	(359,359,786.14)	-	2,119,128,040.12
Including: Interest payable	359,359,786.14	(359,359,786.14)	-	-
Dividends payable	540,660,334.78	-	-	540,660,334.78
Non-current liabilities due within one year	5,162,332,379.53	222,957,377.06	-	5,385,289,756.59
Other current liabilities	6,076,755,143.04	-	-	6,076,755,143.04
Total current liabilities	133,676,892,797.08	-	-	133,676,892,797.08
Non-current liabilities				
Long-term borrowings	5,610,231,171.28	-	-	5,610,231,171.28
Bonds payable	3,000,000,000.00	-	-	3,000,000,000.00
Long-term payables	927,504,518.00	-	-	927,504,518.00
Long-term payroll payable	1,128,938,114.66	-	-	1,128,938,114.66
Accruals and provisions	-	-	-	-
Deferred income	1,089,542,195.09	-	-	1,089,542,195.09
Deferred tax liabilities	840,782,711.34	-	972,039.55	841,754,750.89
Other non-current liabilities	-	-	-	-
Total non-current liabilities	12,596,998,710.37	-	972,039.55	12,597,970,749.92
Total liabilities	146,273,891,507.45	-	972,039.55	146,274,863,547.00
Shareholders' equity				
Share capital	22,267,915,125.00	-	-	22,267,915,125.00
Capital reserve	49,670,627,089.51	-	-	49,670,627,089.51
Less: Treasury shares	665,644,518.00	-	-	665,644,518.00
Other comprehensive income	(348,278,735.39)	-	(646,676,713.92)	(994,955,449.31)
Special reserve	38,668,237.58	-	-	38,668,237.58
Surplus reserve	32,628,859,658.50	-	-	32,628,859,658.50
Retained earnings	73,314,022,748.20	-	116,073,863.28	73,430,096,611.48
Total equity attributable to the shareholders of the parent	176,906,169,605.40	-	(530,602,850.64)	176,375,566,754.76
Minority interests	12,669,997,972.67	-	(57,651,452.89)	12,612,346,519.78
Total shareholders' equity	189,576,167,578.07	-	(588,254,303.53)	188,987,913,274.54
Total liabilities and shareholders' equity	335,850,059,085.52	-	(587,282,263.98)	335,262,776,821.54

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(III) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

The Company

Unit: Yuan Currency: RMB

	Carrying amount presented according to the original standards 31 December 2018	Impact of the New Standard on Financial Instruments		Carrying amount presented according to the new standards
		Reclassified	Re-measured	
Current assets				
Cash and cash equivalents	9,408,059,019.15	-	-	9,408,059,019.15
Financial assets at fair value through profit or loss	36,354,838.66	(36,354,838.66)	-	-
Derivative financial liabilities	-	36,354,838.66	-	36,354,838.66
Notes receivable	20,513,571,758.90	(20,513,571,758.90)	-	-
Accounts receivable	17,056,459,620.05	-	-	17,056,459,620.05
Receivables financing	-	20,513,571,758.90	-	20,513,571,758.90
Prepayments	1,517,502,941.55	-	-	1,517,502,941.55
Other receivables	662,225,166.29	-	-	662,225,166.29
Including: Interest payable	82,540,335.24	-	-	82,540,335.24
Dividends payable	-	-	-	-
Inventories	13,521,669,741.10	-	-	13,521,669,741.10
Non-current assets due within one year	2,063,508,380.96	-	-	2,063,508,380.96
Other current assets	28,827,643,909.07	-	-	28,827,643,909.07
Total current assets	93,606,995,375.73	-	-	93,606,995,375.73
Non-current assets				
Available-for-sale financial assets	9,033,789,096.20	(9,033,789,096.20)	-	-
Long-term receivables	143,029,367.15	-	-	143,029,367.15
Long-term equity investments	82,050,320,071.06	-	-	82,050,320,071.06
Investment in other equity instruments	-	188,892,000.00	-	188,892,000.00
Other non-current financial assets	-	8,844,897,096.20	-	8,844,897,096.20
Fixed assets	46,289,827,418.22	-	-	46,289,827,418.22
Construction in progress	2,974,343,266.06	-	-	2,974,343,266.06
Intangible assets	3,460,000,274.54	-	-	3,460,000,274.54
Long-term prepaid expenses	33,868,724.42	-	-	33,868,724.42
Deferred tax assets	1,024,118,330.84	-	-	1,024,118,330.84
Other non-current assets	469,684,885.08	-	-	469,684,885.08
Total non-current assets	145,478,981,433.57	-	-	145,478,981,433.57
Total assets	239,085,976,809.30	-	-	239,085,976,809.30

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(III) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

The Company

Unit: Yuan Currency: RMB

	Carrying amount presented according to the original standards 31 December 2018	Impact of the New Standard on Financial Instruments		Carrying amount presented according to the new standards
		Reclassified	Re-measured	
Current liabilities				
Short-term loans	28,694,000,000.00	58,896,298.43	-	28,752,896,298.43
Notes payable	7,761,972,310.96	-	-	7,761,972,310.96
Accounts payable	14,891,007,383.83	-	-	14,891,007,383.83
Advances from customers	10,889,502,048.45	-	-	10,889,502,048.45
Payroll payable	1,431,007,220.86	-	-	1,431,007,220.86
Taxes payable	1,081,036,407.58	-	-	1,081,036,407.58
Other payables	524,195,958.69	(281,376,299.09)	-	242,819,659.60
Including: Interest payable	281,376,299.09	(281,376,299.09)	-	-
Dividends payable	-	-	-	-
Non-current liabilities due within one year	5,000,000,000.00	222,480,000.66	-	5,222,480,000.66
Other current liabilities	6,025,500,000.00	-	-	6,025,500,000.00
Total current liabilities	76,298,221,330.37	-	-	76,298,221,330.37
Non-current liabilities				
Long-term borrowings	4,249,000,000.00	-	-	4,249,000,000.00
Bonds payable	3,000,000,000.00	-	-	3,000,000,000.00
Long-term payables	908,224,518.00	-	-	908,224,518.00
Long-term payroll payable	224,761,034.91	-	-	224,761,034.91
Deferred income	388,305,218.79	-	-	388,305,218.79
Deferred tax liabilities	578,062,193.22	-	-	578,062,193.22
Total non-current liabilities	9,348,352,964.92	-	-	9,348,352,964.92
Total liabilities	85,646,574,295.29	-	-	85,646,574,295.29
Shareholders' equity				
Share capital	22,267,915,125.00	-	-	22,267,915,125.00
Capital reserve	56,595,284,290.30	-	-	56,595,284,290.30
Less: Treasury shares	665,644,518.00	-	-	665,644,518.00
Other comprehensive income	(98,865,566.55)	-	-	(98,865,566.55)
Surplus reserve	32,628,859,658.50	-	-	32,628,859,658.50
Retained earnings	42,711,853,524.76	-	-	42,711,853,524.76
Total shareholders' equity	153,439,402,514.01	-	-	153,439,402,514.01
Total liabilities and shareholders' equity	239,085,976,809.30	-	-	239,085,976,809.30

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(III) SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES - continued

Formats of financial statements

As required by the Notice on Revising and Issuing the Format of the Annual Financial Statements of General Enterprises (Cai Kuai [2019] No.6) and the Notice on Revising and Issuing the Format of the 2019 Consolidated Financial Statements (Cai Kuai [2019] No.16), in the balance sheet, "notes receivable and accounts receivable" are divided into "notes receivable" and "accounts receivable", while "notes payable and accounts payable" are divided into "notes payable" and "accounts payable"; in the income statement, the "research and development expenses" not only reflects the expenses incurred in the process of research and development, but also includes the amortization of self-developed intangible assets previously presented in the "administrative expenses". The Group has restated the financial statements for the comparative period on a retrospective basis. The changes in accounting policies has no impact on consolidated and company net profit and shareholders' equity. In addition, with the implementation of the New Standard on Financial Instruments in the current year; according to the requirements of Notice on Revising and Issuing the Format of the Annual Financial Statements of General Enterprises (Cai Kuai [2019] No.6), "interest receivable" in "other receivables" is changed to reflect only the interest that can be collected from the overdue financial instrument but has not been received on the balance sheet date (the interest of the instrument, accrued based on the effective interest method, is included in the balance of the related financial instrument); "interest payable" in "other payables" is changed to reflect only the overdue interest which has not been paid on the balance sheet date (the interest of the instrument, accrued based on the effective interest method, is included in the balance of the related financial instrument). Referring to the New Standard on Financial Instruments, the comparative data have not been adjusted.

Major impacts of the retrospective adjustment arising from the changes in accounting policies stated above on the balance sheet as at 31 December 2018 are as follows:

The Group

Unit: Yuan Currency: RMB

	Closing balance before changes in accounting policies 31 December 2018 (Restated)	Adjustment arising from changes in accounting policies	Closing balance after changes in accounting policies 31 December 2018
Notes receivable and accounts receivable	42,091,761,639.51	(42,091,761,639.51)	-
Including : Notes receivable	-	29,190,333,565.93	29,190,333,565.93
Accounts receivable	-	12,901,428,073.58	12,901,428,073.58
Notes payable and accounts payable	45,545,742,415.82	(45,545,742,415.82)	-
Including : Notes payable	-	16,250,021,859.42	16,250,021,859.42
Accounts payable	-	29,295,720,556.40	29,295,720,556.40

The Company

Unit: Yuan Currency: RMB

	Closing balance before changes in accounting policies 31 December 2018	Adjustment arising from changes in accounting policies	Closing balance after changes in accounting policies 31 December 2018
Notes receivable and accounts receivable	37,570,031,378.95	(37,570,031,378.95)	-
Including : Notes receivable	-	20,513,571,758.90	20,513,571,758.90
Accounts receivable	-	17,056,459,620.05	17,056,459,620.05
Notes payable and accounts payable	22,652,979,694.79	(22,652,979,694.79)	-
Including : Notes payable	-	7,761,972,310.96	7,761,972,310.96
Accounts payable	-	14,891,007,383.83	14,891,007,383.83

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(IV) TAXES

Major categories of taxes and respective tax rates

Category of tax	Basis of tax computation	Tax rate
Value-added tax	Taxable revenue of goods sales	6%, 9%, or 13% (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 for rental income	Applicable rates set by the government
Individual income tax	Taxable individual income	Applicable rates set by the government

Note 1: In accordance with Notice on Adjustment of VAT Rates from the Ministry of Finance and State Administration of Taxation and the General Customs Administration, from 1 April 2019, the tax rates of 16% and 10% originally applicable to VAT sales or imported goods shall be adjusted to 13% and 9% respectively.

Note 2: 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 GR201932004264, and the date of issuance is 28 November 2018. According to the Measures for the Administration of the Recognition of Hi-tech Enterprises and the Law of the People's Republic of China on Enterprise Income Tax, the preferential income tax rate of 15% are applicable from 2018 to 2020.

Shanghai Baoxin Software Co., Ltd., a subsidiary of the Company, which is eligible for the key software enterprises and integrated circuit design enterprises in the State planning, enjoyed corporate income tax at a rate of 10% in 2019.

(V) NOTES TO ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and cash equivalents

Unit: Yuan Currency: RMB

Item	31 December 2019			1 January 2019 and 31 December 2018 (Restated)		
	Foreign currency	Exchange rate	Amount in RMB	Foreign currency	Exchange rate	Amount in RMB
Cash			425,301.01			759,658.49
Bank deposits						
RMB	8,873,393,541.97	1.0000	8,873,393,541.97	10,539,360,013.05	1.0000	10,539,360,013.05
USD	234,356,564.24	6.9762	1,634,918,263.47	428,368,837.29	6.8632	2,939,981,004.08
JPY	4,305,511,719.97	0.0641	275,983,301.25	10,066,518,472.21	0.0619	623,117,493.43
EUR	60,394,690.69	7.8155	472,014,705.11	72,668,677.31	7.8473	570,252,911.44
AUD	91,266,298.92	4.8843	445,771,983.81	162,290,672.79	4.8250	783,052,496.21
HKD	4,325,728.95	0.8958	3,874,987.99	1,907,617.19	0.8762	1,671,454.18
THB	2,801,986.94	0.2328	652,302.56	6,002,129.19	0.2110	1,266,449.26
Other currencies			108,110,294.71			96,631,023.01
Other cash and bank balances:						
RMB			150,526,178.88			161,565,420.70
USD			154,478.54			148,880.97
Statutory reserve deposit with PBOC by Finance Co.			1,473,023,717.76			1,392,195,769.38
Total			13,438,849,057.06			17,110,002,574.20
Including: Subtotal of deposit with overseas banks			2,340,477,678.22			3,415,102,873.37

As at 31 December 2019, apart from statutory reserves from the central bank, other currency funds of the Group consist of guarantee deposit of bank acceptance bills of RMB86,375,586.00 (As at 31 December 2018: RMB87,291,738.90), letter of guarantee deposit of RMB34,338,275.75 (As at 31 December 2018: RMB31,431,575.00) and cash for investment, credit card deposit, and other types of margin of RMB29,966,795.67 (As at 31 December 2018: RMB42,990,987.77).

Interest income earned on bank current deposits is calculated by using the 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 the respective deposit interest rates of the bank.

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

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

2. Financial assets held for trading (Applicable to year 2019)

Unit: Yuan Currency: RMB

	31 December 2019	1 January 2019
Financial assets at fair value through profit or loss	831,864,315.42	2,034,034,611.87
Investments in debt instruments	692,359,300.00	877,459,868.00
Investments in equity instruments	139,505,015.42	1,156,574,743.87
Total	831,864,315.42	2,034,034,611.87

The Group believes that there are no significant restrictions on realizing the financial assets held for trading.

3. Financial assets at FVTPL (Applicable to year 2018)

Unit: Yuan Currency: RMB

	31 December 2018 (Restated)
Held-for-trading financial assets	2,031,259,909.48
Investments in debt instruments	877,459,868.00
Investments in equity instruments	1,093,672,384.74
Derivative financial assets	60,127,656.74
Total	2,031,259,909.48

4. Derivative financial assets (Applicable to year 2019)

Unit: Yuan Currency: RMB

	31 December 2019	1 January 2019
Derivative financial assets	48,511,992.07	60,127,656.74

The management of the Company believes that there are no significant restrictions on realizing the derivative financial assets.

5. Notes receivable

Unit: Yuan Currency: RMB

	31 December 2019		
	Gross carrying amount	Provision for bad debt	Carrying value
Bank acceptance	524,352,228.01	-	524,352,228.01
Commercial acceptance	105,578,485.90	3,159,734.74	102,418,751.16
Total	629,930,713.91	3,159,734.74	626,770,979.17

	1 January 2019		
	Gross carrying amount	Provision for bad debt	Carrying value
Bank acceptance	332,950,510.07	-	332,950,510.07
Commercial acceptance	100,853,823.60	3,779,896.81	97,073,926.79
Total	433,804,333.67	3,779,896.81	430,024,436.86

	31 December 2018 (Restated)		
	Gross carrying amount	Provision for bad debt	Carrying value
Bank acceptance	24,693,563,830.30	-	24,693,563,830.30
Commercial acceptance	4,496,769,735.63	-	4,496,769,735.63
Total	29,190,333,565.93	-	29,190,333,565.93

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

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

The changes in provision for decline in value are as follows:

Unit:Yuan Currency: RMB				
	Opening balance	Charge during the year	Reversal	Closing balance
2019	3,779,896.81	-	(620,162.07)	3,159,734.74

As at 31 December 2019, the Group had bank acceptance bills with a carrying amount of RMB241,812,250.60 (31 December 2018: RMB23,687,298,977.86) and commercial acceptance bills of RMB51,179,039.49 (31 December 2018: RMB13,743,298.90) which had been endorsed but not yet expired.

As at 31 December 2019, the Group had no bank acceptance bills (31 December 2018: RMB210,050,951.32) and commercial acceptance bills (31 December 2018: RMB157,889,900.00) which had 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 undue notes receivable.

As at 31 December 2019, the Group had no pledged notes receivable (As at 31 December 2018: nil).

As at 31 December 2019, the Group has transferred notes with a carrying amount of RMB9,000,000.00 into accounts receivable due to issuers' failure in performance (31 December 2018: nil).

6. Accounts receivable

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

Unit:Yuan Currency: RMB			
	31 December 2019	1 January 2019	31 December 2018 (Restated)
Within 1 year	10,784,848,902.80	11,985,056,075.36	11,985,056,075.36
1 to 2 years	367,265,720.45	543,282,083.02	543,282,083.02
2 to 3 years	204,864,814.26	127,659,105.64	127,659,105.64
Over 3 years	1,936,900,255.51	2,092,184,576.06	2,092,184,576.06
Subtotal	13,293,879,693.02	14,748,181,840.08	14,748,181,840.08
Less: provision for bad debt in respect of accounts receivable	2,416,119,469.02	2,423,442,157.59	1,846,753,766.50
Total	10,877,760,224.00	12,324,739,682.49	12,901,428,073.58

An analysis of accounts receivable based on bad debt provision is presented as follows:

Unit:Yuan Currency: RMB				
	31 December 2019			
	Gross carrying amount		Provision for bad debt	
	Amount	Proportion (%)	Amount	Proportion (%)
Individually significant	-	-	-	-
Not individually significant but for which bad debt provision has been assessed individually	13,293,879,693.02	100	2,416,119,469.02	18
Total	13,293,879,693.02	100	2,416,119,469.02	18

Unit:Yuan Currency: RMB				
	1 January 2019			
	Gross carrying amount		Provision for bad debt	
	Amount	Proportion (%)	Amount	Proportion (%)
Items for which provision for bad debts is recognized separately	-	-	-	-
Items for which provision for bad debts is recognized by group with distinctive credit risk characteristics	14,748,181,840.08	100	2,423,442,157.59	16
Total	14,748,181,840.08	100	2,423,442,157.59	16

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

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

Unit: Yuan Currency: RMB

	31 December 2018 (Restated)			
	Gross carrying amount		Provision for bad debt	
	Amount	Proportion (%)	Amount	Proportion (%)
Items for which provision for bad debts is recognized separately	2,442,176,680.34	17	99,530,999.01	4
Items for which provision for bad debts is recognized by group with distinctive credit risk characteristics	10,922,284,538.28	74	363,502,146.03	3
Accounts receivable that are not individually significant but for which bad debt provision has been assessed individually	1,383,720,621.46	9	1,383,720,621.46	100
Total	14,748,181,840.08	100	1,846,753,766.50	13

As at 31 December 2018, 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	1,383,720,621.46	1,383,720,621.46	100	Note 2
Total	3,825,897,301.80	1,483,251,620.47		

Note 1: The Group assessed the bad debt provision for accounts receivable which are individually significant separately. As at 31 December 2019, no bad debt provision was accrued for accounts receivable that are individually significant. By reference to Note III. 13 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.

Note 2: Provision for bad debt aged over 3 years is fully made due to a slim chance of recollection.

The Group's accounts receivable for which the grouping of expected credit losses is determined using an aging analysis are presented as follows:

Unit: Yuan Currency: RMB

	31 December 2019		
	Carrying amount estimated to be in default	Expected credit loss rate (%)	Provision for bad debts
Within 1 year	10,784,848,902.80	3	362,334,139.52
1 to 2 years	367,265,720.45	12	45,668,385.28
2 to 3 years	204,864,814.26	50	102,625,489.34
Over 3 years	1,936,900,255.51	98	1,905,491,454.88
Total	13,293,879,693.02	18	2,416,119,469.02

The Group's accounts receivable for which the grouping of expected credit losses is determined using an aging analysis are presented as follows:

Unit: Yuan Currency: RMB

	31 December 2018 (Restated)		
	Gross carrying amount	Percentage (%)	Provision for bad debts
Within 1 year	9,564,041,172.83	3	279,071,560.08
1 to 2 years	522,245,606.44	7	35,433,014.61
2 to 3 years	127,640,680.71	38	48,997,571.34
Over 3 years	708,357,078.30	-	-
Total	10,922,284,538.28	3	363,502,146.03

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(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

	2019	2018
31 December 2018	1,846,753,766.50	1,807,908,928.63
Business combinations involving entities under common control	-	33,033,810.53
Changes in accounting policies	576,688,391.09	-
1 January 2019	2,423,442,157.59	1,840,942,739.16
Provision for the year	110,827,961.89	115,326,520.94
Reversal	(93,143,060.20)	(114,194,434.03)
Written off	(7,278,300.35)	(863,615.97)
Decrease upon disposal of subsidiaries	(18,406,760.52)	(11,214,817.73)
Adjustments for exchange differences	677,470.61	16,757,374.13
31 December 2019	2,416,119,469.02	1,846,753,766.50

In 2019, accounts receivable of RMB7,278,300.35 were written off (2018: RMB863,615.97).

As at 31 December 2019, the top five balances in respect of accounts receivable had a sum of closing balance of RMB2,040,521,282.04 (31 December 2018: RMB2,442,176,680.34), accounting for 15% (31 December 2018: 17%) of the total of the closing balance of accounts receivable. The closing balance in respect of bad debt provision for the top five accounts receivable amounted to RMB45,172,462.89 (31 December 2018: RMB99,530,999.01).

As at 31 December 2019, no accounts receivable were mortgaged for a short-term borrowing (As at 31 December 2018: accounts receivable with a total carrying amount of RMB8,453,252.58 were mortgaged for a short-term borrowing of RMB8,453,252.58 by means of bank guarantee and the bad debt provision was RMB402,535.84). Refer to Note VIII. I.

As at 31 December 2019, no accounts receivable were derecognized due to the transfer of financial assets (As at 31 December 2018: Nil).

7. Receivables financing (Applicable to year 2019)

Unit: Yuan Currency: RMB

	31 December 2019	1 January 2019
Bank acceptance	23,110,999,583.32	24,360,613,320.23
Commercial acceptance	5,000,809,105.59	4,395,915,912.03
Total	28,111,808,688.91	28,756,529,232.26

As at 31 December 2019, the Group had bank acceptance bills with a carrying amount of RMB25,799,459,696.29 and had no commercial acceptance bill which had been endorsed but not yet expired.

As at 31 December 2019, the Group had bank acceptance bills with a carrying amount of RMB3,888,812,950.77 and commercial acceptance bills of RMB153,824,038.55 which had 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 undue notes receivable.

As at 31 December 2019, the Group had no pledged receivables financing.

As at 31 December 2019, the Group has transferred receivables financing with a carrying amount of RMB1,177,200.00 into accounts receivable due to issuers' failure in performance.

8. Prepayments

Aging analysis of prepayments is presented as follows:

Unit: Yuan Currency: RMB

	31 December 2019		1 January 2019 and 31 December 2018	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	4,752,323,142.24	95	6,103,271,888.43	96
1 to 2 years	102,598,402.04	2	184,610,391.88	3
2 to 3 years	106,538,458.72	2	35,045,734.93	1
Over 3 years	41,636,662.36	1	25,637,714.97	-
Subtotal	5,003,096,665.36	100	6,348,565,730.21	100
Less: Provision for bad debt in respect of prepayments	638,150.94		-	
Total	5,002,458,514.42		6,348,565,730.21	

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

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

The changes in provision for decline in value are as follows:

	Opening balance	Charge during the year	Reversal	Closing balance
2019	-	638,150.94	-	638,150.94

Unit: Yuan Currency: RMB

As at 31 December 2019, prepayments with an age of more than one year were mainly for the purchase of large equipment to be used for projects under construction.

As at 31 December 2019, the closing balances of the top 5 prepayments amounted to in aggregate RMB2,013,751,181.34 (As at 31 December 2018: RMB2,779,604,863.06), representing 40% of the total closing balances of all prepayments as at year end (As at 31 December 2018: 44%).

9. Other receivables

	31 December 2019	1 January 2019	31 December 2018 (Restated)
Interest receivable	10,785,835.52	14,226,030.25	14,226,030.25
Dividends receivable	1,145,103.12	66,778,713.05	66,778,713.05
Other receivables	1,669,661,748.59	3,036,234,360.80	3,221,023,383.57
Total	1,681,592,687.23	3,117,239,104.10	3,302,028,126.87

Unit: Yuan Currency: RMB

Interest receivable

	31 December 2019	1 January 2019 and 31 December 2018
Time deposit	3,352,780.45	6,951,660.22
Loans	7,433,055.07	7,169,000.16
Others	-	105,369.87
Total	10,785,835.52	14,226,030.25

Unit: Yuan Currency: RMB

Dividends receivable

	31 December 2019	1 January 2019 and 31 December 2018 (Restated)
Nanjing Tiemei Transportation Trade Co., Ltd.	1,145,103.12	2,231,185.43
Changxin Fund Management Co., Ltd.	-	14,198,580.00
CISDI Engineering Co., Ltd.	-	25,011,586.50
Wuhan Iron and Steel Engineering Technology Group Communication Co., Ltd	-	23,757,534.57
Others	-	1,579,826.55
Total	1,145,103.12	66,778,713.05

Unit: Yuan Currency: RMB

Aging analysis of other receivables is presented as follows:

	31 December 2019	1 January 2019	31 December 2018 (Restated)
Within 1 year	1,420,531,557.03	2,833,838,588.45	2,833,838,588.45
1 to 2 years	167,533,773.18	121,962,223.59	121,962,223.59
2 to 3 years	51,146,191.33	51,307,789.87	51,307,789.87
Over 3 years	430,365,356.16	398,181,135.90	398,181,135.90
Subtotal	2,069,576,877.70	3,405,289,737.81	3,405,289,737.81
Less: Provision for bad debt in respect of other receivables	399,915,129.11	369,055,377.01	184,266,354.24
Total	1,669,661,748.59	3,036,234,360.80	3,221,023,383.57

Unit: Yuan Currency: RMB

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

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

Other receivables are classified by nature as follows:

Unit: Yuan Currency: RMB

	31 December 2019	1 January 2019	31 December 2018 (Restated)
Deposit	568,339,308.41	640,473,690.29	640,473,690.29
Asset disposal payment	293,574,888.11	727,013,420.62	727,013,420.62
Taxes for pending certification and provisional valuation	291,407,184.71	286,551,885.56	286,551,885.56
Substitute advance	137,161,509.35	1,022,501,651.67	1,022,501,651.67
Reserve fund	9,191,813.92	18,369,960.54	18,369,960.54
Others	769,902,173.20	710,379,129.13	710,379,129.13
Subtotal	2,069,576,877.70	3,405,289,737.81	3,405,289,737.81
Less: Provision for bad debts in respect of other receivables	399,915,129.11	369,055,377.01	184,266,354.24
Total	1,669,661,748.59	3,036,234,360.80	3,221,023,383.57

Other receivables are classified by nature as follows:

Unit: Yuan Currency: RMB

	31 December 2019	1 January 2019	31 December 2018 (Restated)
Deposit	568,339,308.41	640,473,690.29	640,473,690.29
Asset disposal payment	293,574,888.11	727,013,420.62	727,013,420.62
Taxes for pending certification and provisional valuation	291,407,184.71	286,551,885.56	286,551,885.56
Substitute advance	137,161,509.35	1,022,501,651.67	1,022,501,651.67
Reserve fund	9,191,813.92	18,369,960.54	18,369,960.54
Others	769,902,173.20	710,379,129.13	710,379,129.13
Subtotal	2,069,576,877.70	3,405,289,737.81	3,405,289,737.81
Less: Provision for bad debts in respect of other receivables	399,915,129.11	369,055,377.01	184,266,354.24
Total	1,669,661,748.59	3,036,234,360.80	3,221,023,383.57

Change in the provision for bad debts in respect of other receivables based on 12-month expected credit losses and lifetime expected credit losses is as follows:

2019

Unit: Yuan Currency: RMB

	Stage 1 Expected credit losses for the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Financial assets with incurred credit losses (Lifetime)	Total
Balance as at 1 January 2019	-	335,051,635.56	34,003,741.45	369,055,377.01
During the year, balance as at 1 January 2019	-	-	-	-
-Transferred to Stage 2	-	-	-	-
-Transferred to Stage 3	-	(4,831,029.91)	4,831,029.91	-
-Transferred to Stage 2	-	-	-	-
-Transferred to Stage 1	-	-	-	-
Provided for the year	-	34,244,387.03	-	34,244,387.03
Reversed during the year	-	(2,687,261.24)	-	(2,687,261.24)
Written off during the year	-	-	(292,891.80)	(292,891.80)
Eliminated during the year	-	-	(319,800.00)	(319,800.00)
Adjustments for exchange differences	-	(84,681.89)	-	(84,681.89)
Closing balance	-	361,693,049.55	38,222,079.56	399,915,129.11

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

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

2018 (Restated)

Unit:Yuan Currency: RMB

	31 December 2018 (Restated)			
	Carrying amount		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Items for which provision for bad debts is recognized separately (Note 1)	1,911,966,881.53	56	119,949,635.14	6
Items for which provision for bad debts is recognized by group with distinctive credit risk characteristics	1,459,220,144.92	43	30,214,007.74	2
Accounts receivable that are not individually significant but for which bad debt provision has been assessed individually (Note 2)	34,102,711.36	1	34,102,711.36	100
Total	3,405,289,737.81	100	184,266,354.24	5

Note 1: Other receivables with significant balances mainly consist of deposits paid to customs, advances of project expense and receivables with low risk of collection such as amounts due from related parties within the Group. The carrying amount of other receivables with significant balances for the Group was RMB1,911,966,881.53, and the carrying amount of the bad debt provision was RMB119,949,635.14. The management of the Group believes that sufficient bad debt provision has been made for such other receivables.

Note 2: The possibility of collecting the above-mentioned 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 a portfolio basis:

Unit:Yuan Currency: RMB

	31 December 2018 (Restated)		
	Gross carrying amount	Percentage (%)	Provision for bad debts
Within 1 year	1,053,166,236.32	1	11,360,192.31
1 to 2 years	121,962,223.59	11	13,482,923.88
2 to 3 years	18,570,122.63	29	5,370,891.55
Over 3 years	265,521,562.38	-	-
Total	1,459,220,144.92	2	30,214,007.74

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

Unit:Yuan Currency: RMB

	2019	2018
31 December 2018	184,266,354.24	121,997,646.10
Business combinations involving entities under common control	-	2,307,651.47
Changes in accounting policies	184,789,022.77	-
1 January 2019	369,055,377.01	124,305,297.57
Provision for the year	34,244,387.03	136,350,404.51
Reversal	(2,687,261.24)	(74,715,685.93)
Sales	(292,891.80)	-
Written off	(319,800.00)	-
Decrease upon disposal of subsidiaries	-	(522,278.47)
Adjustments for exchange differences	(84,681.89)	(1,151,383.44)
31 December 2019	399,915,129.11	184,266,354.24

In 2019, other receivables in the amount of RMB319,800.00 (2018: Nil) were written off.

As at 31 December 2019, other receivables from the five largest customers amounted to RMB915,656,335.85 (As at 31 December 2018: RMB1,911,966,881.53 Yuan), accounting for 44% of other receivables (As at 31 December 2018: 56%).

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 receivables and the related continuous involvement (2018: Nil).

10. Financial assets purchased under resale agreements

Unit:Yuan Currency: RMB

	31 December 2019	1 January 2019 and 31 December 2018
Financial assets purchased under resale agreements	2,988,600,000.00	500,000,000.00

As at 31 December 2019, in the opinion of the Company, there was no need to provide for credit losses in respect of financial assets purchased under resale agreements.

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

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

11. Inventories

	31 December 2019		
	Gross carrying amount	Provision for decline in value of inventories	Carrying amount
Raw materials	10,909,856,142.09	(30,192,334.36)	10,879,663,807.73
Work-in-progress	11,725,382,335.81	(442,162,158.11)	11,283,220,177.70
Finished goods	14,108,464,096.37	(512,408,832.18)	13,596,055,264.19
Spare parts and others	5,030,605,591.09	(489,799,362.56)	4,540,806,228.53
Total	41,774,308,165.36	(1,474,562,687.21)	40,299,745,478.15

Provision for decline in value of inventories

2019

	Opening balance	Provision in the current year	Reversals
Raw materials	103,854,536.44	13,321,866.02	(83,065,022.00)
Work-in-progress	596,168,138.81	99,988,723.25	(219,158,594.88)
Finished goods	744,462,123.12	101,965,607.40	(274,930,088.57)
Spare parts and others	500,119,318.62	22,010,122.49	(32,330,078.55)
Total	1,944,604,116.99	237,286,319.16	(609,483,784.00)

2018 (Restated)

	Opening balance	Provision in the current year	Reversals
Raw materials	18,168,293.40	103,431,012.28	(17,682,707.49)
Work-in-progress	534,790,964.72	259,525,890.27	(198,135,343.34)
Finished goods	1,279,218,243.52	208,517,905.46	(740,438,524.50)
Spare parts and others	384,926,555.96	319,971,798.45	(102,064,164.66)
Total	2,217,104,057.60	891,446,606.46	(1,058,320,739.99)

Provision for decline in value of inventories

Item	Basis of making provision for decline in value of inventories
Raw materials	Carrying amount higher than net realizable value
Work-in-progress	Carrying amount higher than net realizable value
Finished goods	Carrying amount higher than net realizable value
Spare parts and others	Carrying amount higher than net realizable value

No inventory was used as guarantee as at 31 December 2019 (As at 31 December 2018: Nil), and no interest expense was capitalized in the closing balance of inventories as at 31 December 2019 (As at 31 December 2018: Nil).

Unit:Yuan Currency: RMB

1 January 2019 and 31 December 2018 (Restated)

Gross carrying amount	Provision for decline in value of inventories	Carrying amount
11,431,885,472.40	(103,854,536.44)	11,328,030,935.96
12,668,638,803.14	(596,168,138.81)	12,072,470,664.33
14,838,290,486.45	(744,462,123.12)	14,093,828,363.33
4,574,421,034.70	(500,119,318.62)	4,074,301,716.08
43,513,235,796.69	(1,944,604,116.99)	41,568,631,679.70

Unit:Yuan Currency: RMB

Write-off	Decrease upon disposal of subsidiaries	Exchange differences arising from translation of financial statements	Closing balance
(3,919,046.10)	-	-	30,192,334.36
(6,611,717.91)	(28,374,319.89)	149,928.73	442,162,158.11
(3,592,852.58)	(55,566,215.44)	70,258.25	512,408,832.18
-	-	-	489,799,362.56
(14,123,616.59)	(83,940,535.33)	220,186.98	1,474,562,687.21

Unit:Yuan Currency: RMB

Write-off	Decrease upon disposal of subsidiaries	Exchange differences arising from translation of financial statements	Closing balance
(62,061.75)	-	-	103,854,536.44
-	-	(13,372.84)	596,168,138.81
(3,424,135.34)	-	588,633.98	744,462,123.12
(102,661,498.95)	(53,372.18)	-	500,119,318.62
(106,147,696.04)	(53,372.18)	575,261.14	1,944,604,116.99

Unit:Yuan Currency: RMB

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
Market price rebound or product cost reduction	1%
Market price rebound or product cost reduction	2%
Market price rebound or product cost reduction	2%
Market price rebound or product cost reduction	1%

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

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

12. Other current assets

	Unit:Yuan Currency: RMB	
	31 December 2019	1 January 2019 and 31 December 2018 (Restated)
Financial products (Note)	14,842,836,750.60	4,633,159,726.02
Notes receivable discounting of Finance Co	5,403,696,421.78	-
Deductible VAT input	4,356,086,517.25	2,841,597,316.01
Prepaid corporate income tax	1,216,601,195.08	223,465,806.56
Loans and advances to customers (within one year)	766,296,536.79	-
Others	79,082,063.06	83,100,845.26
Subtotal	26,664,599,484.56	7,781,323,693.85
Less: Impairment loss for loans	8,074,748.33	-
Total	26,656,524,736.23	7,781,323,693.85

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.

An analysis of loans and advances to customers based on means of guarantee is presented as follows:

	Unit:Yuan Currency: RMB
	31 December 2019
Credit loans	766,296,536.79

The main customers of the loan are members of Baowu Group. The Group used the expected credit loss model to assess the credit losses on loans and advances. At 31 December 2019, there were no non-performing loans in the Group's loans and advances.

Change in the provision for bad debts in respect of loans and advances to customers based on 12-month expected credit losses and lifetime expected credit losses is as follows:

	Unit:Yuan Currency: RMB			
	Stage 1 Expected credit losses for the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Financial assets with incurred credit losses (Lifetime)	Total
Balance as at 1 January 2019	-	-	-	-
During the year, balance as at 1 January 2019				
-Transferred to Stage 2	-	-	-	-
-Transferred to Stage 3	-	-	-	-
-Transferred to Stage 2	-	-	-	-
-Transferred to Stage 1	-	-	-	-
Provided for the year	-	-	-	-
Reversed during the year	(11,226,617.57)	-	-	(11,226,617.57)
Reclassification from loans and advances to customers	19,301,365.90	-	-	19,301,365.90
Closing balance	8,074,748.33	-	-	8,074,748.33

13. Loans and advances to customers

Unit:Yuan Currency: RMB

	31 December 2019	1 January 2019	31 December 2018
Loans	196,650,000.00	1,133,981,589.47	1,133,981,589.47
Discounts	-	4,470,109,137.74	4,466,220,979.53
Subtotal	196,650,000.00	5,604,090,727.21	5,600,202,569
Impairment loss on loans	4,417,925.00	19,301,365.90	19,301,365.90
Total	192,232,075.00	5,584,789,361.31	5,580,901,203.10

An analysis of loans and advances to customers based on means of guarantee is presented as follows:

Unit:Yuan Currency: RMB

	31 December 2019
Credit loans	196,650,000.00

The main customers of the loan are members of Baowu Group. The Group used the expected credit loss model to assess the credit losses on loans and advances. At 31 December 2019, there were no non-performing loans in the Group's loans and advances.

Change in the provision for bad debts in respect of loans and advances to customers based on 12-month expected credit losses and lifetime expected credit losses is as follows:

Unit:Yuan Currency: RMB

	Stage 1 Expected credit losses for the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Financial assets with incurred credit losses (Lifetime)	Total
Balance as at 1 January 2019	19,301,365.90	-	-	19,301,365.90
During the year, balance as at 1 January 2019				
-Transferred to Stage 2	-	-	-	-
-Transferred to Stage 3	-	-	-	-
-Transferred to Stage 2	-	-	-	-
-Transferred to Stage 1	-	-	-	-
Provided for the year	4,417,925.00	-	-	4,417,925.00
Reclassification to other current assets	(19,301,365.90)	-	-	(19,301,365.90)
Closing balance	4,417,925.00	-	-	4,417,925.00

Impairment loss for loans

Unit:Yuan Currency: RMB

	Opening balance	Provision in the current year	Reversal	Write-off	Closing balance
2018	7,354,605.18	11,946,760.72	-	-	19,301,365.90

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

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

14. Debt investments (Applicable to year 2019)

31 December 2019			
	Gross carrying amount	Provision for bad debt	Carrying value
Trust and finance fund	763,000,000.00	-	763,000,000.00

As at 31 December 2019, in the opinion of the Group, there was no need to provide for credit losses in respect of debt investments.

31 December 2019			
Name	Par value	Coupon rate/ annual rate	Due date
No.1	450,000,000.00	4.275%	2021/03/25
No.2	120,000,000.00	4.275%	2021/12/24
No.3	65,000,000.00	4.275%	2022/06/27
No.4	28,000,000.00	4.275%	2022/07/31
No.5	100,000,000.00	4.275%	2022/10/17
Total	763,000,000.00	/	/

15. Available-for-sale financial assets (Applicable to year 2018)

31 December 2019	
	Carrying value
Available-for-sale debt instruments	2,207,841,843.70
Available-for-sale equity instruments	11,178,980,587.73
Including: Fair Value measurement	1,524,067,895.24
Cost measurement	9,654,912,692.49
Total	13,386,822,431.43

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

Closing balance	31 December 2018
	Available-for-sale debt instruments
Amortized cost of debt instruments at the end of the year / Cost of equity instruments	1,471,637,240.39
Fair value at the end of the year	841,770,392.03
Accumulated amount recognized in other comprehensive income arising from the change of fair value	52,430,654.85
Impairment provision accrued	682,297,503.21

Unit:Yuan Currency: RMB

1 January 2019

Gross carrying amount	Provision for bad debt	Carrying value
570,000,000.00	-	570,000,000.00

Unit:Yuan Currency: RMB

1 January 2019

Par value	Coupon rate/ annual rate	Due date
450,000,000.00	4.275%	2021/03/25
120,000,000.00	4.275%	2021/12/24
/	/	/
/	/	/
/	/	/
570,000,000.00	/	/

Unit:Yuan Currency: RMB

31 December 2018

Provision	Book value
(50,240,011.70)	2,157,601,832.00
(699,351,530.08)	10,479,629,057.65
(682,297,503.21)	841,770,392.03
(17,054,026.87)	9,637,858,665.62
(749,591,541.78)	12,637,230,889.65

Unit:Yuan Currency: RMB

31 December 2018

Available-for-sale equity instruments	Total
2,221,637,708.63	3,693,274,949.02
2,157,601,832.00	2,999,372,224.03
(13,795,864.93)	38,634,789.92
50,240,011.70	732,537,514.91

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

	Carrying amount				Closing balance
	Opening balance	Increase	Decrease	Exchange differences arising from translation of financial statements	
PetroChina Pipeline Ltd.	8,643,900,787.20	-	-	-	8,643,900,787.20
Henan Longyu Energy Resources Co., Ltd.	370,269,254.56	-	-	-	370,269,254.56
Yongcheng coal (Group) Co., Ltd.	279,000,000.00	-	-	-	279,000,000.00
Bao Hua Rui mining Limited by Share Ltd.	103,282,213.00	-	-	-	103,282,213.00
Shanghai Luojing Ore Terminal Co., Ltd.	88,734,096.00	-	-	-	88,734,096.00
Henan Zhenglong Coal Industry Co., Ltd.	45,569,714.27	-	-	-	45,569,714.27
Changxin Fund Management Co., Ltd.	25,005,000.00	-	-	-	25,005,000.00
Baometal S.R.L	15,746,601.86	-	-	90,819.00	15,837,420.86
Shanghai Ouyee Data Technology Co., Ltd.	17,386,503.26	-	-	-	17,386,503.26
GLOBAL ORE Pte Ltd.	16,089,737.40	-	-	1,068,262.60	17,158,000.00
Wuhan Huagong Venture Capital Co., Ltd.	12,300,000.00	-	-	-	12,300,000.00
CISDI Engineering Co., Ltd. (CISDI)	9,508,999.34	-	-	-	9,508,999.34
Yantai Iron and Steel Processing Co., Ltd. Po	5,600,000.00	-	-	-	5,600,000.00
Corex	5,000,000.00	-	-	-	5,000,000.00
Dongbei Special Steel Group Co., Ltd.	-	3,280,704.00	-	-	3,280,704.00
Steam (Beijing) Automotive Lightweight Technology Research Co., Ltd.	3,000,000.00	-	-	-	3,000,000.00
Shanghai Baosteel Xinyue Human Resources Service Co., Ltd.	1,500,000.00	-	-	-	1,500,000.00
China First Capital Management Inc.	3,000,000.00	-	-	-	3,000,000.00
Jinchuan Automation Engineering Co., Ltd.	1,000,000.00	-	-	-	1,000,000.00
Yangtze River Economic United Development (Group) Co., Ltd.	980,000.00	-	-	-	980,000.00
Anhui Huishang Metal Co., Ltd.	3,000,000.00	-	-	-	3,000,000.00
Shanghai Baoxin Digital Technology Co., Ltd.	600,000.00	-	-	-	600,000.00
Hanyang Spare Parts Co., Ltd.	3,311,720.00	-	3,311,720.00	-	-
Huarun land (Beijing) Co., Ltd.	1,618,750.00	-	1,618,750.00	-	-
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

Unit:Yuan Currency: RMB						
Opening balance	Increase	Provision		Closing balance	Proportion in the investee (%)	Cash bonus
		Decrease	Exchange differences arising from translation of financial statements			
-	-	-	-	-	3.52	909,845,017.22
-	-	-	-	-	12.96	-
-	-	-	-	-	7.78	-
-	-	-	-	-	50.00	18,166,113.00
-	-	-	-	-	12.00	-
-	-	-	-	-	4.91	-
3,881,651.48	-	-	-	3,881,651.48	15.15	14,198,580.00
-	-	-	-	-	10.00	-
4,005,183.07	-	-	-	4,005,183.07	49.00	-
3,426,457.80	-	-	430,660.60	3,857,118.40	14.29	-
-	-	-	-	-	9.88	-
-	-	-	-	-	6.28	-
-	-	-	-	-	10.00	-
-	-	-	-	-	6.25	-
-	-	-	-	-	0.03	-
-	-	-	-	-	6.90	-
-	-	-	-	-	15.00	-
1,710,073.92	-	-	-	1,710,073.92	5.00	-
-	-	-	-	-	7.13	598,843.78
-	-	-	-	-	0.09	28,000.00
3,000,000.00	-	-	-	3,000,000.00	3.53	-
600,000.00	-	-	-	600,000.00	15.00	-
3,311,720.00	-	3,311,720.00	-	-	-	-
-	-	-	-	-	-	120,762.22
-	-	-	-	-	-	-
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 2019

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

Movements in provision for available-for-sale financial assets during the reporting period

Opening balance
Provision in current year
Including: Transfer from other comprehensive income
Decrease in current year
Including: Transfer from fair value rebound
Exchange differences arising from translation of financial statements of foreign operations
Closing balance

16. Other debt investments (Applicable to year 2019)

	Opening balance	Interest payable	Changes in fair value in the current year
Other debt investments	94,026,330.00	-	-

Change in the provision for bad debts in respect of other debt investments based on 12-month expected credit losses and lifetime expected credit losses is as follows:

	Stage 1 Expected credit losses for the next 12 months
Balance as at 1 January 2019	-
During the year, balance as at 1 January 2019	-
-Transferred to Stage 2	-
-Transferred to Stage 3	-
-Transferred to Stage 2	-
-Transferred to Stage 1	-
Provided for the year	-
Reversal	-
Closing balance	-

17. Long-term receivables

	31 December 2019		
	Carrying balance	Impairment provision	Book value
Accounts receivable from employee borrowings for down payments of first-time homebuyers (Note1)	264,560,984.15	-	264,560,984.15

Note 1: 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 (2018: Nil). In this reporting period, no asset and liability were formed due to continuing involvement of the transfer of long-term account receivable (2018: Nil).

As at 31 December 2019, in the opinion of the Group, there was no need to provide for credit losses in respect of long-term receivables.

Unit: Yuan Currency: RMB

2018		
Available-for-sale equity instruments	Available-for-sale debt instruments	Total
702,232,589.48	50,240,011.70	752,472,601.18
-	-	-
-	-	-
3,311,720.00	-	3,311,720.00
-	-	-
430,660.60	-	430,660.60
699,351,530.08	50,240,011.70	749,591,541.78

Unit: Yuan Currency: RMB

Closing balance	Investment cost	Cumulative changes in fair value	Cumulative provision for impairment recognized in other comprehensive income
-	50,240,011.70	(50,240,011.70)	50,240,011.70

Unit: Yuan Currency: RMB

Stage 2 Lifetime expected credit losses	Stage 3 Financial assets with incurred credit losses (Lifetime)	Total
-	50,240,011.70	50,240,011.70
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	50,240,011.70	50,240,011.70

Unit: Yuan Currency: RMB

1 January 2019 and 31 December 2018		
Carrying balance	Impairment provision	Book value
302,259,703.90	-	302,259,703.90

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

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

18. Long-term equity investments

Investees	Opening balance	Increase	Decrease	Profit and loss recognized under the equity method
I. Joint ventures				
Baosteel-Nippon Steel Automotive Steel Sheets Co., Ltd. (BNA) (Note1)	2,198,959,174.13	-	-	128,954,868.88
Guangzhou JFE Steel Sheet Company Ltd. (GJSS)	2,100,465,284.35	-	-	159,375,369.63
Bao-Island Enterprises Limited	652,982,006.00	-	-	31,448,709.60
Wuhan Pingmei Wugang Joint Coking Co., Ltd.	614,968,295.93	-	-	(158,507,802.24)
Baowei Auto Part	178,303,733.79	-	-	3,932,304.70
Wuhan Iron and Steel Petrochemical Industrial Gas Co., Ltd.	81,208,809.35	-	-	8,149,203.92
Shandong Baohua	80,713,837.05	-	-	4,402,476.10
Baosheng Fineblanking	49,335,639.12	-	-	(449,933.00)
General Electric Wuhan Automation Co., Ltd.	32,429,690.50	-	-	2,562,685.39
Wuhan Baozhang Auto Steel Part Co.	25,757,175.66	-	-	2,421,934.58
Shanghai Metro Electronic Technology Co., Ltd	-	18,998,557.31	-	2,222,508.60
Changshu Weishike Daheng Metal Material Technology Co., Ltd.	23,903,042.80	-	-	(5,879,262.39)
Subtotal	6,039,026,688.68	18,998,557.31	-	178,633,063.77
II. Associates				
Shanghai Rural Commercial Bank Co., Ltd.	5,214,758,115.48	-	-	758,591,995.43
Ouyeel Co.,Ltd	1,299,040,679.40	110,000,001.60	-	16,805,247.73
China Pingmei Shenma Energy and Chemical Group Co., Ltd.	1,363,048,594.74	-	-	(133,985,059.04)
Henan Pingbao	803,719,398.24	-	-	91,138,183.36
TWB Company L.L.C.	768,443,594.69	-	-	92,408,696.63
Wuhan Iron & Steel Group Finance Corporation Limited (Note 2)	1,697,809,836.16	-	(791,934,205.07)	176,604,477.87
Wuhan Iron and Steel Group Metal Resource Co., Ltd. (Note3)	454,529,869.86	-	-	43,706,008.11
Taicang Wugang Dock Co., Ltd.	349,232,713.64	-	-	29,203,885.47
Shanghai Ouyeel Finance Information Service Co., Ltd.	296,276,550.82	-	-	(6,426,933.80)
Shanghai Baosteel & Arcelor Tailor Metal Co., Ltd.	128,835,022.33	-	-	25,429,999.82
Shanghai Ouyeel Logistics Co., Ltd.	114,849,218.38	-	-	2,883,673.93
Guangqi Baoshang	79,638,138.97	36,000,000.00	-	4,478,649.20
Vietnam Can Making	86,527,277.75	-	-	13,014,000.01
Wuxi Baomit	-	60,000,000.00	-	(297,643.39)
Wuxi Baomit	67,896,567.27	-	-	(273,331.92)
Dalian Jiaxiang Technology Co., Ltd.	39,807,368.84	-	-	1,327,250.91
Sichuan Daxing	30,922,862.04	-	-	1,968,309.72
MIBao Metal Processing Zhengzhou CO., Ltd.	30,508,206.33	-	-	2,863,601.74
Wuxi Summit-Bao Metal Products Co., Ltd.	28,242,689.19	-	-	1,638,659.53
Guangdong Zhanjiang Port Longteng Shipping Co., Ltd.	28,808,616.93	-	-	1,490,409.53
Taicang Wuhan Steel Distribution Co., Ltd.	26,554,751.52	-	-	103,790.59
Beijing Qingke Chuangtong Information Technology Co., Ltd.	15,123,492.24	-	-	2,010,968.66
Shanghai Baoneng Information Technology Co., Ltd.	10,851,612.26	-	-	1,519,979.77
Suzhou Chuanglian Electric Drive Co., Ltd	10,074,979.74	-	-	1,866,429.03
Wuhan Hanwei Refining Installation Engineering Co., Ltd.	11,497,814.97	-	-	634,524.60
Hubei Pingwu Industry and Trade Co., Ltd.	9,407,872.72	-	-	219,848.68
Shanghai JinShang Network Technology Co., Ltd.	8,535,413.57	-	-	236,334.50
Shanghai Batchsight Pharmaceutical Technology Co., Ltd	6,056,090.35	1,600,000.00	-	(944,279.89)
Renwei Software	4,324,358.55	-	-	1,263,762.09
Wuhan Ansheng Economic & Trade Co., Ltd.	3,636,105.56	-	-	1,638,252.50
Wuhan Baohan Welding Equipment Co., Ltd.	4,409,140.58	-	-	29,498.43
Shanghai Runyi Incubator Management Corporation Limited	3,382,502.00	-	-	182,696.12
Alpha United (Shanghai) Software Technology Co., Ltd	-	3,500,000.00	-	(746,688.17)
Wuhai Yellow River Yiteng Pigment Carbon Black Co., Ltd.	1,705,384.90	-	-	306,854.33
Nanjing Tiemei Transportation Trade Co., Ltd.	3,171,188.92	-	-	725,621.47
Shanghai Zhiji Information Technology Co., Ltd	6,939,970.65	-	-	(6,758,576.37)
Chongqing Hanfeng Instrument Co., Ltd	2,691,356.01	-	(2,641,417.88)	(49,938.13)
Guangzhou Nansha Gangbao Wharf Co., Ltd.	5,208,137.12	-	(4,574,393.57)	(633,743.55)
Tianjin Zhongzhi Tiancheng Technology Co., Ltd.	3,246,749.82	-	(1,564,672.59)	(1,682,077.23)
Equity transferred from old system trade right due to non-tradable share reform	7,949,489.18	-	-	-
	13,027,661,731.72	211,100,001.60	(800,714,689.11)	1,122,493,338.27
Total	19,066,688,420.40	230,098,558.91	(800,714,689.11)	1,301,126,402.04

Note 1: The former name of the company is Baosteel-Nsc automotive Steel Sheets Co., Ltd., which has been renamed as Baosteel-Nippon Steel automotive Steel Sheets Co., Ltd.

Note 2: In June 2019, Wuhan Iron and Steel Group Finance Co., Ltd. adjusted its equity structure and reduced its registered capital from 3.893 billion yuan to 1.2 billion yuan by non-proportional oriented reduction to the original shareholders. The Group received a capital reduction of RMB823,359,045.78, and derecognized the long-term equity investment of RMB791,934,205.07, accordingly, realizing an investment income of RMB31,424,840.71. After the capital reduction, the Group's shareholding in Wuhan Iron and Steel Group Finance Co., Ltd. increased from 28.65% to 49.5%. Other changes in equity caused by changes in equity ratio amounted to RMB90,647,917.57, which is included in the capital reserve.

Unit: Yuan Currency: RMB

Movements in the current year				Closing balance	Closing balance of impairment
Other comprehensive adjustments	Other equity movements	Cash dividend and profits announced	Exchange differences arising from translation of financial statements		
-	167,760.41	-	-	2,328,081,803.42	-
-	1,002,637.00	(163,777,196.75)	-	2,097,066,094.23	35,000,000.00
10,886,102.50	-	(14,087,400.00)	-	681,229,418.10	-
-	-	-	-	456,460,493.69	-
-	-	-	-	182,236,038.49	-
-	378,125.91	-	-	89,736,139.18	-
-	(22,012.72)	-	-	85,094,300.43	-
-	-	-	-	48,885,706.12	-
-	-	-	-	34,992,375.89	-
-	-	-	-	28,179,110.24	-
-	-	-	-	21,221,065.91	-
-	-	-	-	18,023,780.41	-
10,886,102.50	1,526,510.60	(177,864,596.75)	-	6,071,206,326.11	35,000,000.00
-	26,787,346.15	(148,000,000.00)	-	5,852,137,457.06	-
2,838,846.63	375,979,296.74	-	-	1,804,664,072.10	-
-	-	-	-	1,229,063,535.70	-
-	3,566,388.56	(14,400,000.00)	-	884,023,970.16	-
14,633,155.10	-	(40,076,200.70)	(3,114,001.79)	832,295,243.93	-
-	(90,647,917.57)	(176,255,535.48)	-	815,576,655.91	-
-	-	(25,565,581.70)	-	472,670,296.27	-
-	-	(42,843,942.77)	(11,202,053.05)	324,390,603.29	-
4,827,238.40	283,767.10	(1,846,459.75)	-	293,114,162.77	-
-	-	(20,026,000.00)	-	134,239,022.15	-
-	(13,334,054.62)	-	-	104,398,837.69	-
-	-	(19,746,273.95)	-	100,370,514.22	-
-	-	-	(76,277.73)	99,465,000.03	-
-	-	-	-	59,702,356.61	-
-	-	(11,459,468.70)	-	56,163,766.65	-
-	-	(4,500,000.00)	-	36,634,619.75	-
-	(1,961,207.49)	-	-	30,929,964.27	-
-	-	(3,096,931.06)	-	30,274,877.01	-
-	-	-	-	29,881,348.72	-
-	-	(1,336,291.84)	-	28,962,734.62	-
-	-	-	817,747.90	27,476,290.01	-
-	-	(1,050,000.00)	-	16,084,460.90	-
-	-	-	-	12,371,592.03	-
-	-	-	-	11,941,408.77	-
-	-	(1,350,000.00)	-	10,782,339.57	-
-	-	-	-	9,627,721.40	-
-	-	-	-	8,771,748.07	-
-	-	-	-	6,711,810.46	-
-	-	-	-	5,588,120.64	-
-	-	-	-	5,274,358.06	-
-	-	-	-	4,438,639.01	-
-	-	-	-	3,565,198.12	-
-	-	-	-	2,753,311.83	-
-	-	-	-	2,012,239.23	-
-	-	(1,945,103.10)	-	1,951,707.29	-
-	-	-	-	181,394.28	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	7,949,489.18	-
22,299,240.13	300,673,618.87	(513,497,789.05)	(13,574,584.67)	13,356,440,867.76	-
33,185,342.63	302,200,129.47	(691,362,385.80)	(13,574,584.67)	19,427,647,193.87	35,000,000.00

Note 3: The former name of the company is Wuhan Iron and Steel Group Metal Resource Co., Ltd., which has been renamed as Baowu Environmental Technology Wuhan Metal Resources Co., Ltd.

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(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:

2019/2018

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

19. Investment in other equity instruments (Applicable to year 2019)

Unit: Yuan Currency: RMB

	31 December 2019	1 January 2019
Shanxi Xishan Coal and Electricity Power Co., Ltd.	261,495,415.78	234,194,099.94
China Datang Corporation Renewable Power Co., Limited	116,334,324.15	136,349,319.44
Others	300,803,415.40	210,500,246.87
Total	678,633,155.33	581,043,666.25

Unit: Yuan Currency: RMB

	Dividend income for the year	Accumulated profits	Accumulated losses	Amount transferred from other comprehensive income to retained earnings	Reasons
Shanxi Xishan Coal and Electricity Power Co., Ltd.	12,794,491.80	-	(680,164,587.91)	-	/
China Datang Corporation Renewable Power Co., Limited	-	-	(35,268,848.37)	-	/
Others	-	803,415.40	-	-	/
Total	12,794,491.80	803,415.40	(715,433,436.28)	-	/

The reason for designating the Group's investment in other equity instruments as at fair value through other comprehensive income is that the investment in other equity instruments is a strategic investment with an aim of enhancing the Group's competitiveness in the long run through share participation. It follows that the Group's investment in other equity instruments was designated as at fair value through other comprehensive income.

20. Other non-current financial assets (Applicable to year 2019)

Unit: Yuan Currency: RMB

	31 December 2019	1 January 2019
Financial assets at fair value through profit or loss	11,763,241,106.63	11,899,258,534.27

Unit: Yuan Currency: RMB

	31 December 2019	1 January 2019
PetroChina Pipeline Ltd.	8,643,900,787.20	8,643,900,787.20
Others	3,119,340,319.43	3,255,357,747.07
Total	11,763,241,106.63	11,899,258,534.27

21. Investment properties

Subsequent measurement under the cost model:

Unit: Yuan Currency: RMB

	Houses and buildings	Land use rights	Total
Total original carrying amount			
Opening balance	860,430,080.78	96,854,700.26	957,284,781.04
Increase in the current year	188,498,688.92	-	188,498,688.92
Addition	820,227.52	-	820,227.52
Transfer from fixed assets	187,678,461.40	-	187,678,461.40
Decrease in the current year	(26,317,471.63)	-	(26,317,471.63)
Transfer to fixed assets	(26,293,071.63)	-	(26,293,071.63)
Disposals or retirements	(24,400.00)	-	(24,400.00)
Closing balance	1,022,611,298.07	96,854,700.26	1,119,465,998.33
Accumulated depreciation and accumulated amortization:			
Opening balance	458,941,887.89	31,757,881.39	490,699,769.28
Increase in the current year	95,405,148.63	1,941,300.96	97,346,449.59
Provision	32,865,732.49	1,941,300.96	34,807,033.45
Transfer to fixed assets	62,539,416.14	-	62,539,416.14
Decrease in the current year	(15,776,722.50)	-	(15,776,722.50)
Transfer to fixed assets	(15,758,264.40)	-	(15,758,264.40)
Disposals or retirements	(18,458.10)	-	(18,458.10)
Closing balance	538,570,314.02	33,699,182.35	572,269,496.37
Provision for impairment			
Opening balance	-	-	-
Closing balance	-	-	-
Carrying amount			
Closing balance	484,040,984.05	63,155,517.91	547,196,501.96
Opening balance	401,488,192.89	65,096,818.87	466,585,011.76

As at 31 December 2019, buildings and land use right with a net value of RMB42,362,888.06 have not yet obtained the certificate of titles (2018: RMB46,205,118.96).

22. Fixed assets

Unit: Yuan Currency: RMB

	31 December 2019	1 January 2019 31 December 2018 (Restated)
Fixed assets	147,435,917,013.87	150,725,833,025.34
Liquidation of fixed assets	-	-
Total	147,435,917,013.87	150,725,833,025.34

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(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					
Balance at the end of last year	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
Add: Business combinations involving entities under common control	-	12,505,703.53	5,863,054.32	16,149,016.59	34,517,774.44
Opening balance	85,533,849,829.38	264,346,459,803.30	28,345,157,350.70	30,335,619,144.52	408,561,086,127.90
Increase in the current year	3,895,487,706.88	9,091,341,398.93	1,775,793,837.22	1,481,345,207.96	16,243,968,150.99
Acquisition	229,768,761.48	316,049,661.60	156,112,034.70	354,862,059.64	1,056,792,517.42
Transfer from construction in progress	3,639,425,873.77	8,769,998,049.01	1,617,582,647.83	1,125,553,596.88	15,152,560,167.49
Investment properties transferred to self-use properties	26,293,071.63	-	-	-	26,293,071.63
Translation differences on financial statements denominated in foreign currencies	-	5,293,688.32	2,099,154.69	929,551.44	8,322,394.45
Decrease in the current year	(895,362,828.15)	(3,305,999,078.29)	(1,138,572,419.86)	(929,806,424.07)	(6,269,740,750.37)
Disposal or retirement	(612,155,251.57)	(3,150,451,236.72)	(1,101,325,728.09)	(921,932,664.14)	(5,785,864,880.52)
Transfer to investment property	(187,678,461.40)	-	-	-	(187,678,461.40)
Disposal of subsidiaries	(80,218,978.51)	(155,547,841.57)	(37,246,691.77)	(7,873,759.93)	(280,887,271.78)
Translation differences on financial statements denominated in foreign currencies	(15,310,136.67)	-	-	-	(15,310,136.67)
Closing balance	88,533,974,708.11	270,131,802,123.94	28,982,378,768.06	30,887,157,928.41	418,535,313,528.52
Accumulated depreciation					
Balance at the end of last year	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
Add: Business combinations involving entities under common control	-	8,427,029.42	3,734,143.00	12,858,427.77	25,019,600.19
Opening balance	44,767,649,892.86	168,622,390,842.84	21,318,882,142.35	21,470,486,530.21	256,179,409,408.26
Addition	3,177,101,402.36	11,642,789,545.26	1,908,126,398.17	1,758,561,363.91	18,486,578,709.70
Provision	3,161,343,137.96	11,642,789,545.26	1,907,839,990.91	1,757,785,129.96	18,469,757,804.09
Investment properties transferred to self-use properties	15,758,264.40	-	-	-	15,758,264.40
Adjustment for exchange differences	-	-	286,407.26	776,233.95	1,062,641.21
Decrease in the current year	(480,778,330.65)	(2,817,557,158.64)	(1,016,966,157.99)	(854,954,564.72)	(5,170,256,212.00)
Disposal or retirement	(374,846,429.21)	(2,701,635,654.45)	(995,341,340.36)	(848,658,899.02)	(4,920,482,323.04)
Transfer to investment property	(62,539,416.14)	-	-	-	(62,539,416.14)
Disposal of subsidiaries	(39,698,442.93)	(108,078,759.50)	(21,624,817.63)	(6,295,665.70)	(175,697,685.76)
Translation differences on financial statements denominated in foreign currencies	(3,694,042.37)	(7,842,744.69)	-	-	(11,536,787.06)
Closing balance	47,463,972,964.57	177,447,623,229.46	22,210,042,382.53	22,374,093,329.40	269,495,731,905.96
Provision for impairment					
Balance at the end of last year	232,619,697.48	1,357,895,905.92	25,296,228.42	37,875,044.03	1,653,686,875.85
Add: Business combinations involving entities under common control	-	2,156,818.45	-	-	2,156,818.45
Opening balance	232,619,697.48	1,360,052,724.37	25,296,228.42	37,875,044.03	1,655,843,694.30
Addition	45,069.27	5,683,994.32	-	-	5,729,063.59
Provision	45,069.27	5,683,994.32	-	-	5,729,063.59
Decrease in the current year	(10,217,333.28)	(45,504,235.49)	(725,006.47)	(1,461,573.96)	(57,908,149.20)
Disposal or retirement	(867,302.95)	(16,506,203.14)	(625,131.47)	(1,294,081.16)	(19,292,718.72)
Disposal of subsidiaries	(9,350,030.33)	(28,874,550.20)	(99,875.00)	(167,492.80)	(38,491,948.33)
Translation differences on financial statements denominated in foreign currencies	-	(123,482.15)	-	-	(123,482.15)
Closing balance	222,447,433.47	1,320,232,483.20	24,571,221.95	36,413,470.07	1,603,664,608.69
Carrying amount					
Closing balance	40,847,554,310.07	91,363,946,411.28	6,747,765,163.58	8,476,651,128.94	147,435,917,013.87
Opening balance	40,533,580,239.04	94,364,016,236.09	7,000,978,979.93	8,827,257,570.28	150,725,833,025.34

(1) Temporarily idle fixed assets

As at 31 December 2019 and 31 December 2018, the total carrying amount of temporarily idle fixed assets was nil.

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

As at 31 December 2019, the Group did not have fixed assets under finance leases (As at 31 December 2018: Nil).

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

Unit:Yuan Currency: RMB		
	31 December 2019	1 January 2019 31 December 2018 (Restated)
Buildings	605,448,260.06	641,381,837.22
Machinery and equipment	193,102,977.04	160,287,316.25
Transportation vehicles	16,060,810.84	18,089,133.79
Office and other equipment	15,679,405.81	9,502,505.00
Total	830,291,453.75	829,260,792.26

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

As at 31 December 2019, the property right of the buildings, amounting to RMB2,514,747,917.80 (31 December 2018: RMB2,702,500,320.80), was still in the process of being transferred to the Group.

(5) Fixed assets used as collateral:

As at 31 December 2019, fixed assets with a carrying amount of RMB644,440,923.68 (31 December 2018: RMB846,345,791.90) and land use rights with a carrying amount of RMB61,770,082.63 (31 December 2018: RMB99,058,629.46) were pledged for a short-term borrowing of RMB215,751,864.91 (31 December 2018: RMB248,892,366.13), a long-term borrowing of RMB184,503,548.39 (31 December 2018: RMB264,114,304.60) and a borrowing due within one year of RMB38,826,329.77 (31 December 2018: RMB34,681,395.00).

23. Construction in progress

Unit:Yuan Currency: RMB		
	31 December 2019	1 January 2019 and 31 December 2018 (Restated)
Materials for construction of fixed assets	31,124,362.55	81,426,309.25
Construction in progress	8,436,642,410.15	7,685,809,056.50
Total	8,467,766,772.70	7,767,235,365.75

Materials for construction of fixed assets

Unit:Yuan Currency: RMB						
	31 December 2019			1 January 2019 and 31 December 2018		
	Carrying amount	Impairment provision	Book value	Carrying amount	Impairment provision	Book value
Special materials	58,288.53	-	58,288.53	333,612.44	(280,136.39)	53,476.05
Special equipment	18,071,064.14	-	18,071,064.14	30,323,454.60	-	30,323,454.60
Others	12,995,009.88	-	12,995,009.88	51,049,378.60	-	51,049,378.60
Total	31,124,362.55	-	31,124,362.55	81,706,445.64	(280,136.39)	81,426,309.25

Construction in progress

Unit:Yuan Currency: RMB						
	31 December 2019			1 January 2019 and 31 December 2018 (Restated)		
	Carrying amount	Impairment provision	Book value	Carrying amount	Impairment provision	Book value
Technical upgrade and infrastructure construction	9,522,772,279.86	(1,086,129,869.71)	8,436,642,410.15	8,772,431,297.81	(1,086,622,241.31)	7,685,809,056.50

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

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

Changes in significant construction in progress:

Unit: Yuan Currency: RMB

	Budget	Opening balance	Increase in the current period	Transfer to fixed assets	Transfer to long-term prepaid expenses	Translation differences arising from translation of financial statements denominated in foreign currencies	Closing balance
Technical upgrade and infrastructure construction	41,784,268,842.86	8,772,431,297.81	16,285,476,626.07	(15,152,560,167.49)	(381,739,915.64)	(835,560.89)	9,522,772,279.86

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	23	48,459,985.84	597,623.01	2.20

Impairment of construction in progress:

Unit: Yuan Currency: RMB

	Opening balance	Provision in current year	Decrease in current year	Closing balance
Nantong Steel technology upgrading project	1,052,722,642.42	-	-	1,052,722,642.42
Baosight Software technology upgrading project	33,407,227.29	-	-	33,407,227.29
Baowu Carbon Materials & Technology Co., Ltd. technology upgrading project	492,371.60	-	(492,371.60)	-
Total	1,086,622,241.31	-	(492,371.60)	1,086,129,869.71

24. Intangible assets

Unit: Yuan Currency: RMB

	Land use rights	Software	Ore mining rights	Others	Total
Total original carrying amount					
Opening balance	13,658,721,046.76	721,931,565.85	787,132,255.06	316,606,972.11	15,484,391,839.78
Increase in the current year	86,834,465.10	86,947,565.59	-	14,723,461.45	188,505,492.14
Purchase	86,834,465.10	86,947,565.59	-	14,723,461.45	188,505,492.14
Decrease in the current year	(215,468,733.18)	(76,654,522.75)	-	(30,081,520.83)	(322,204,776.76)
Disposal	(196,964,264.91)	(70,725,714.11)	-	(30,081,520.83)	(297,771,499.85)
Translation differences arising from translation of financial statements denominated in foreign currencies	(18,504,468.27)	(5,928,808.64)	-	-	(24,433,276.91)
Closing balance	13,530,086,778.68	732,224,608.69	787,132,255.06	301,248,912.73	15,350,692,555.16
Accumulated amortization					
Opening balance	2,150,185,690.54	540,934,313.55	354,678,803.27	94,718,901.02	3,140,517,708.38
Increase in the current year	287,121,347.27	69,651,604.88	43,245,345.16	5,472,643.19	405,490,940.50
Provision	287,121,347.27	69,651,604.88	43,245,345.16	5,472,643.19	405,490,940.50
Decrease in the current year	(23,973,976.92)	(55,586,861.67)	-	(13,339,359.44)	(92,900,198.03)
Disposal	(20,103,547.46)	(50,079,751.59)	-	(13,339,359.44)	(83,522,658.49)
Translation differences arising from translation of financial statements denominated in foreign currencies	(3,870,429.46)	(5,507,110.08)	-	-	(9,377,539.54)
Closing balance	2,413,333,060.89	554,999,056.76	397,924,148.43	86,852,184.77	3,453,108,450.85

Provision for impairment					
Opening balance	-	37,269.73	-	24,200,741.84	24,238,011.57
Increase in the current year	-	-	-	-	-
Decrease in the current year	-	(151.03)	-	(13,610,153.50)	(13,610,304.53)
Disposal of subsidiaries	-	-	-	(13,610,153.50)	(13,610,153.50)
Adjustment for exchange differences	-	(151.03)	-	-	(151.03)
Closing balance	-	37,118.70	-	10,590,588.34	10,627,707.04
Carrying amount					
Closing balance	11,116,753,717.79	177,188,433.23	389,208,106.63	203,806,139.62	11,886,956,397.27
Opening balance	11,508,535,356.22	180,959,982.57	432,453,451.79	197,687,329.25	12,319,636,119.83

There is no major intangible asset for internal research and development in this year.

As at 31 December 2019, intangible assets without certificates amounted to RMB358,640,082.22 (31 December 2018: RMB328,578,365.93).

As at 31 December 2019, the balance of mortgaged intangible assets was RMB61,770,082.63 (31 December 2018: RMB99,058,629.46), refer to Note V.22 (5) for details.

25. Goodwill

Unit: Yuan Currency: RMB

	Opening balance	Changes in the current year		Closing balance
		Translation differences on financial statements denominated in foreign currencies	Disposal	
M & A of ThyssenKrupp laser welding business	524,024,603.46	(2,123,530.69)	-	521,901,072.77

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.

26. Long-term prepaid expenses

Unit: Yuan Currency: RMB

	Opening balance	Increase in current year	Amortization in current year	Decrease in current year (Note 1)	Closing balance
Decoration fees	628,292,447.82	376,245,016.64	(95,935,455.77)	(137,044,451.14)	771,557,557.55
Leasing expenses	-	6,768,472.92	-	-	6,768,472.92
Relocation expense on Meishan steel coke oven (Note2)	729,296,095.20	-	(25,366,820.76)	-	703,929,274.44
Others	35,474,709.49	-	(9,229,883.10)	-	26,244,826.39
Total	1,393,063,252.51	383,013,489.56	(130,532,159.63)	(137,044,451.14)	1,508,500,131.30

Note 1: The other decrease is mainly due to the adjustment of the original provisional estimate amount of IDC phase II and phase III projects according to the final accounts by Shanghai Baosight Software Co., Ltd., a subsidiary of the Company.

Note 2: 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 kilometre from Meishan steel coke oven construction project are compensated by Meishan Steel at RMB880,000,000.00. As at the end of 2019, an 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.

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

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

27. Deferred tax assets/Deferred tax liabilities

Deferred tax assets and deferred tax liabilities without offset are as follows:

	Deductible temporary differences		
	31 December 2019	1 January 2019	31 December 2018 (Restated)
Provision for impairment losses of assets	4,655,411,698.69	5,307,379,652.66	4,612,040,217.54
Unrealized profit from inter-group transactions	420,468,515.52	797,419,140.68	797,419,140.68
Deductible losses	572,921,692.27	3,979,673.27	3,979,673.27
Differences between depreciation and amortization of fixed assets and intangible assets	1,387,340,578.89	1,172,463,478.32	1,172,463,478.32
Salaries and termination benefits	2,764,665,663.28	2,001,410,806.35	2,001,410,806.35
Losses from changes in fair values	976,320,856.70	375,285,908.00	375,285,908.00
Others	3,772,547,021.03	2,989,900,490.51	2,989,900,490.50
Total	14,549,676,026.38	12,647,839,149.79	11,952,499,714.66

	Temporary taxable differences		
	31 December 2019	1 January 2019	31 December 2018 (Restated)
Overdue tax payment from investment income	2,206,192,798.12	2,058,954,089.77	2,058,954,089.77
Gains from changes in fair values	657,645,340.45	560,101,771.85	556,213,613.64
Appreciation of assessment on assets of business combination involving enterprises not under common control	48,488,431.63	65,295,184.46	65,295,184.46
Difference of depreciation on fixed assets	1,941,325,140.25	782,537,611.59	782,537,611.59
Others	17,104,042.50	61,469,422.28	61,469,422.27
Total	4,870,755,752.95	3,528,358,079.95	3,524,469,921.73

Deferred tax assets and deferred tax liabilities are presented in net amount after offsetting:

	31 December 2019 After offsetting
Deferred tax assets	
Offset amount	(293,214,982.10)
After offsetting	3,218,948,278.17
Deferred tax liabilities	
Offset amount	(293,214,982.10)
After offsetting	884,710,639.80

Details of temporary unrecognized deductible deferred tax assets:

Deductible temporary differences
Provision for impairment losses on assets
Deductible losses
Others
Total

Unit:Yuan Currency: RMB

Deferred tax assets		
31 December 2019	1 January 2019	31 December 2018 (Restated)
1,109,083,448.97	1,287,964,185.72	1,113,877,297.24
105,117,128.88	199,354,785.17	199,354,785.17
142,204,995.53	994,918.32	994,918.32
346,748,111.11	293,081,835.62	293,081,835.62
667,326,883.73	493,203,719.08	493,203,719.08
244,080,214.18	93,821,477.00	93,821,477.00
897,602,477.87	712,267,151.33	712,267,151.33
3,512,163,260.27	3,080,688,072.24	2,906,601,183.76

Unit:Yuan Currency: RMB

Deferred tax assets		
31 December 2019	1 January 2019	31 December 2018 (Restated)
509,381,943.43	479,237,013.33	479,237,013.33
164,411,335.11	140,025,442.96	139,053,403.41
14,519,545.16	18,180,112.45	18,180,112.45
485,290,670.78	195,634,402.90	195,634,402.90
4,322,127.42	15,267,019.70	15,267,019.70
1,177,925,621.90	848,343,991.34	847,371,951.79

Unit:Yuan Currency: RMB

1 January 2019 After offsetting	31 December 2018 After offsetting (Restated)
(6,589,240.45)	(6,589,240.45)
3,074,098,831.79	2,900,011,943.31
(6,589,240.45)	(6,589,240.45)
841,754,750.89	840,782,711.34

Unit:Yuan Currency: RMB

31 December 2019	31 December 2018 (Restated)
1,875,205,457.11	1,902,760,111.18
4,093,621,047.13	6,075,440,474.66
1,199,761,557.90	788,936,259.44
7,168,588,062.14	8,767,136,845.28

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

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

Deductible losses, for which no deferred tax assets are recognized, will expire in the following years:

2019
2020
2021
2022
2023
2024
With no maturity date
Total

28. Other non-current assets

	31 December 2019
Prepayment for construction equipment	1,818,642,764.26
Loans due from Bao-Island Enterprise	117,905,780.14
Luojiang assets to be disposed of (Note 1)	134,034,795.80
Assets of Tinplate Plant to be disposed of (Note 2)	308,517,098.63
Trust and finance fund	-
Others	47,916,559.22
Total	2,427,016,998.05

Note 1: As the plant of the Company in Luojiang Area stopped production in 2012, relevant assets have entered into the stage of disposal and reuse.

Note 2: The tinplate plant of the Group was shut down for environmental protection in accordance with the regulation of the government in 2017, and the relevant assets have entered into the stage of disposal and reuse. Among the above assets, the balance of the assets to be disposed of the related to the tinplate plant is RMB412,976,709.09, and the balance of impairment provision has been confirmed to be RMB104,247,342.17.

29. Provision for impairment of assets

	31 December 2018 Carrying value (Restated)	Change in accounting policies (Note)	1 January 2019 Carrying value	Increase in current period	
				Provision	Other increase
Bad debt provision	2,031,020,120.74	765,257,310.67	2,796,277,431.41	145,710,499.86	-
Provision for write-down of inventories	1,944,604,116.99	-	1,944,604,116.99	237,286,319.16	-
Provision for impairment of available-for-sale financial assets	749,591,541.78	(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	1,655,843,694.30	-	1,655,843,694.30	5,729,063.59	-
Provision for impairment of construction in progress	1,086,902,377.70	-	1,086,902,377.70	-	-
Provision for loan losses	19,301,365.90	-	19,301,365.90	4,417,925.00	-
Other current assets provision for loan losses	-	-	-	-	19,301,365.90
Provision for impairment of intangible investments	24,238,011.57	-	24,238,011.57	-	-
Provision for impairment of other non-current assets	61,197,604.15	-	61,197,604.15	43,050,018.02	-
Total	7,607,698,833.13	15,665,768.89	7,623,364,602.02	436,193,825.63	19,301,365.90

Note: Please refer to Note III.36 for the adjustment of the New Standard on Financial Instruments applicable to the balance at the beginning of 2019.

Unit: Yuan Currency: RMB

31 December 2019	31 December 2018 (Restated)
-	1,988,876,661.86
2,631,682,866.13	2,675,973,441.53
401,933,454.63	399,308,454.63
166,560,635.25	171,657,229.99
229,752,794.41	299,942,922.26
161,160,086.30	-
502,531,210.41	539,681,764.39
4,093,621,047.13	6,075,440,474.66

Unit: Yuan Currency: RMB

1 January 2019	31 December 2018
234,302,861.83	234,302,861.83
117,905,780.14	117,905,780.14
134,034,795.80	134,034,795.80
351,779,104.94	351,779,104.94
-	570,000,000.00
59,993,649.98	59,993,649.98
898,016,192.69	1,468,016,192.69

Unit: Yuan Currency: RMB

Reversal	Decrease in current period Disposal/ Write-off	Decrease in disposal subsidiaries	Other decrease	Differences on translation of foreign currency	Closing balance of carrying amount
(96,450,483.51)	(7,890,992.15)	(18,406,760.52)	-	592,788.72	2,819,832,483.81
(609,483,784.00)	(14,123,616.59)	(83,940,535.33)	-	220,186.98	1,474,562,687.21
-	-	-	-	-	-
-	-	-	-	-	35,000,000.00
-	(19,292,718.72)	(38,491,948.33)	-	(123,482.15)	1,603,664,608.69
-	(772,507.99)	-	-	-	1,086,129,869.71
-	-	-	(19,301,365.90)	-	4,417,925.00
(11,226,617.57)	-	-	-	-	8,074,748.33
-	-	(13,610,153.50)	-	(151.03)	10,627,707.04
-	(280.00)	-	-	-	104,247,342.17
(717,160,885.08)	(42,080,115.45)	(154,449,397.68)	(19,301,365.90)	689,342.52	7,146,557,371.96

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

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

30. Short-term borrowings

Unit: Yuan Currency: RMB

	31 December 2019	1 January 2019	31 December 2018 (Restated)
Unsecured and non-guaranteed loans	12,719,963,526.67	38,196,711,446.78	38,196,711,446.78
Mortgage loans (Note 1)	215,751,864.91	248,892,366.13	248,892,366.13
Secured loans with securities under the custody of lenders (Note 2)	-	8,453,252.58	8,453,252.58
Interest payable on short-term loans	132,295,279.60	136,402,409.08	-
Total	13,068,010,671.18	38,590,459,474.57	38,454,057,065.49

At the balance sheet date, the interest rate of the Group's short-term borrowings denominated in RMB ranged from 2.855% to 4.785% per annum (2018: 2.915% to 4.785% per annum); in USD from one-month LIBOR+0.4% to three-month LIBOR+2.25% per annum (2018: one-month LIBOR+0.4% to three-month LIBOR+2.25% per annum); in Euro from 0.8% to 1.7% per annum (2018: 0% to 1.8% per annum); and in KRW at a rate of 2.73% per annum (2018: 2.9% to 3.1% per annum).

Note 1: Details of mortgage loans are set out in Note V.22 (5).

Note 2: Details of secured loans with securities under the custody of lenders are set out in Note VIII. 1.

31. Customer deposits and deposits from banks and other financial institutions

Unit: Yuan Currency: RMB

	31 December 2019	1 January 2019 and 31 December 2018
Current deposits	1,858,866,256.05	3,721,858,947.64
Fixed deposits	6,885,030,688.12	5,080,310,917.51
Total	8,743,896,944.17	8,802,169,865.15

32. Borrowings from banks and other financial institutions

Unit: Yuan Currency: RMB

	31 December 2019	1 January 2019 and 31 December 2018
Borrowings from domestic banks	422,060,100.00	-

33. Derivative financial liabilities (Applicable to year 2019)

Unit: Yuan Currency: RMB

	31 December 2019	1 January 2019
Derivative financial liabilities	11,873,198.14	629,641.69

34. Notes payable

Unit: Yuan Currency: RMB

	31 December 2019	1 January 2019 and 31 December 2018 (Restated)
Commercial acceptances	12,157,457,611.46	14,310,244,887.13
Bank acceptances	2,005,825,989.64	1,939,776,972.29
Total	14,163,283,601.10	16,250,021,859.42

The above notes payable will be due in 2020.

As at 31 December 2019, the Group had no outstanding notes payable which were due (31 December 2018: Nil).

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

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

35. Accounts payable

No interest is charged on accounts payable.

	31 December 2019	Unit:Yuan Currency: RMB 1 January 2019 and 31 December 2018 (Restated)
Accounts payable for equipment	8,583,181,345.12	9,306,336,963.44
Accounts payable for raw materials	20,839,335,639.74	19,989,383,592.96
Total	29,422,516,984.86	29,295,720,556.40

As at 31 December 2019, accounts payable aged over one year totaling RMB2,603,952,828.82 (2018: RMB2,697,211,760.08) were mainly the construction fees for technical revamping and infrastructure projects with a long period of construction.

36. Details of receipts in advance are as follows:

	31 December 2019	Unit:Yuan Currency: RMB 1 January 2019 31 December 2018 (Restated)
Receipts in advance	22,371,691,661.35	19,884,475,702.40

As at 31 December 2019, accounts payable aged over one year totaling RMB2,603,952,828.82 (2018: RMB2,697,211,760.08) were mainly the construction fees for technical revamping and infrastructure projects with a long period of construction.

37. Financial assets sold under repurchase agreements

	31 December 2019	Unit:Yuan Currency: RMB 1 January 2019 31 December 2018
Financial assets sold under repurchase agreements	226,463,442.64	142,071,814.59

38. Employee benefits payable

	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
Short-term employee benefits	2,268,658,233.59	13,469,590,868.94	13,701,467,930.35	2,036,781,172.18
Post-retirement benefit (defined contribution plan)	442,944.65	1,765,479,254.06	1,765,391,084.46	531,114.25
Termination benefits	420,927,234.10	742,101,090.51	739,417,498.57	423,610,826.04
Other long-term payroll due within 1 year (Note)	-	83,128,057.53	-	83,128,057.53
Total	2,690,028,412.34	16,060,299,271.04	16,206,276,513.38	2,544,051,170.00

Note: Please refer to Note V.46 for other long-term payroll due within 1 year.

Details of short-term employee benefits:

	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
Wages or salaries, bonuses, allowances and subsidies	1,762,198,272.55	10,397,242,036.42	10,634,877,534.83	1,524,562,774.14
Staff welfare	-	586,980,125.83	586,980,125.83	-
Social security contributions	756,057.90	989,264,105.25	989,918,453.12	101,710.03
Including: Medical insurance	204,614.81	722,967,329.06	723,094,290.73	77,653.14
Work injury insurance	10,998.18	41,099,912.15	41,107,673.63	3,236.70

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

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

Maternity insurance	14,057.85	69,526,300.19	69,533,469.14	6,888.90
Disability employment insurance	13,625.79	41,450,517.76	41,450,212.26	13,931.29
Others	512,761.27	114,220,046.09	114,732,807.36	-
Housing funds	130,888.94	945,813,513.68	945,866,565.88	77,836.74
Labor union and education fund	366,747,822.50	349,203,450.61	342,677,344.45	373,273,928.66
Short-term remuneration of absences	-	171,616,364.37	171,616,364.37	-
Others	138,825,191.70	29,471,272.78	29,531,541.87	138,764,922.61
Total	2,268,658,233.59	13,469,590,868.94	13,701,467,930.35	2,036,781,172.18

As of 31 December 2019, the employee benefits payable of the Group, amounting to RMB943,562,068.71 (2018: 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 2019.

Defined contribution plan:

Unit: Yuan Currency: RMB

	Opening balance	Increase in the current year	Decrease in the Current year	Closing balance
Basic pension insurance	311,426.96	1,383,686,966.28	1,383,862,209.30	136,183.94
Unemployment insurance	8,285.73	45,680,755.88	45,686,134.84	2,906.77
Annuity fund	123,231.96	336,111,531.90	335,842,740.32	392,023.54
Total	442,944.65	1,765,479,254.06	1,765,391,084.46	531,114.25

The Group has participated in a pension fund insurance and unemployment insurance plan administered by local governments. According to the plan, the Group deposits part of an employee's monthly basic salary into the insurance every month. Apart from the above-mentioned expenses, the Group does not have any responsibility for further payments. The relevant expenditure will be accounted for into profit and loss or capitalized.

In the current year, the Group was required to deposit RMB1,383,686,966.28 and RMB45,680,755.88 into the pension insurance and unemployment insurance plan, respectively (2018: RMB1,471,616,186.32 and RMB43,893,783.84). As of 31 December 2019, the Group had outstanding payments of RMB136,183.94 and RMB2,906.77, respectively (2018: RMB311,426.96 and RMB8,285.73) 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.

39. Taxes payable

Unit: Yuan Currency: RMB

	31 December 2019	1 January 2019 and 31 December 2018 (Restated)
Value-added tax	825,757,302.47	2,194,959,565.18
Enterprise income tax	523,220,232.48	1,300,379,982.96
Individual income tax	127,144,965.54	165,387,943.19
City construction and maintenance tax	54,059,216.25	137,405,141.65
Property tax	38,353,899.78	121,960,935.58
Others	354,489,804.61	520,048,962.21
Total	1,923,025,421.13	4,440,142,530.77

40. Other payables

Unit: Yuan Currency: RMB

	31 December 2019	1 January 2019	31 December 2018 (Restated)
Interest payable	-	-	359,359,786.14
Dividends payable	60,666,345.73	540,660,334.78	540,660,334.78
Other payables	1,772,627,803.91	1,578,467,705.34	1,578,467,705.34
Total	1,833,294,149.64	2,119,128,040.12	2,478,487,826.26

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

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

Interest payable

	31 December 2019	1 January 2019	Unit:Yuan Currency: RMB 31 December 2018
Interest payable on medium-term notes	-	-	217,345,205.47
Interest payable on borrowings	-	-	142,014,580.67
Total	-	-	359,359,786.14

Dividends payable

	31 December 2019	Unit:Yuan Currency: RMB 1 January 2019 and 31 December 2018 (Restated)
Guizhou Aluminum Plant	-	603,743.23
Wuhan Iron & Steel Group Asset Management Co., Ltd.	34,547.92	34,547.92
MITSUI & CO., LTD.	-	21.42
Baosteel Group Xinjiang Bayi Iron & Steel Co., Ltd.	609,775.60	-
Wugang Group Co., Ltd.	60,000,000.00	540,000,000.00
Others	22,022.21	22,022.21
Total	60,666,345.73	540,660,334.78

Other payables

	31 December 2019	Unit:Yuan Currency: RMB 1 January 2019 and 31 December 2018 (Restated)
Construction fees payable	708,572,092.10	534,607,980.60
Guarantee and deposit fees	454,714,697.92	552,024,380.92
Advances	176,123,688.04	174,275,009.31
Others	433,217,325.85	317,560,334.51
Total	1,772,627,803.91	1,578,467,705.34

The other payables aged more than one year amounted to RMB782,922,718.07 (2018: RMB615,646,852.10), which are mainly composed of deposits payable and construction fees payable that the Company has not paid due to the long-term nature of the service contracts.

41. Non-current liabilities due within one year

	31 December 2019	1 January 2019	Unit:Yuan Currency: RMB 31 December 2018
Long-term borrowings due within one year	250,334,259.06	142,332,379.53	142,332,379.53
Interest payable on long-term loans due within one year	4,338,495.25	5,612,171.59	-
Bonds payable due within one year	3,000,000,000.00	5,000,000,000.00	5,000,000,000.00
Interest payable on bonds payable due within one year	368,477,260.25	217,345,205.47	-
Long-term payables due within one year	20,000,000.00	20,000,000.00	20,000,000.00
Total	3,643,150,014.56	5,385,289,756.59	5,162,332,379.53

Long-term borrowings due within one year

As at 31 December 2019, the Group held balances of long-term borrowings due within one year of RMB250,334,259.06 (31 December 2018: RMB142,332,379.53), and interest payable on long-term loans due within one year of RMB4,338,495.25. See Note V. 22(5) for more details of collateral for the long-term borrowings.

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

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

Long-term bonds payable due within one year

Name	Par value	Issue date	Terms	Issue amount
Medium-term notes (16Baosteel MTN001) (Note 1)	5,000,000,000.00	2016/3/22	3 years	5,000,000,000.00
Medium-term notes (17Baosteel MTN001) (Note 2)	3,000,000,000.00	2017/2/21	3 years	3,000,000,000.00
Total				

Note1: On 22 March 2016, the Company issued the first tranche of medium-term notes of 2016 in the National Association of Financial Market Institutional Investors. The Company issued medium-term notes amounting to RMB5 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 whole when it is due. The valuation date was 22 March 2016, and the principal was paid on 22 March 2019.

Long-term payables due within one year

Payables on compensation for relocation

42. Other current liabilities

Short-term financing bills
Others
Total

Changes of short-term financing bills

Name	Par value (RMB100.00/ Per bond)	Issue date	Terms	Issue amount	Coupon rate
Bonds payable-super-short-term financing bills	1,000,000,000.00	2018/10/23	148 days	1,000,000,000.00	3.25%
Bonds payable-super-short-term financing bills	3,000,000,000.00	2018/11/12	118 days	3,000,000,000.00	3.15%
Bonds payable-super-short-term financing bills	2,000,000,000.00	2018/11/13	104 days	2,000,000,000.00	3.25%
Bonds payable-super-short-term financing bills	2,000,000,000.00	2019/01/17	180 days	2,000,000,000.00	2.89%
Bonds payable-super-short-term financing bills	3,000,000,000.00	2019/01/21	180 days	3,000,000,000.00	2.98%
Bonds payable-super-short-term financing bills	2,000,000,000.00	2019/01/24	180 days	2,000,000,000.00	2.98%
Bonds payable-super-short-term financing bills	3,000,000,000.00	2019/03/05	270 days	3,000,000,000.00	3.00%
Bonds payable-super-short-term financing bills	3,000,000,000.00	2019/03/08	180 days	3,000,000,000.00	2.90%
Bonds payable-super-short-term financing bills	2,000,000,000.00	2019/03/18	180 days	2,000,000,000.00	2.85%
Bonds payable-super-short-term financing bills	3,000,000,000.00	2019/04/10	180 days	3,000,000,000.00	2.90%
Bonds payable-super-short-term financing bills	3,000,000,000.00	2019/04/17	180 days	3,000,000,000.00	2.90%
Bonds payable-super-short-term financing bills	3,000,000,000.00	2019/05/21	180 days	3,000,000,000.00	2.70%
Bonds payable-super-short-term financing bills	2,000,000,000.00	2019/05/24	180 days	2,000,000,000.00	2.90%
Bonds payable-super-short-term financing bills	3,000,000,000.00	2019/07/02	180 days	3,000,000,000.00	2.80%
Bonds payable-super-short-term financing bills (Note)	2,000,000,000.00	2019/07/16	180 days	2,000,000,000.00	2.80%
Bonds payable-super-short-term financing bills (Note)	5,000,000,000.00	2019/09/23	180 days	5,000,000,000.00	2.39%
Bonds payable-super-short-term financing bills (Note)	5,000,000,000.00	2019/09/25	180 days	5,000,000,000.00	2.39%
Bonds payable-super-short-term financing bills (Note)	5,000,000,000.00	2019/10/15	180 days	5,000,000,000.00	2.20%
Bonds payable-super-short-term financing bills (Note)	5,000,000,000.00	2019/10/22	180 days	5,000,000,000.00	2.28%
Bonds payable-super-short-term financing bills	4,000,000,000.00	2019/11/12	180 days	4,000,000,000.00	1.94%
Bonds payable-super-short-term financing bills	3,000,000,000.00	2019/11/19	180 days	3,000,000,000.00	1.95%
Bonds payable-super-short-term financing bills	3,000,000,000.00	2019/11/27	180 days	3,000,000,000.00	1.95%
Bonds payable-super-short-term financing bills	2,000,000,000.00	2019/12/12	180 days	2,000,000,000.00	1.95%
Total	69,000,000,000.00			69,000,000,000.00	

Unit:Yuan Currency: RMB

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
5,000,000,000.00	122,158,904.11	-	5,279,158,904.11	-	-
3,000,000,000.00	95,186,301.36	-	111,000,000.00	3,000,000,000.00	95,186,301.36
8,000,000,000.00	217,345,205.47	-	5,390,158,904.11	3,000,000,000.00	95,186,301.36

Note 2: As at 21 February 2017, the Company issued the first tranche of medium-term notes amounting to RMB3 billion at par value, with a tenure of 3 years and an annual interest rate of 3.70%. Interest is paid annually and the principal is paid in whole when it is due. The valuation date was 21 February 2017, and the principal was paid on 21 February 2020.

Unit:Yuan Currency: RMB

31 December 2019	1 January 2019 and 31 December 2018
20,000,000.00	20,000,000.00

Unit:Yuan Currency: RMB

31 December 2019	1 January 2019 and 31 December 2018
34,155,464,931.52	6,025,500,000.00
57,982,643.25	51,255,143.04
34,213,447,574.77	6,076,755,143.04

Unit:Yuan Currency: RMB

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
1,005,139,726.03	-	8,038,356.16	-	1,013,178,082.19	-
3,012,168,493.15	-	18,382,191.78	-	3,030,550,684.93	-
2,008,191,780.82	-	10,328,767.13	-	2,018,520,547.95	-
-	2,000,000,000.00	28,504,109.59	-	2,028,504,109.59	-
-	3,000,000,000.00	44,087,671.23	-	3,044,087,671.23	-
-	2,000,000,000.00	29,391,780.82	-	2,029,391,780.82	-
-	3,000,000,000.00	66,393,442.62	-	3,066,393,442.62	-
-	3,000,000,000.00	42,786,885.25	-	3,042,786,885.25	-
-	2,000,000,000.00	28,032,786.89	-	2,028,032,786.89	-
-	3,000,000,000.00	42,786,885.25	-	3,042,786,885.25	-
-	3,000,000,000.00	42,786,885.25	-	3,042,786,885.25	-
-	3,000,000,000.00	39,836,065.57	-	3,039,836,065.57	-
-	2,000,000,000.00	28,524,590.16	-	2,028,524,590.16	-
-	3,000,000,000.00	41,311,475.41	-	3,041,311,475.41	-
-	2,000,000,000.00	25,468,493.15	-	-	2,025,468,493.15
-	5,000,000,000.00	31,757,534.25	-	-	5,031,757,534.25
-	5,000,000,000.00	31,102,739.73	-	-	5,031,102,739.73
-	5,000,000,000.00	22,602,739.73	-	-	5,022,602,739.73
-	5,000,000,000.00	21,238,356.16	-	-	5,021,238,356.16
-	4,000,000,000.00	9,992,328.77	-	-	4,009,992,328.77
-	3,000,000,000.00	6,410,958.90	-	-	3,006,410,958.90
-	3,000,000,000.00	5,289,041.10	-	-	3,005,289,041.10
-	2,000,000,000.00	1,602,739.73	-	-	2,001,602,739.73
6,025,500,000.00	63,000,000,000.00	626,656,824.63	-	35,496,691,893.11	34,155,464,931.52

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(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.

43. Long-term borrowings

Unsecured and non-guaranteed loans
Guaranteed loans
Secured loans with securities under the custody of the Group (Note 1)
Total

At the balance sheet date, the interest rate of the Group's long-term borrowings denominated in USD ranged from 1.55%-2.5% per annum (2018: 1.55% to 4.8533% per annum); in JPY at 1% per annum (2018: 1% per annum); in RMB ranged from 4.6075%-5.23% per annum (2018: 4.275% to 5.39% per annum); in Euro from 0.16% -1.87% per annum (2018: 1.15% to 1.80% per annum), and in KRW at 3.097% per annum in 2018.

44. Bonds payable

Medium-term notes

Movements of bonds payable in 2019:

	Par value	Quantity	Issue date	Term of the bonds	Issue amount	Opening balance	Issue in the current year
Medium-term notes (17Baosteel MTN001) (Note 1)	100	30,000,000	2017/2/21	3 years	3,000,000,000.00	3,000,000,000.00	-
Medium-term notes (19 Baosteel MTN001) (Note 2)	100	30,000,000	2019/1/22	3 years	3,000,000,000.00	-	3,000,000,000.00
Medium-term notes (19 Baosteel MTN002) (Note 3)	100	30,000,000	2019/3/15	3 years	3,000,000,000.00	-	3,000,000,000.00
Medium-term notes (19 Baosteel MTN003) (Note 4)	100	30,000,000	2019/3/22	3 years	3,000,000,000.00	-	3,000,000,000.00
Total					12,000,000,000.00	3,000,000,000.00	9,000,000,000.00

Movements of bonds payable in 2018:

	Par value	Quantity	Issue date	Term of the bonds	Issue amount	Opening balance	Issue in the current year
Medium-term notes (16Baosteel MTN001)	100.00	50,000,000	2016/3/22	3 years	5,000,000,000.00	5,000,000,000.00	-
Medium-term notes (17Baosteel MTN001) (Note 1)	100.00	30,000,000	2017/2/21	3 years	3,000,000,000.00	3,000,000,000.00	-
Total					8,000,000,000.00	8,000,000,000.00	-

Note 1: As at 21 February 2017, the Company issued the first tranche of medium-term notes amounting to RMB3 billion at par value, with a tenure of 3 years and an annual interest rate of 3.70%. Interest is paid annually and the principal is paid in whole when it is due. The valuation date was 21 February 2017, and the principal was paid on 21 February 2020. It was transferred to non-current liabilities due within one year and had been paid on schedule before the date of this report.

Note 2: As at 22 January 2019, the Company issued the first tranche of medium-term notes amounting to RMB3 billion at par value, with a tenure of 3 years and an annual interest rate of 3.69%. Interest is paid annually and the principal is paid in whole when it is due. The valuation date was 24 January 2019, the principal will be paid on 24 January 2022.

According to the Proposal on Applying for DFI Registration and Issuance and Increasing the Issue Line of Corporate Bonds approved in the 2018 Annual general meeting of shareholders held on 17 May 2019, the Company was approved to apply for the qualification of DFI registration and issuance to the Association of Interbank Market Dealers. On 12 September 2019, the Company received the Notice of Acceptance of Registration issued by the Association of Dealers ([2019] DFI26) 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.

Note: The bonds payable-super-short-term financing bills had been paid on schedule before the date of this report.

Unit:Yuan Currency: RMB

31 December 2019	1 January 2019 and 31 December 2018
1,714,662,219.53	5,186,201,690.50
108,365,412.89	159,915,176.18
184,503,548.39	264,114,304.60
2,007,531,180.81	5,610,231,171.28

Note: Details of mortgage loans are set out in Note V.22 (5).

Unit:Yuan Currency: RMB

31 December 2019	1 January 2019 and 31 December 2018
9,000,000,000.00	3,000,000,000.00

Unit:Yuan Currency: RMB

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
95,186,301.36	111,000,000.00	-	3,000,000,000.00	111,000,000.00	-	95,186,301.36
-	103,421,095.88	-	-	-	3,000,000,000.00	103,421,095.88
-	86,100,000.00	-	-	-	3,000,000,000.00	86,100,000.00
-	83,769,863.01	-	-	-	3,000,000,000.00	83,769,863.01
95,186,301.36	384,290,958.89	-	3,000,000,000.00	111,000,000.00	9,000,000,000.00	368,477,260.25

Unit:Yuan Currency: RMB

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
122,158,904.11	157,000,000.00	-	5,000,000,000.00	157,000,000.00	-	122,158,904.11
95,186,301.36	111,000,000.00	-	-	111,000,000.00	3,000,000,000.00	95,186,301.36
217,345,205.47	268,000,000.00	-	5,000,000,000.00	268,000,000.00	3,000,000,000.00	217,345,205.47

Note 3: As at 15 March 2019, the Company issued the first tranche of medium-term notes amounting to RMB3 billion at par value, with a tenure of 3 years and an annual interest rate of 3.65%. Interest is paid annually and the principal is paid in whole when it is due. The valuation date was 19 March 2019, the principal will be paid on 19 March 2022.

Note 4: As at 22 March 2019, the Company issued the first tranche of medium-term notes amounting to RMB3 billion at par value, with a tenure of 3 years and an annual interest rate of 3.64%. Interest is paid annually and the principal is paid in whole when it is due. The valuation date was 26 March 2019, the principal will be paid on 26 March 2022.

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

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

45. Long-term payables

Unit: Yuan Currency: RMB

	31 December 2019	1 January 2019 and 31 December 2018
Long-term payables	698,789,737.09	665,644,518.00
Special payables	261,960,000.00	261,860,000.00
Total	960,749,737.09	927,504,518.00

Long-term payables

Unit: Yuan Currency: RMB

	31 December 2019	1 January 2019 and 31 December 2018
Repurchase obligation of equity incentive plan (Note)	691,760,065.50	665,644,518.00
Accounts payable for relocation expense	20,000,000.00	20,000,000.00
Less: Long-term payables due within one year	20,000,000.00	20,000,000.00
Others	7,029,671.59	-
Total	698,789,737.09	665,644,518.00

Note: Long-term accounts payable formed by repurchase obligation of equity incentive plan, please refer to Note XI. I for details. Special payables

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	100,000.00	-	261,960,000.00

The Group's special accounts payable are the special funds allocated by the Ministry of Finance as the operation budget of state-owned capital.

46. Long-term employment benefits payable

Unit: Yuan Currency: RMB

	31 December 2019	1 January 2019 and 31 December 2018 (Restated)
Termination benefits from defined benefit plans-net liability	184,036,103.67	150,084,540.60
Termination benefits	860,442,537.53	965,449,373.36
Other long-term employment benefits (Note)	716,862,241.35	13,404,200.70
Total	1,761,340,882.55	1,128,938,114.66

Note: Other long-term employment benefits mainly refer to the one-time accrual of overall planned expenses of retirees by the end of 2020 in accordance with the relevant spirit of the state's guidance on the socialization management of retirees in the state-owned enterprises.

47. Deferred income

Unit: Yuan Currency: RMB

	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
Government grants	1,089,542,195.09	309,070,623.60	182,623,927.70	1,215,988,890.99

The liabilities related to government grants are as follows:

Unit: Yuan Currency: RMB

	Opening balance	Additions	Recognized in other income	Other movements	Closing balance	Asset related/ Income related
Government grants for technical upgrade	1,033,866,566.40	285,870,715.53	(130,283,650.24)	(5,746,337.80)	1,183,707,293.89	Asset related
Others	55,675,628.69	23,199,908.07	(12,830,670.63)	(33,763,269.03)	32,281,597.10	Asset related/ Income related
Total	1,089,542,195.09	309,070,623.60	(143,114,320.87)	(39,509,606.83)	1,215,988,890.99	

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

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

48. Share capital

2019

Unit: Yuan Currency: RMB

	Opening balance	Changes in the current year			Closing balance
		New issue of shares	Others	Subtotal	
I. Restricted shares (Note 2)	166,828,200.00	9,566,700.00	(3,021,450.00)	6,545,250.00	173,373,450.00
II. Tradable shares					
Ordinary shares denominated in RMB (Note 3)	22,101,086,925.00	-	-	-	22,101,086,925.00
III. Total shares (Note 3)	22,267,915,125.00	9,566,700.00	(3,021,450.00)	6,545,250.00	22,274,460,375.00

2018

Unit: Yuan Currency: RMB

	Opening balance	Changes in the current year			Closing balance
		New issue of shares	Others	Subtotal	
I. Restricted shares	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 1)	22,089,726,225.00	-	11,360,700.00	11,360,700.00	22,101,086,925.00
III. Total shares (Note 3)	22,268,111,875.00	-	(196,750.00)	(196,750.00)	22,267,915,125.00

Note 1: 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.

Note 2: On 12 December 2018, the Company held the 5th meeting of the 7th Board of Directors to discuss and approve the "Proposal on the implementation of the second phase A-share restricted stock plan". Accordingly, 9,566,700 restricted stocks of the Company have been granted to 76 incentive participants and registered at China Securities Registration and Settlement Co., Ltd. Shanghai branch on 1 January 2019.

On 18 September 2018, the Company held the Second Extraordinary General Meeting of Shareholders to discuss and approve the "Proposal on repurchase and cancellation of some incentive participants' restricted shares of the Second Phase of the Restricted Stock Plan". The Company repurchased and cancelled at the grant price the 1,347,750 restricted shares held by Wu Xiaodi, Shi Bing, etc, which have not reached the unlocking conditions. The above-mentioned 1,347,750 restricted shares have all been transferred to the Company's repurchase-only securities account and were cancelled on 22 January 2019.

The Company repurchased and cancelled at the grant price the 1,673,700 restricted shares, which have not reached the unlocking conditions, held by incentive participants no longer in the company. The above-mentioned 1,673,700 restricted shares have all been transferred to the Company's repurchase-only securities account and were cancelled on 27 August 2019.

Note 3: As at the end of the reporting period, the share capital of the Company amounted to RMB22,274,460,375.00. 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 64.12% of total share capital.

49. Capital reserve

2019

Unit: Yuan Currency: RMB

	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
Capital premium	47,408,960,455.22	561,154,517.62	253,734,480.53	47,716,380,492.31
Including: Reserve from conversion of state-owned shares	5,726,556,609.73	-	-	5,726,556,609.73
Share premium (Note 1)	36,474,613,248.49	28,604,433.00	13,162,365.32	36,490,055,316.17
Difference arising from business combination under common control	4,643,148,605.04	-	148,341,116.06	4,494,807,488.98
Share-based payment recognized in capital reserve (Note 2)	306,998,196.08	138,245,033.91	-	445,243,229.99
Provision for equity investment (Note 3)	257,643,795.88	394,305,050.71	92,230,999.15	559,717,847.44
Other capital reserves	2,261,666,634.29	-	-	2,261,666,634.29
Total	49,670,627,089.51	561,154,517.62	253,734,480.53	49,978,047,126.60

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

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

2018

Unit: Yuan Currency: RMB

	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
Capital premium	46,555,633,109.38	890,704,078.67	37,376,732.83	47,408,960,455.22
Including: Reserve from conversion of state-owned shares	5,726,556,609.73	-	-	5,726,556,609.73
Share premium	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	4,643,148,605.04	-	-	4,643,148,605.04
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	48,803,530,543.67	904,473,278.67	37,376,732.83	49,670,627,089.51

Note 1: The increase of share premium is due to subscription capital from the incentive participants of the Second Phase of A-share restricted stock plan recognized in capital reserve, increasing the capital premium by RMB28,604,433.00.

The decrease of share premium is due to: 1) the repurchase by the Company of the 3,021,450 restricted shares, which have not reached the unlocking conditions, decreasing the capital premium by RMB9,034,135.50; 2) the disproportional increase in capital to Wuhai Baohua WanChen Coal Chemical Co., Ltd. by Baowu carbon material technology Co., Ltd., a subsidiary of the Company, and its minority shareholders, decreasing the capital premium by RMB2,786,429.82; 3) the acquisition of the equity from minority shareholders of Wuhan Steel Group Oxygen Co., Ltd., a subsidiary of the Company, decreasing the capital premium by RMB1,341,800.00.

Note 2: Increase in capital reserve was caused by the share-based payment recognized in capital reserve, refer to Note XI Share-based payment for details.

Note 3: 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.17 for details.

50. Treasury shares

Unit: Yuan Currency: RMB

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Equity incentive plan	665,644,518.00	38,171,133.00	12,055,585.50	691,760,065.50

51. Other comprehensive income

The cumulative balance of other comprehensive income attributable to the parent company in the consolidated balance sheet:

2019

Unit: Yuan Currency: RMB

	31 December 2018	Adjustment for change in accounting standards (Note)	1 January 2019	Change for year 2019	31 December 2019
Changes arising from remeasurement of the defined benefit plan	(26,731,708.36)	-	(26,731,708.36)	(20,406,098.56)	(47,137,806.92)
Change in fair value of investment in other equity instruments	-	(608,810,856.59)	(608,810,856.59)	70,189,657.07	(538,621,199.52)
Other comprehensive income reclassified into profit and loss under the equity method	(5,957,508.32)	-	(5,957,508.32)	33,185,342.63	27,227,834.31
Change in fair value of investment in other debt instruments	-	(46,692,491.16)	(46,692,491.16)	863,837.93	(45,828,653.23)
Change of fair value of available-for-sale financial assets	41,413,377.87	(41,413,377.87)	-	-	-
Provision for credit losses of other debt investments measured at fair value through other comprehensive income	-	50,240,011.70	50,240,011.70	-	50,240,011.70
Translation differences on financial statements denominated in foreign currencies	(357,572,896.58)	-	(357,572,896.58)	29,097,161.01	(328,475,735.57)
Others	570,000.00	-	570,000.00	-	570,000.00
Total	(348,278,735.39)	(646,676,713.92)	(994,955,449.31)	112,929,900.08	(882,025,549.23)

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

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

2018

	1 January 2018	Increase/(Decrease)	Unit:Yuan Currency: RMB 31 December 2019
Changes arising from remeasurement of the defined benefit plan	(24,580,952.94)	(2,150,755.42)	(26,731,708.36)
Other comprehensive income reclassified into profit and loss under the equity method	(59,976,756.56)	54,019,248.24	(5,957,508.32)
Change of fair value of available-for-sale financial assets	334,466,045.54	(293,052,667.67)	41,413,377.87
Translation differences on financial statements denominated in foreign currencies	(551,881,883.61)	194,308,987.03	(357,572,896.58)
Others	570,000.00	-	570,000.00
Total	(301,403,547.57)	(46,875,187.82)	(348,278,735.39)

Note: Please refer to Note III.36 for the adjustment of the New Standard on Financial Instruments applicable to the balance at the beginning of 2019.

Other comprehensive income incurred in the current period:

2019

	Incurring pre-tax	Less: Income tax	Unit:Yuan Currency: RMB Attributable to the parent company	Attributable to minority interests
Other comprehensive income that will not be reclassified subsequently to profit or loss	77,183,390.52	25,254,265.10	49,783,558.51	2,145,566.91
Changes arising from remeasurement of the defined benefit plan	(20,406,098.56)	-	(20,406,098.56)	-
Change in fair value of investment in other equity instruments	97,589,489.08	25,254,265.10	70,189,657.07	2,145,566.91
Other comprehensive income that will be reclassified to profit or loss	76,748,000.47	280,229.39	63,146,341.57	13,321,429.51
Other comprehensive income reclassified into profit and loss under the equity method	33,185,342.63	-	33,185,342.63	-
Change in fair value of investment in other debt instruments	2,567,897.11	280,229.39	863,837.93	1,423,829.79
Translation differences on financial statements denominated in foreign currencies	40,994,760.73	-	29,097,161.01	11,897,599.72
Total	153,931,390.99	25,534,494.49	112,929,900.08	15,466,996.42

2018

	Incurring pre-tax	Less: Income tax	Unit:Yuan Currency: RMB Attributable to the 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)	-
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	(132,507,542.00)	(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

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

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

52. Special reserve

2019

Unit:Yuan Currency: RMB

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Safe production cost	38,668,237.58	612,348,440.56	620,743,234.33	30,273,443.81

2018 (Restated)

Unit:Yuan Currency: RMB

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Safe production cost	41,716,682.91	589,413,028.33	592,461,473.66	38,668,237.58

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.

53. Surplus reserve

2019

Unit:Yuan Currency: RMB

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Statutory surplus reserve	14,678,703,659.36	789,580,905.76	-	15,468,284,565.12
Discretionary surplus reserve	17,950,155,999.14	789,580,905.76	-	18,739,736,904.90
Total	32,628,859,658.50	1,579,161,811.52	-	34,208,021,470.02

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

According to Corporation Laws and the Articles 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.

54. Retained earnings

Unit:Yuan Currency: RMB

	2019	2018
Retained earnings at beginning of year before restatement	73,260,095,692.16	64,569,632,340.12
Business combinations involving enterprises under common control	53,927,056.04	430,172,244.29
Adjustment for change in accounting standards	116,073,863.28	-
Retained earnings at beginning of year after restatement	73,430,096,611.48	64,999,804,584.41
Net profit attributable to owners of the Company for the year	12,423,230,251.95	21,448,768,283.52
Less: Appropriation to statutory surplus reserve (Note V. 52)	789,580,905.76	1,427,069,298.25
Appropriation to discretionary surplus reserve (Note V. 52)	789,580,905.76	1,427,069,298.25
Dividend payable on ordinary shares in cash (Note)	11,138,067,037.50	10,280,411,523.23
Retained earnings at end of year	73,136,098,014.41	73,314,022,748.20

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

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

According to the resolution of the Company's annual shareholders' meeting of 2018 on 17 May 2019, the Company had paid a total dividend of RMB11,138,067,037.5 (including taxes) to all shareholders registered on the equity registration date and confirmed in the dividend announcement on 5 May 2019.

55. Operating income and operating costs

		Unit:Yuan Currency: RMB	
	2019		2018 (Restated)
	Income	Cost	Income Cost
Principal businesses	290,187,349,903.10	258,819,233,454.01	303,028,415,788.88 257,588,448,879.96
Other businesses	1,406,628,804.84	1,051,862,541.97	2,052,720,781.30 1,834,401,916.49
Total	291,593,978,707.94	259,871,095,995.98	305,081,136,570.18 259,422,850,796.45

Revenue is listed as follows:

		Unit:Yuan Currency: RMB	
	2019		2018 (Restated)
Sales of goods	282,452,361,802.59		295,506,425,921.83
Provide services	7,728,878,585.56		7,787,773,329.66
Others	1,412,738,319.79		1,786,937,318.69
Total	291,593,978,707.94		305,081,136,570.18

56. Taxes and levies

		Unit:Yuan Currency: RMB	
	2019		2018 (Restated)
Property tax	367,233,057.29		399,634,582.32
Stamp tax	284,466,111.50		293,549,032.49
City construction and maintenance tax	258,625,666.34		415,964,992.03
Education surcharges	197,357,003.77		314,578,211.52
Land use tax	139,276,047.97		174,147,910.15
Others	19,521,677.60		27,548,833.40
Total	1,266,479,564.47		1,625,423,561.91

57. Selling expenses

		Unit:Yuan Currency: RMB	
	2019		2018 (Restated)
Shipping and storage expenses	1,838,210,365.11		1,899,746,890.25
Payroll	952,780,821.99		960,869,933.85
Depreciation and amortization expenses	37,334,265.30		43,453,421.95
Others	553,049,576.22		597,862,414.16
Total	3,381,375,028.62		3,501,932,660.21

58. Administrative expenses

		Unit:Yuan Currency: RMB	
	2019		2018 (Restated)
Payroll	3,551,647,837.96		3,780,196,733.90
Depreciation and amortization expenses	800,556,850.24		773,799,956.93
Inventory (gains) losses on current assets	258,001,045.97		285,337,694.89
Others	971,571,063.31		1,151,451,803.49
Total	5,581,776,797.48		5,990,786,189.21

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

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

59. Research and development expenses

Unit: Yuan Currency: RMB

	2019	2018 (Restated)
Material and energy costs	4,751,271,764.81	3,138,579,368.14
Payroll	1,374,013,910.19	1,367,396,701.61
Depreciation and amortization expenses	1,278,833,500.36	1,125,617,982.43
Others	1,459,882,797.16	1,422,489,751.31
Total	8,864,001,972.52	7,054,083,803.49

60. Financial expenses

Unit: Yuan Currency: RMB

	2019	2018 (Restated)
Interest expenses	2,438,233,984.59	3,088,844,998.84
Less: Interest income	233,399,865.85	242,553,424.22
Less: Capitalized interest expenses	597,623.01	14,259,198.23
Foreign exchange losses (gains)	100,157,658.24	1,463,279,988.08
Others	156,036,017.73	80,072,900.33
Total	2,460,430,171.70	4,375,385,264.80

In 2019, the amount of capitalized interest expenses included in construction in process was RMB597,623.01 (2018: RMB14,259,198.23), please refer to Note.V.23 for details.

61. Other income

Unit: Yuan Currency: RMB

	2019	2018 (Restated)
Government subsidies related to daily activities	573,600,636.44	597,788,288.61

Government subsidies related to day-to-day activities as follows:

Unit: Yuan Currency: RMB

	2019	2018 (Restated)	Assets related/ Income related
Government grants for technical upgrade projects	130,283,650.24	118,979,874.50	Asset related
Others	443,316,986.20	478,808,414.11	Asset related/Income related
Total	573,600,636.44	597,788,288.61	

62. Investment income

Unit: Yuan Currency: RMB

	2019	2018 (Restated)
Gains on long-term equity investments under the equity method	1,301,126,402.04	1,355,691,799.96
Investment income arising from disposal of long-term equity investments	184,201,224.87	3,123,272.69
Investment income during the period in which the available-for-sale financial assets were held	1,093,482,672.39	-
Investment income arising from disposal of an available-for-sale financial asset	674,837,665.44	-
Investment income during the period in which the investments in other equity instruments were held	12,794,491.80	-
Investment income during the period in which the debt investments were held	27,262,506.25	-

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

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

Investment income arising from disposal of financial assets held for trading	407,127,863.80	-
Investment income arising from disposal of debt investments	56,287.56	-
Investment income arising from disposal of other debt investments	4,321,218.36	-
Gains or losses from disposal of derivative financial instruments (note)	(5,324,844.38)	528,193,122.28
Investment income during the period in which the available-for-sale financial assets were held	-	994,996,874.00
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
Stock investment income	-	11,433,691.20
Bond investment income	-	315,007,522.08
Fund investment income	-	43,312,361.27
Investment gains from other financial products	-	730,126,466.55
Others	-	1,668,594.35
Total	3,699,885,488.13	4,119,890,064.77

Note: This item mainly consists of investment gains and losses arising from a forward exchange transaction.

63. Gains from changes in fair value

	2019	2018 (Restated)
Financial assets held for trading	723,489.36	-
Other financial assets measured at fair value through profit or loss	270,987,590.51	-
Derivative financial liabilities	(14,843,402.44)	-
Financial assets at fair value through profit or loss	-	(182,204,195.36)
Financial liabilities at fair value through profit or loss	-	371,223,850.82
Total	256,867,677.43	189,019,655.46

64. Credit impairment loss (Applicable to year 2019)

	2019
Accounts receivable bad debt loss	(17,684,901.69)
Other receivables bad debt loss	(31,557,125.79)
Reversal of loan losses	6,808,692.57
Others	(17,988.87)
Total	(42,451,323.78)

65. Impairment losses of assets

	2019	2018 (Restated)
Bad debt losses (Applicable to year 2018)	-	(126,202,798.35)
Provision for decline in value of inventories/(reversal of provision)	372,197,464.84	166,874,133.53
Impairment of fixed assets	(5,729,063.59)	(233,449,908.85)
Impairment of construction in progress	-	(64,075,936.32)
Impairment of other non-current assets	(43,050,018.02)	(62,578,015.11)
Total	323,418,383.23	(319,432,525.10)

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

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

66. Assets disposal income

Unit: Yuan Currency: RMB

	2019	2018
Losses on disposal of fixed assets	(26,537,969.92)	-
Gains on disposal of intangible assets	281,844,276.91	-
Total	255,306,306.99	-

67. Non-operating income

Unit: Yuan Currency: RMB

	2019	2018 (Restated)	Amount incurred in non-recurring gains and losses in the current period
Total gains on disposal of non-current assets	152,344,050.49	209,268,308.93	152,344,050.49
Compensation income	26,895,409.79	76,087,153.01	26,895,409.79
Others	33,851,224.48	28,631,816.24	33,851,224.48
Total	213,090,684.76	313,987,278.18	213,090,684.76

68. Non-operating expenses

Unit: Yuan Currency: RMB

	2019	2018 (Restated)	Amount incurred in non-recurring gains and losses in the current period
Total losses on disposal of non-current assets	619,663,357.24	559,745,330.91	619,663,357.24
Donations to third parties	56,776,243.10	33,751,705.40	56,776,243.10
Others	57,203,673.82	85,626,887.73	57,203,673.82
Total	733,643,274.16	679,123,924.04	733,643,274.16

69. Income tax expenses

Unit: Yuan Currency: RMB

	2019	2018 (Restated)
Current tax expenses	1,743,556,835.90	4,838,031,286.59
Adjustment of income tax of prior periods	(31,247,855.64)	5,107,546.30
Deferred tax expenses	(187,275,197.70)	(302,688,814.69)
Total	1,525,033,782.56	4,540,450,018.20

The relationship between income tax expenses and the total profit is listed as follows:

Unit: Yuan Currency: RMB

	2019	2018 (Restated)
Total profit	14,994,048,279.92	27,584,734,792.83
Income tax expenses calculated at the statutory tax rate (Note)	3,748,512,069.98	6,896,183,698.21
Effect of different tax rates of subsidiaries	(245,718,950.69)	(399,839,604.71)
Adjustment of income tax of prior periods	(31,247,855.63)	5,107,546.31
Effect of costs, expenses and losses that are not deductible for tax purposes	65,806,919.48	53,982,484.68
Effect of tax-free income	(599,274,953.62)	(823,505,989.28)

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

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

Effect of unrecognized deductible losses and deductible temporary differences	(35,397,580.47)	205,793,504.69
Effect of using previously unrecognized deductible losses and deductible temporary differences	(471,121,453.48)	(652,132,426.06)
Additional tax incentives	(918,114,048.80)	(728,987,449.75)
Others	11,589,635.79	(16,151,745.89)
Tax expense at the Group's effective tax rate	1,525,033,782.56	4,540,450,018.20

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 regions and countries in which the Group operates.

70. Earnings per share

	2019 RMB/share	2018 RMB/share
Basic earnings per share		
Going concern	0.56	0.96
Diluted earnings per share		
Going concern	0.56	0.96

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 are 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 the weighted average number of ordinary shares that consider the diluted latent ordinary shares which converted into ordinary shares.

In calculating the increase of the weighted average of the number of ordinary shares when diluted potential ordinary shares 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 issue date.

The calculation of basic earnings per share and diluted earnings per share is as follows:

Unit: Yuan Currency: RMB

	2019	2018 (Restated)
Earnings		
Net profit of the current period attributable to shareholders of the Company		
Going concern	12,423,230,251.95	21,448,768,283.52
Less: Net profit of the current period attributable to the expected unlocking restricted stocks in the future	96,696,317.34	160,691,262.96
Net current profit attributable to ordinary shareholders	12,326,533,934.61	21,288,077,020.56
Shares		
Number of outstanding ordinary shares at the beginning of the year	22,101,086,925	22,089,726,225
More: Weighted average number of ordinary shares exercised in the current period	-	5,680,350
Number of outstanding ordinary shares at the end of the year	22,101,086,925	22,095,406,575

The Group does not have potential diluted ordinary shares in 2018 and in 2019.

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

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

71. Notes to items in the cash flow statement

Unit: Yuan Currency: RMB

	2019	2018 (Restated)
Other cash received relating to operating activities	1,471,732,386.17	1,550,008,081.02
Non-operating income, government grants and others		
Subtotal	1,471,732,386.17	1,550,008,081.02
Other cash paid relating to operating activities		
Net increase arising from the resale business of Financial Co. and financial assets held for trading purposes	1,789,144,008.07	-
Research and development expenses	1,436,511,163.98	1,374,064,097.56
Selling expenses	1,086,594,652.57	1,231,199,019.69
Administrative expenses	900,219,595.04	1,062,126,780.23
Others	312,077,437.93	726,435,562.41
Subtotal	5,524,546,857.59	4,393,825,459.89
Other cash received relating to investing activities		
Interest income	233,399,865.85	226,510,726.30
Others	37,583,188.52	71,012,049.46
Subtotal	270,983,054.37	297,522,775.76
Other cash paid relating to investing activities		
Cash payment for the settlement of derivative instruments	9,742,100.56	58,606,798.68
Others	360,000.00	-
Subtotal	10,102,100.56	58,606,798.68
Other cash paid relating to financing activities		
Business combinations involving entities under common control	291,952,600.00	-
Return the remainder in the cash pool to subsidiaries disposed of	229,939,366.26	-
Acquisition of minority interests in subsidiaries	16,688,700.00	6,955,800.00
Repurchase of restricted shares	12,055,585.50	-
Returns of financial leases	-	3,950,000,000.00
Repurchase of convertible bonds	-	28,743,509.10
Others	-	55,723,860.38
Subtotal	550,636,251.76	4,041,423,169.48

72. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

Reconciliation of net profit to cash flow from operating activities:

Unit: Yuan Currency: RMB

	2019	2018 (Restated)
Net profit	13,469,014,497.36	23,044,284,774.63
Add: Provision for impairment losses on assets	(280,967,059.45)	319,432,525.10
Depreciation of fixed assets and investment properties	18,504,564,837.54	18,554,328,792.94
Amortization of intangible assets	405,490,940.50	462,960,507.32
Amortization of long-term prepaid expenses	130,532,159.63	167,488,397.94
Gains from the disposal of fixed assets, intangible assets and other long-term assets	(255,306,306.99)	-
Losses from the retirement of fixed assets	467,319,306.75	350,477,021.98
Gains/losses on changes in fair value	(252,550,292.00)	(189,019,655.46)
Financial expenses	2,307,245,017.31	4,297,823,598.71
Investment income	(3,671,569,020.45)	(4,119,890,064.77)

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

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

Decrease in deferred tax assets	(223,153,260.27)	(499,716,521.22)
Increase/decrease in deferred tax liabilities	35,878,062.57	197,027,706.53
Decrease/increase in inventories	1,328,596,872.99	(1,677,654,972.46)
Decrease/increase in receivables from operating activities	(964,837,506.26)	3,898,792,107.93
Increase/decrease in payables from operating activities	(1,496,116,485.51)	761,447,556.69
Net cash flow from operating activities	29,504,141,763.72	45,567,781,775.86
Net changes in cash and cash equivalents:		
Closing balance of cash	11,965,825,339.30	15,717,806,804.83
Less: Opening balance of cash	15,717,806,804.83	16,493,446,894.56
Add: Closing balance of cash equivalents	-	500,000,000.00
Less: Opening balance of cash equivalents	500,000,000.00	3,583,919,000.00
Net decrease in cash and cash equivalents	(4,251,981,465.53)	(3,859,559,089.73)

(2) Composition of cash and cash equivalents

Unit:Yuan Currency: RMB

	2019	2018 (Restated)
Cash	11,965,825,339.30	15,717,806,804.83
Including: Cash on hand	425,301.01	759,658.49
Bank deposits on demand	11,814,719,380.87	15,555,332,844.67
Other currency funds on demand	150,680,657.42	161,714,301.67
Cash equivalents	-	500,000,000.00
Closing balance of cash and cash equivalents	11,965,825,339.30	16,217,806,804.83

Cash and cash equivalents exclude restricted cash and cash equivalents of the Company or subsidiaries within the Group.

73. Assets with restricted ownership or right of use

Unit:Yuan Currency: RMB

	2019	2018	
Currency funds	1,473,023,717.76	1,392,195,769.37	Note 1
Notes receivable and accounts receivable	-	8,453,252.58	Note 2
Fixed assets	644,440,923.68	846,345,791.90	Note 3
Intangible assets	61,770,082.63	99,058,629.46	Note 4
Total	2,179,234,724.07	2,346,053,443.31	

Note 1: As at 31 December 2019, currency funds with restricted ownership were statutory reserves deposited in the People's Bank of China by Baosteel Group Finance Co., Ltd. of RMB1,473,023,717.76 (As at 31 December 2018: RMB1,392,195,769.37).

Note 2: Details are set out in Note VIII.1.

Note 3: Details are set out in Note V.21.

Note 4: At 31 December 2019, the Company mortgaged a land use right with a carrying amount of RMB61,770,082.63 (As at 31 December 2018: RMB99,058,629.46) for the purpose of obtaining a bank borrowing.

74. Foreign currency items

Unit:Yuan Currency: RMB

	31 December 2019			31 December 2018		
	Original currency	Exchange rate	RMB equivalence	Original currency	Exchange rate	RMB equivalence
Cash						
USD	234,356,564.24	6.9762	1,634,918,263.47	428,368,837.29	6.8632	2,939,981,004.08
JPY	4,305,511,719.97	0.0641	275,983,301.25	10,066,518,472.21	0.0619	623,117,493.43
EUR	60,394,690.69	7.8155	472,014,705.11	72,668,677.31	7.8473	570,252,911.44

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

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

AUD	91,266,298.92	4.8843	445,771,983.81	162,290,672.79	4.8250	783,052,496.21
Others	-	/	112,792,063.80	-	/	99,717,807.42
Accounts receivable						
USD	114,790,663.46	6.9762	800,802,626.40	210,874,565.97	6.8632	1,447,274,321.17
JPY	3,535,161,749.43	0.0641	226,603,868.14	3,231,491,880.71	0.0619	200,029,347.42
EUR	106,668,818.71	7.8155	833,670,152.61	95,776,440.58	7.8473	751,586,462.16
WON	15,803,995,858.33	0.0060	94,823,975.15	25,934,018,224.00	0.0061	158,197,511.17
Others	-	/	105,174,146.63	-	/	80,264,882.46
Long-term borrowings						
USD	55,312,093.14	6.9762	385,868,224.18	65,067,174.92	6.8632	446,569,034.91
JPY	6,444,000.03	0.0641	412,970.19	6,442,646.69	0.0619	398,799.83
EUR	106,190,854.64	7.8155	829,934,624.44	115,554,848.27	7.8473	906,793,560.83
WON	822,493,360.00	0.0060	4,934,960.16	1,908,970,000.00	0.0061	11,644,717.00
Short-term borrowings						
USD	266,949,129.29	6.9762	1,862,290,515.78	536,292,315.07	6.8632	3,680,681,416.79
EUR	32,171,488.14	7.8155	251,436,265.56	305,713,487.34	7.8473	2,399,025,449.20
WON	13,069,333,333.33	0.0060	78,416,000.00	13,000,000,000.00	0.0061	79,300,000.00

75. 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

	2019	2018
Government grants related to assets		
Capitalized interest on a special borrowing	33,763,269.03	23,636,730.97

Refer to Note V.46 and Note V.60 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	285,870,715.53	Deferred income Financial expenses	164,046,919.27
Government grants related to income	453,686,223.64	Deferred income Other income	443,316,986.20
Total	739,556,939.17		607,363,905.47

(VI) CHANGES OF SCOPE OF CONSOLIDATION

1. Business combinations involving entities under common control

In July 2019, Shanghai Baosight Software Co., Ltd., a subsidiary of the Company, acquired a 100% equity interest of Baoxin software (Wuhan) Co., Ltd. (formerly known as Wisco Engineering & Technology Group Co., Ltd.) at a cash consideration of RMB291,952,600.00. Baoxin Software (Wuhan) Co., Ltd. is a subsidiary of Wuhan Iron & Steel (Group) Company, which has the same controlling shareholder (Baowu Group) as the Company. As both parties were under control of Baowu Group before and after the combination and such control was not a provisional one, hence this combination was the business combination involving entities under common control. The transaction has been completed in July 2019 and the right of control was transferred to Shanghai Baosight Software Co., Ltd. Hence from the combination date, the Company included Baoxin software (Wuhan) Co., Ltd. into the scope of consolidated statements, and this has been accounted for as if it had been consolidated as at the beginning of the period in accordance with the requirements regarding the business combinations involving entities under common control in the "Accounting Standard for Business Enterprises No. 20 – Business Combination".

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(VI) CHANGES OF SCOPE OF CONSOLIDATION - continued

	1 January 2019 to combination date	2018
Revenue	125,538,765.31	384,335,527.26
Net profit	(12,247,479.63)	(233,856,110.27)

Unit: Yuan Currency: RMB

The carrying amounts of Wisco Engineering & Technology Group Co., Ltd.'s assets and liabilities at the combination date and the balance sheet date of the previous accounting period are as follows:

	Combination date	31 December 2018
Assets		
Cash and bank balances	136,123,318.25	150,830,920.22
Financial assets held for trading	6,408,227.73	-
Financial assets at fair value through profit or loss	-	6,185,055.62
Notes receivable	404,846,396.96	63,897,778.81
Accounts receivable	210,070,326.16	369,251,275.16
Prepayments	23,992,000.68	20,546,463.40
Dividends receivable	38,757,534.57	50,348,947.62
Other receivables	10,382,995.61	421,936,249.05
Inventories	81,002,970.33	63,241,758.14
Other current assets	9,619,471.03	13,078,303.96
Long-term equity investments	47,274,589.05	46,618,861.48
Fixed assets	6,772,749.97	7,341,355.80
Construction in progress	1,948,213.38	1,976,322.36
Intangible assets	6,216,885.01	5,921,707.03
Deferred tax assets	2,581,123.43	2,591,458.81
Total assets	985,996,802.16	1,223,766,457.46

Unit: Yuan Currency: RMB

	Combination date	31 December 2018
Liabilities		
Short-term borrowings	60,000,000.00	130,000,000.00
Notes payable	10,961,187.22	9,751,082.07
Accounts payable	146,570,214.35	119,736,305.44
Receipts in advance	48,819,794.68	31,238,743.27
Employee benefits payable	4,043,007.38	6,574,362.16
Taxes payable	646,578.43	8,661,708.24
Other payables	398,516,102.33	581,979,687.80
Long-term employee benefits payable	4,374,653.77	4,374,653.76
Deferred income	371,836.25	371,836.25
Total liabilities	674,303,374.41	892,688,378.99
Net assets	311,693,427.75	331,078,078.47
Less: Minority interests	49,057,409.35	48,425,726.03
Special reserve	1,410,481.67	1,411,688.57
Net assets acquired	261,225,536.73	281,240,663.87

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(VI) CHANGES OF SCOPE OF CONSOLIDATION - continued

2. Disposal of subsidiaries

Disposal of major subsidiaries

Unit: Yuan Currency: RMB

	Place of registration	Nature of business	Percentage of shareholding (%)	Percentage of voting rights (%)	Reasons for no longer being a subsidiary
Baosteel Karamay Tube Co., Ltd. ("Baoma Tube")	Karamay	Manufacture	75	75	Share transfer
Shanghai Baotong Transportation Industry Co., Ltd. ("Baotong Co.")	Shanghai	Logistics	80	80	Share transfer
Foshan Baosteel Stainless Steel Trade Co., Ltd. ("Foshan Baosteel")	Foshan	Steel trading	80	80	Share transfer
Ningbo Baosteel Stainless Steel Processing Co., Ltd. ("Ningbo Baosteel")	Ningbo	Steel trading	51	51	Share transfer

The relevant financial information of Wuhan Iron and Steel Group Metal Resource Co., Ltd is listed as follows:

Unit: Yuan Currency: RMB

Name of subsidiary	Equity disposal consideration	Equity disposal proportion (%)	Time of losing control	Determination basis for point of losing control	Share of corresponding net assets of the subsidiary at consolidated level	Fair value of the 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
Baoma Tube	9,000,000.00	75	2019/11/22	Note 1	2,243,843.36	-	2,243,843.36	-
Baotong Co.	52,219,586.16	80	2019/09/30	Note 2	27,411,994.00	-	27,411,994.00	-
Foshan Baosteel	193,605,723.30	80	2019/10/31	Note 3	84,503,361.89	-	84,503,361.89	-
Ningbo Baosteel	54,032,818.63	51	2019/10/31	Note 4	19,542,917.80	-	19,542,917.80	-

Note 1: On 11 November 2019, the Company entered into agreement with Baoji Petroleum Steel Pipe Co., Ltd. to transfer a 75% equity interest of Baoma Tube at a cash consideration of RMB9,000,000.00. The date of disposal was 22 November 2019. Hence from 1 October 2019, the Group no longer included Baoma Tube into the scope of consolidated statements.

Note 2: On 30 September 2019, Shanghai Baosteel International Economic & Trading Co., Ltd., a subsidiary of the Company, entered into agreement with Shanghai Ouyee Logistics Co., Ltd. to transfer an 80% equity interest of Baotong Co. at a cash consideration of RMB52,219,586.16. The date of disposal was 30 September 2019. Hence from 1 October 2019, the Group no longer included Baotong Co. into the scope of consolidated statements.

Note 3: On 31 October 2019, Shanghai Baosteel International Economic & Trading Co., Ltd., a subsidiary of the Company, entered into agreement with Ouyee Cloud Commerce Corporation Ltd. to transfer an 80% equity interest of Foshan Baosteel at a cash consideration of RMB193,605,723.30. The date of disposal was 31 October 2019. Hence from 1 November 2019, the Group no longer included Foshan Baosteel into the scope of consolidated statements.

Note 4: On 31 October 2019, Shanghai Baosteel International Economic & Trading Co., Ltd., a subsidiary of the Company, entered into agreement with Ouyee Cloud Commerce Corporation Ltd. to transfer a 51% equity interest of Ningbo Baosteel at a cash consideration of RMB54,032,818.63. The date of disposal was 31 October 2019. Hence from 1 November 2019, the Group no longer included Ningbo Baosteel into the scope of consolidated statements.

3. Newly-established subsidiaries

Subsidiaries newly established during the year

On 13 June 2019, Shengsi Baosteel Majishan Port Shipping Co., Ltd. was established by the Company with registered capital of RMB 30 million.

(VII) EQUITY IN OTHER ENTITIES

1. Interests in subsidiaries

The principal subsidiaries of the Company are presented as follows:

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(VII) EQUITY IN OTHER ENTITIES - continued

	Place of key operation	Place of registration	Nature of business	Percentage of shareholding (%)	
				Direct	Indirect
Subsidiaries acquired through establishment or investment:					
Poly Pipe (Thailand) Co., Ltd. ("Poly Pipe")	Thailand	Thailand	Steel pipe processing	-	51
BGM Co., Ltd. ("BGM")	Korea	Gyeonggi-do	Manufacture and sale of steel products	-	50
Shanghai Baosteel Asset Management Co., Ltd. ("Baosteel Assets")	China	Shanghai	Asset management	100	-
Shengsi Baosteel Majishan Port Shipping Co., Ltd. ("Shengsi Port Shipping")	China	Zhoushan	Transportation, warehousing and postal services	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	-
Baowu Carbon Materials & Technology Co., Ltd. (Baowu Carbon Materials)	China	Shanghai	Manufacture	100	-
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	-
Baosteel Tailored Blanks International GMBH	Germany	Duisburg	Research and development, manufacture and sale of Laser Tailor-welded Plate Products	100	-

Note1: As at the 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.

Please refer to Note VI Changes of scope of consolidation for details of changes in equity of subsidiaries of the Company.

Subsidiaries with material interests of minority shareholders are as follows:

2019

Unit: Thousand yuan Currency: RMB

	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%	82,298	46,652	3,298,896
Zhanjiang Steel	10.00%	214,403	10,000	2,745,918
Finance Co., Ltd.	37.90%	104,446	49,270	912,185

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(VII) EQUITY IN OTHER ENTITIES - continued

2018

Unit: Thousand yuan Currency: RMB

	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

2019

Unit: Thousand yuan Currency: RMB

	Meishan Steel	Zhanjiang Steel	Finance Co., Ltd.
Current assets	4,904,883	9,500,460	7,939,282
Non-current assets	21,221,493	49,435,900	11,720,393
Total assets	26,126,376	58,936,360	19,659,675
Current liabilities	11,438,051	31,981,925	17,244,937
Non-current liabilities	320,313	544,917	7,918
Total liabilities	11,758,364	32,526,842	17,252,855
Operating income	28,724,635	37,584,228	653,895
Net profits	358,442	2,097,175	275,584
Total comprehensive income	358,442	2,097,175	282,086
Net cash flow from operating activities	3,497,227	7,746,417	(436,528)

2018

Unit: Thousand yuan Currency: RMB

	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
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)

There are no significant restrictions for the above subsidiaries in utilizing the Group's assets and settling the Group's debts.

2. Interests in jointly-controlled entities (" JCEs ") and associates

Significant JCEs and associates

The investees holding long-term equity investments over RMB0.6 billion as at 31 December 2019 are considered to be as significant JCEs and associates.

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(VII) EQUITY IN OTHER ENTITIES - continued

	Place of operation	Place of registration	Nature of business	Percentage of shareholding (%)		Accounting treatment
				Direct	Indirect	
I. JCEs						
Baosteel-Nippon Steel Automotive Steel Sheets Co., Ltd. ("BNA")	China	Shanghai	Manufacturing	50	-	Equity method
Bao-Island Enterprise Ltd. ("Baojin Enterprise")	China	HKSAR	Ship chartering	50	-	Equity method
Guangzhou JFE Steel Sheet Co., Ltd. ("Guangzhou JFE")	China	Guangzhou city	Steel manufacturing	-	50	Equity method
II. Associates						
Henan Pingbao Coal Industry Co., Ltd. ("Henan Pingbao")	China	Xuchang	Extractive industries	-	40	Equity method
Wuhan Iron & Steel Group Finance Corporation Limited ("Wuhan Iron & Steel Finance")	Wuhan	Wuhan	Finance	-	49.50	Equity method
China Pingmei Shenma Energy and Chemical Group Co., Ltd. ("Pingmei Shenma") (Note)	Pingdingshan	Pingdingshan	Coal mining and selling	-	11.62	Equity method
TWB Company ("TWB")	United States	United States	Auto parts and accessories manufacturing	-	45	Equity method
Ouyeel Co., Ltd. ("Ouyeel")	China	Shanghai	E-commerce	5.17	25.25	Equity method
Shanghai Rural Commercial Bank Co., Ltd. ("Rural Commercial Bank") (Note)	China	Shanghai	Finance	9.22	-	Equity method

Note: The Company owns a 11.62% equity interest in Pingmei Shenma and appoints a director; so the Company has a significant impact on Pingmei Shenma even it has less than 20% of the shares; the Company owns 9.22% of the shares of Rural Commercial Bank and appoints a director; so the Company has a significant impact on Rural Commercial Bank even it has less than 20% of the shares.

Significant JCEs and associates

Unit: Yuan Currency: RMB

	Closing balance / Amount for the current year			Opening balance / Amount for prior year		
	BNA	Baojin Enterprise	Guangzhou JFE	BNA	Baojin Enterprise	Guangzhou JFE
Current assets	4,231,584	345,078	2,852,360	3,966,044	245,016	2,496,977
Including: Cash and cash equivalents	1,871,564	257,499	942,189	1,177,686	159,816	790,176
Non-current assets	1,485,671	1,868,993	2,986,965	1,664,904	1,610,464	3,236,167
Total assets	5,717,255	2,214,071	5,839,325	5,630,948	1,855,480	5,733,144
Current liabilities	1,032,411	363,083	1,926,378	1,215,780	239,656	1,820,224
Non-current liabilities	28,681	488,529	111,495	17,250	309,860	161,695
Total liabilities	1,061,092	851,612	2,037,873	1,233,030	549,516	1,981,919
Minority interests	-	-	-	-	-	-
Shareholders' equity attributable	4,656,163	1,362,459	3,801,452	4,397,918	1,305,964	3,751,225
Share of net assets according to proportion of shareholding of shareholding	2,328,082	681,229	1,900,726	2,198,959	652,982	1,875,612
Adjustments	-	-	161,340	-	-	189,853
Carrying amount of equity investments	2,328,082	681,229	2,062,066	2,198,959	652,982	2,065,465
Operating income	12,312,084	681,547	6,942,057	13,921,589	638,339	7,954,040
Financial expenses	(18,953)	29,126	24,781	(30,078)	5,758	55,876
Income tax expenses	81,107	1,786	66,762	161,144	1,270	49,625
Net profits	243,798	62,897	385,442	489,048	53,753	593,549
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	243,798	62,897	385,442	489,048	53,753	593,549
Dividends received	-	14,087	163,777	-	-	-

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(VII) EQUITY IN OTHER ENTITIES - continued

	Closing balance / Amount for the current year					
	Henan Pingbao	Wuhan Iron & Steel Finance	Pingmei Shenma	TWB	Ouyeeel Cloud Commerce	Rural Commercial Bank
Current assets	190,385	19,405,631	97,299,883	921,693	23,195,796	864,150,011
Non-current assets	2,348,504	3,897,191	100,092,049	505,122	632,153	32,973,803
Total assets	2,538,889	23,302,822	197,391,932	1,426,815	23,827,949	897,123,814
Current liabilities	276,127	21,660,766	123,909,664	549,289	18,850,784	814,113,050
Non-current liabilities	52,702	-	41,431,473	(228,525)	22,195	12,817,590
Total liabilities	328,829	21,660,766	165,341,137	320,764	18,872,979	826,930,640
Minority interests	-	-	22,624,218	-	1,239,563	-
Shareholders' equity attributable to shareholders of the Company	2,210,060	1,642,056	9,426,577	1,106,051	3,715,407	70,193,174
Share of net assets according to proportion of shareholding	884,024	812,818	1,095,368	497,723	1,130,227	6,469,417
Adjustments	-	2,759	133,696	334,572	674,437	(617,280)
Carrying amount of equity investments	884,024	815,577	1,229,064	832,295	1,804,664	5,852,137
Operating income	1,470,004	376,669	138,877,795	3,205,158	52,425,151	20,023,991
Net profits	231,458	616,362	358,699	197,113	31,524	8,311,259
Other comprehensive income	-	(5,191)	1,439	-	23,086	-
Total comprehensive income	231,458	611,171	360,138	197,113	54,610	8,311,259
Dividends received	14,400	176,256	-	40,076	-	148,000

Summarized financial information of insignificant JCEs and associate

JCEs
Total carrying amount of investments
The following items are calculated according to proportion of shareholding
Net profits
Other comprehensive income
Total comprehensive income
Associates:
Total carrying amount of investments
The following items are calculated according to portion of shareholding
Net profits
Other comprehensive income
Total comprehensive income

Unit:Yuan Currency: RMB

Opening balance / Amount for the prior year						
Henan Pingbao	Wuhan Iron & Steel Finance	Pingmei Shenma	TWB	Ouyeeel Cloud Commerce	Rural Commercial Bank	
190,241	29,108,386	85,691,800	703,560	11,958,239	781,217,821	
2,160,922	7,079,158	92,966,200	492,457	426,327	36,983,051	
2,351,163	36,187,544	178,658,000	1,196,017	12,384,566	818,200,872	
292,118	30,288,498	108,283,780	424,402	9,209,085	742,537,858	
49,746	-	37,338,990	(111,180)	328,467	12,385,406	
341,864	30,288,498	145,622,770	313,222	9,537,552	754,923,264	
-	-	21,835,910	-	1,148,102	-	
2,009,299	5,899,046	11,199,320	882,795	1,698,912	63,277,608	
803,719	1,690,077	1,301,361	397,258	623,841	5,832,038	
-	7,733	61,688	371,186	675,200	(617,280)	
803,719	1,697,810	1,363,049	768,444	1,299,041	5,214,758	
1,349,122	576,170	102,800,490	2,859,317	18,437,895	19,052,896	
277,619	511,439	372,940	162,981	(116,693)	7,482,979	
-	(5,045)	-	-	(25,920)	-	
277,619	506,394	372,940	162,981	(142,613)	7,482,979	
28,000	-	-	58,444	-	128,000	

Unit:Thousand yuan Currency: RMB

2019	2018 (Restated)
964,829	1,086,621
(141,146)	(119,182)
-	-
(141,146)	(119,182)
1,930,730	1,872,891
120,930	87,728
4,827	(5,657)
125,757	82,071

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(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 the 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 2019, the Group had no accounts receivable transferred but not settled under these arrangements, nor assets and liabilities recognized due to continuing involvement (As at December 31 2018, the original book value of accounts receivable transferred but not settled by the Group under these arrangements was RMB8,050,716.74. The book value of the assets of continuing involvement recognized by the Group was RMB8,050,716.74, and that of the related liabilities was RMB8,453,252.58. The above-mentioned assets and liabilities were accounted for 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 2019, the book value of bank acceptance bills which the Group endorsed to suppliers for settlement of accounts payable was RMB26,041,271,946.89 (As at 31 December 2018: RMB23,687,298,977.86), and that of commercial acceptance bills was RMB51,179,039.49 (As at 31 December 2018: RMB13,743,298.90). The book value of bank acceptance bills discounted to banks was RMB3,888,812,950.77 (As at 31 December 2018: RMB210,050,951.32), and that of commercial acceptance bills was RMB153,824,038.55 (As at 31 December 2018: RMB157,889,900.00). As at 31 December 2019, 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 2019, 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

In its day-to-day activities, the Group is exposed to financial instruments risks, primarily including credit risk, liquidity risk and market risk (including exchange rate risk, interest rate risk and price risk). The Group's major financial instruments include cash and bank balances, financial assets held for trading, derivative financial assets, notes receivable, accounts receivable, receivables financing, other receivables, financial assets purchased under resell agreements, wealth management products of other current assets, notes receivable discounted and loans and advances to customers of other current assets, loans and advances to customers, debt investments, other debt investments, long-term receivables, investment in other equity instruments, other non-current financial assets, short-term borrowings, loans from the central bank, customer deposits and deposits from banks and other financial institutions, derivative financial liabilities, notes payable, accounts payable, financial assets sold under repurchase agreements, 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 change in isolation.

Risk management objectives and policies

The Group's risk management objectives are to achieve a 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 risks of the Group mainly result from all types of receivables, 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

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(VIII) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

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.

Since the counterparties for cash and bank balances, bank acceptance bills receivable, derivative financial instruments and debt investments are reputable banks with high credit ratings, the credit risk of those financial instruments is lower.

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 contractors whose resources are 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 mainly limited to the members of Baowu Group with good credit assessments. The credit risk is controlled within an appropriate level.

The Group's credit risk of other financial assets and liabilities result from the default of the counterparties. When there is no collateral or other credit enhancements, 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 2019, 15% of the receivables were due from the five largest debtors (As at 31 December 2018: 17%), and the Group was not found to be exposed to significantly intensive credit risks.

2019

Criteria for judging significant increases in credit risk

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each balance sheet date. While determining whether the credit risk has significantly increased since initial recognition or not, the Group takes into account the reasonable and substantiated information that is accessible without exerting unnecessary cost or effort, including qualitative and quantitative analysis based on the historical data of the Group, external credit risk rating, and forward-looking information. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments on the balance sheet date with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments.

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative or qualitative criteria have been met:

- (1) Quantitative criteria: At the reporting date, the remaining lifetime probability of default has increased by a certain proportion, comparing with the one at initial recognition;
- (2) Qualitative criteria: Significant adverse change in debtor's operation or financial status, or be listed on the alert customer list.

Definition of credit-impaired asset

The standard adopted by the Group to determine whether a credit impairment occurs is consistent with the internal credit risk management objectives of the relevant financial instrument, taking into account quantitative and qualitative criteria. When the Group assesses whether the credit impairment of debtor occurred, the following factors are mainly considered:

- (1) Significant financial difficulty of the issuer or the debtor;
- (2) Debtors are in breach of contract, such as defaulting on interest or becoming overdue on interest or principal payments overdue;
- (3) The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;
- (4) It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- (5) The disappearance of an active market for that financial asset because of financial difficulties;
- (6) The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The credit impairment of a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single event.

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(VIII) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

Parameters of ECL measurement

According to whether there is a significant increase in credit risk and whether there is an impairment of assets, the Group measures the impairment loss for different assets with ECLs of 12 months or the entire lifetime. The key measuring parameters of ECLs include the probability of default (PD), loss given default (LGD) and exposure at default (EAD). The Group takes into account the quantitative analysis of historical statistics (such as ratings of counterparties, manners of guarantees and types of collateral, repayments, etc.) and forward-looking information in order to establish the model of PD, LGD and EAD.

Relevant definitions are listed as follows:

- PD refers to the possibility that the debtor will not be able to fulfil its obligations of repayment over the next 12 months or throughout the entire remaining lifetime. The Group's PD is adjusted based on the results of the migration ratio model, taking into account the forward-looking information and deducting the prudential adjustment to reflect the debtor's point-in-time (PIT) PD under the current macroeconomic environment;
- LGD refers to the Group's expectation of the extent of the loss resulting from the default exposure. Depending on the type of counterparty, the method and priority of the recourse, and the type of collateral, the LGD varies. The LGD is the percentage of loss of risk exposure at the time of default, calculated over the next 12 months or over the entire remaining lifetime;
- EAD is the amount that the Group should be reimbursed at the time of the default in the next 12 months or throughout the entire remaining lifetime.

The assessment of a significant increase in credit risk and the calculation of ECLs both involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECLs of various business types.

The impact of these economic indicators on the PD and the LGD varies according to different types of business. The Group applied experts' judgement in this process, according to the result of experts' judgement, the Group predicts these economic indicators on a yearly basis and determines the impact of these economic indicators on the PD and the LGD by conducting analysis.

Exposure to credit risk

The credit risk rating of the Group's financial assets has not changed from the previous year. Quantitative data in respect of the Group's exposure to credit risk arising from accounts receivable and other receivables are disclosed in Note V.6 and 8.

The carrying amount of financial assets disclosed according to credit risk rating is as follows:

Unit: Yuan Currency: RMB

	Expected credit losses estimated based on 12 months Carrying amount (Without security)	Expected credit losses estimated based on lifetime Carrying amount (Without security)
Notes receivable	629,930,713.91	-
Receivables financing	28,111,808,688.91	-
Financial assets purchased under resale agreements	2,988,600,000.00	-
Other current assets - loans and advances to customers (within 1 year)	766,296,536.79	-
Loans and advances to customers	196,650,000.00	-
Debt investments	763,000,000.00	-
Other debt investments	-	50,240,011.70
Long-term receivables	264,560,984.15	-
Total	33,720,846,923.76	50,240,011.70

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

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(VIII) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

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 RMB 2,022 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 2019, the Group has obtained unutilized bank loan facilities of approximately RMB170.511 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 a large deficit of expenses and receipts in US dollars. 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 the US dollar and evaluates the exchange rate risk related to liabilities in US dollars. In view of the market environment of more bilateral fluctuations in the exchange rate of RMB against the US dollars, the Group conducts financing activities in US dollars 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 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 terms of borrowings in US dollars, 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 caused by changes in interest rates are mainly related to bond investments held for trading and debt investments in other non-current financial assets.

Interest rate risk of the financial instruments of the Group presented in terms of dates to maturity and actual interest rates:

			Unit: Yuan Currency: RMB	
	31 December 2019 Other non-current financial assets	31 December 2018 Available-for-sale financial assets		
More than 1 year	2,290,513,186.50	2,207,841,843.70		
Effective interest rate (per annum)	2.50%-2.65%	2.50%-4.99%		

Unit: Yuan Currency: RMB						
	31 December 2019			31 December 2018		
	Financial assets purchased under resale agreements	Loans granted	Long-term receivables	Financial assets purchased under resale agreements	Loans granted	Long-term receivables
Within 1 year	2,988,600,000.00	6,169,992,958.57	-	500,000,000.00	5,403,052,569.00	-
More than 1 year	-	196,650,000.00	264,560,984.15	-	197,150,000.00	302,259,703.90
Total	2,988,600,000.00	6,366,642,958.57	264,560,984.15	500,000,000.00	5,600,202,569.00	302,259,703.90
Effective interest rate (per annum)	1.72%-3.00%	3.915%-4.75%	1.625%	2.5%-2.58%	3.915%-9.0%	1.625%

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(VIII) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

Unit:Yuan Currency: RMB

31 December 2019							
	Short term financing bonds	Loans	Taking from banks and other financial institutions	Customer deposits	Bonds payable	Financial assets sold under repurchase agreements	Long-term payables
Within 1 year	34,155,464,931.52	13,322,683,425.49	422,060,100.00	8,698,882,242.61	3,368,477,260.25	226,463,442.64	20,000,000.00
More than 1 year	-	2,007,531,180.81	-	45,014,701.56	9,000,000,000.00	-	698,789,737.09
Total	34,155,464,931.52	15,330,214,606.30	422,060,100.00	8,743,896,944.17	12,368,477,260.25	226,463,442.64	718,789,737.09
Effective interest rate (per annum)	1.94%-3.25%	0%-5.23%	2.52%-2.70%	1.62%-3.40%	3.14%-3.7%	2.259%-2.263%	0-3.89%

Unit:Yuan Currency: RMB

31 December 2018 (Restated)							
	Short term financing bonds	Loans	Taking from banks and other financial institutions	Customer deposits	Bonds payable	Financial assets sold under repurchase agreements	Long-term payables
Within 1 year	6,025,500,000.00	38,596,389,445.02	-	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	44,206,620,616.30	-	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%

As at 31 December 2019, the interest rate risk exposure of the Company's subsidiary, Finance Co., Ltd, was RMB2.275 billion, because the fluctuation of market interest rate had no significant impact on the Group's pre-tax profit and equity.

As at 31 December 2019, the Group's financial liabilities at floating interest rates, excluding its subsidiary, Finance Co., Ltd, amounted to RMB3.801 billion. The fluctuation of market interest rates had no significant impact on the Group's pre-tax profits and equities.

Other price risk

Equity price risk

Equity price risk refers to potential loss in the fair value of equity securities resulting from adverse changes in a particular stock or stock index. As at 31 December 2019, the Group was exposed to equity price risks from individual equity investments, which are classified to investment in other equity instruments and other non-current financial assets. The investments of the Group traded on the Shanghai Stock Exchange and the Shenzhen Stock Exchange, are measured on the 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:

Unit:Thousand yuan Currency: RMB

	31.December 2019	Highest/Lowest in 2019	31.December 2018	Highest/Lowest in 2018
Shanghai – A-share index of Shanghai Stock Exchange	3,050	3,288/2,441	2,494	3,559/2,486
Shenzhen – A-share index of Shenzhen Stock Exchange	10,431	10,541/7,011	7,240	11,608/7,187
Hong Kong – A-share index of Hong Kong Stock Exchange	28,190	30,280/24,897	25,846	33,154/24,586

The following table demonstrates the sensitivity of the Group's profit before tax and other comprehensive income before tax to every 5% change in the fair values of the listed equity investments, with all other variables held constant (based on their carrying amounts at the balance sheet date).

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(VIII) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

Unit: Thousand yuan Currency: RMB

2019	Book value of equity investments	Increase/decrease of pre-tax profit	Increase/decrease of other comprehensive income
Equity investments			
Shanghai—Equity investments measured at fair value through profit or loss	204,984	10,249	-
—Equity investments measured at fair value through OCI	300,803	-	15,040
Shenzhen—Equity investments measured at fair value through OCI	261,495	-	13,075
Hongkong—Equity investments measured at fair value through OCI	116,335	-	5,817
Shanghai—Financial assets held for trading	7,467	373	-
Shenzhen—Financial assets held for trading	8	-	-
Unlisted equity investments measured at fair value			
—Equity investments measured at fair value through profit or loss	9,267,744	463,387	-

Unit: Thousand yuan Currency: RMB

2018	Book value of equity investments	Increase/decrease of pre-tax profit	Increase/decrease of other comprehensive income
Investments on following stock exchanges:			
Shanghai - Available-for-sale investments	197,824	-	9,891
Shenzhen - Available-for-sale investments	234,194	-	11,710
Hong Kong - Available-for-sale investments	136,349	-	6,817

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 the asset ratio. This ratio is calculated by dividing total liabilities by total assets.

In 2019 and 2018, the liability to asset ratio of the Group is as follows:

	2019(%)	2018(%) (Restated)
Liability to asset ratio	43.70	43.55

(IX) FAIR VALUE DISCLOSURE

1. 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.

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 are determined in accordance with

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(IX) FAIR VALUE DISCLOSURE - continued

generally accepted pricing models based on a discounted cash flow analysis or using prices from observable current market transactions.

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 significance of the inputs to the fair value measurements in its entirety.

2019

Unit: Yuan Currency: RMB

Item	Inputs used in the measurement of fair value			Total
	Quoted prices in active markets (Level 1)	Key observable inputs (Level 2)	Key unobservable inputs (Level 3)	
I. Continuously measured at fair value				
(I) Transactional financial assets	139,505,015.42	692,359,300.00	-	831,864,315.42
(1) Investment in debt instruments	-	692,359,300.00	-	692,359,300.00
(2) Investment in equity instruments	139,505,015.42	-	-	139,505,015.42
(II) Derivative financial assets	-	48,511,992.07	-	48,511,992.07
(III) Receivables financing	-	28,111,808,688.91	-	28,111,808,688.91
(IV) Other current assets	-	5,403,696,421.78	14,842,836,750.60	20,246,533,172.38
(1) Wealth management products	-	-	14,842,836,750.60	14,842,836,750.60
(2) Notes receivable discounted	-	5,403,696,421.78	-	5,403,696,421.78
(V) Investment in other equity instruments	678,633,155.33	-	-	678,633,155.33
(1) Investment in equity instrument	377,829,739.93	-	-	377,829,739.93
(2) Others	300,803,415.40	-	-	300,803,415.40
(VI) Other non-current financial assets	2,495,496,880.33	-	9,267,744,226.30	11,763,241,106.63
(VII) Derivative financial liabilities	-	(11,873,198.14)	-	(11,873,198.14)
Total	3,313,635,051.08	34,244,503,204.62	24,110,580,976.90	61,668,719,232.60
II. Non-continuously measured at fair value				
	-	-	-	-

2018

Unit: Yuan Currency: RMB

Item	Inputs used in the measurement of fair value			Total
	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	1,971,132,252.74	60,127,656.74	4,633,159,726.02	6,664,419,635.50
1. Transactional financial assets	1,971,132,252.74	60,127,656.74	4,633,159,726.02	6,664,419,635.50
(1) Investment in debt instruments	877,459,868.00	-	-	877,459,868.00
(2) Investment in equity instruments	1,093,672,384.74	-	-	1,093,672,384.74
(3) Derivative financial assets	-	60,127,656.74	-	60,127,656.74
(II) Other current assets				
(1) Wealth management products	-	-	4,633,159,726.02	4,633,159,726.02
(III) 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
(IV) 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	4,970,504,476.77	59,498,015.05	4,633,159,726.02	9,663,162,217.84
II. Non-continuously measured at fair value				
	-	-	-	

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(IX) FAIR VALUE DISCLOSURE - continued

2. Assets and liabilities disclosed at fair value

Management has assessed cash and bank balances, notes receivable, accounts receivable, other receivables, redemptory monetary capital for sale, loans and advances in other current assets, loans and advances, debt investments, long-term receivables, short-term loans, loans to the Central Bank and absorption deposits and interbank deposits, loans from other banks, notes payable, 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, long-term accounts payable (excluding special accounts payable), etc. The remaining period is not long, there is little difference between the real interest rate and the market interest rate, so the fair values of the above-mentioned assets and liabilities are similar to the book values.

3. Estimation of fair value

In the fair transaction, the fair value of financial assets and financial liabilities shall be determined by the amount of asset exchange or debt repayment conducted voluntarily by the transaction parties who are familiar with the situation, rather than the amount in the case of forced sale or liquidation. The following methods and assumptions are used to estimate the fair value.

Fair values of wealth management products, long-term receivables, debt investments, long-term and short-term loans, bonds payable, long-term payables, etc. are determined using discounted cash flows at rates equal to market yield of other financial instruments with similar contract terms, credit risks and remaining term. As at 31 December 2019, non-performance risks underlying long-term borrowings were considered to be as insignificant.

The fair values of listed equity instruments are determined according to quote prices on the market. The fair values of investments in non-listed equity instruments are estimated using the valuation model of market comparison approach, and the assumptions adopted are not supported by observable market price or interest rate. The Group needs to estimate unobservable market parameters such as liquidity discount. The Group believes that the fair value and its changes estimated using valuation techniques are reasonable and the most appropriate value as of the balance sheet date. If the recent information used to determine fair values is insufficient, or the possible estimated amounts of fair values are widely distributed, and the cost represents the best estimate of fair values within the range, the cost can represent the appropriate estimate of fair values within the range.

4. Unobservable inputs

The key unobservable inputs of Level 3 of the measurements of fair value are summarized as follows:

Unit: Thousand yuan Currency: RMB

	Closing fair value RMB' million	Valuation technique	Unobservable inputs	Unobservable input data Relation with fair values
Other current assets				
Wealth management products	2019: 14,843 2018: 4,633	Discounted cash flows approach	Market yield of similar financial instruments in the private markets	Higher market yield of similar financial instruments in the private markets Lower fair value
Other non-current financial assets	2019: 9,268	Market comparison approach	Liquidity discount	Higher liquidity discount Lower fair 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	Shanghai	Iron and steel manufacturing and processing	52,791,101	64.12	64.12

The ultimate holding party of the Company is the State-owned Assets Supervision and Administration Commission of the State Council.

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

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. The following presents the associates and joint ventures who had related party transactions with the Group in the current or prior period.

	Relationship between other related parties and the Company
Baosteel-Nippon Steel Automotive Steel Sheets Co., Ltd. ("BNA")	Joint venture
Bao-Island Enterprise Limited ("Bao-Island")	Joint venture
Beijing QKCT Information Technology Co., Ltd. ("Beijing Qingke")	Associate
Changshu Baosheng Jingchong Material Co., Ltd. ("Changshu Baosheng")	Joint venture
Guangzhou JFE Steel Sheet Company Ltd. ("Guangzhou JFE")	Associate
Guangzhou Automobile Baoshang Steel Processing Co., Ltd. ("Guangzhou Automobile Baoshang")	Associate
Hangzhou Baowei Auto Parts Co., Ltd. ("Hangzhou Baowei")	Joint venture
Henan Pingbao Coal Industry Co., Ltd ("Henan Pingbao")	Associate
Nanjing Tiemei Transportation Trade Co., Ltd. ("Nanjing Tiemei")	Associate
Shandong Baohua Abrasion Resistant Steel Co., Ltd. ("Shandong Baohua")	Associate
Shanghai Baosteel & Arcelor Tailor Weld Co., Ltd. ("Weld Company")	Associate
Shanghai Baoneng Information Technology Co., Ltd. ("Shanghai Baoneng")	Associate
Shanghai Firsttech Co., Ltd. ("Renwei Software")	Associate
Sichuan Daxing Baohua Chemical Co., Ltd. ("Sichuan Daxing")	Associate
Taichang Wugang Dock Co., Ltd. ("Taichang Wugang")	Associate
General Electric Wuhan Automation Co., Ltd. ("General Electric")	Joint venture
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
Wuhan Iron and steel Petrochemical Industry Gas Co., Ltd	Joint venture
Wuhan Pingmei Wugang Joint Coking Co., Ltd. ("Pingmei Coking")	Joint venture
Wuhan Wugang Dansk Technology Magnetic Material Co., Ltd. ("Dansk Magnetic Material ")	Associate
MIBao Metal Processing Zhengzhou CO., LTD. ("Zhengzhou MIBao")	Associate
Shanghai Baochixin Pharmaceutical Polytron Technologies Inc ("Baochixin")	Associate

4. Other related parties of the Group

	Relationship between other related parties and the Company
Baosteel Australia Mining Co., Ltd ("Baoao Mining")	Fellow subsidiary
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 No.1 Iron & Steel Co., Ltd. and its subsidiaries ("No. 1 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

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

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
Baosteel Group Guangdong Shaoguan Iron & Steel Group Co., Ltd. and its subsidiaries ("Shaoguan Steel 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
Baowu Aluminum Technology Co., Ltd. ("Baowu Aluminum")	Fellow subsidiary
Baowu Water Technology Co., Ltd ("Baowu Water")	Fellow subsidiary
Beijing Huili Property Development Co., Ltd. ("Beijing Huili") (Note)	Fellow subsidiary
Hwabao Investment Co., Ltd. ("Hwabao Investment")	Fellow subsidiary
Hwabao Trust Co., Ltd. ("Hwabao Trust")	Fellow subsidiary
Hwabao Investment Co., Ltd. ("Hwabao Investment")	Fellow subsidiary
Masteel (Group) Holdings Limited and its subsidiaries ("Masteel Group and its subsidiaries")	Fellow subsidiary
Ningbo Baoxin Stainless Steel Co., Ltd. and its subsidiaries ("Ningbo Baoxin and its subsidiaries")	Fellow subsidiary
Ouyeel Co., Ltd. and its subsidiaries ("Ouyeel 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 Baosteel Xinyue Human Resources Service Co., Ltd ("Baosteel Xinyue")	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
Wisco-Nippon Steel Tinplate Co., Ltd. ("Wisco-Nippon Steel")	Key management person as director

Note: Baosteel Stainless Steel Co., Ltd. was liquidated in 2019. Beijing Huili Real Estate Development Co., Ltd. became a subsidiary of Shanghai Baodi Real Estate Asset Management Co., Ltd. in 2019.

5. Major transactions between the Company and its related parties

(1) Goods and services

Sales of goods to related parties

Unit: Thousand yuan Currency: RMB

	2019	2018 (Restated)
Ouyeel Co., Ltd. and its subsidiaries	20,986,021	16,494,497
BNA	9,730,812	11,248,901
Baosteel Resources (International)	5,399,266	3,498,752
Wisco-Nippon Steel	2,958,178	2,858,217
Baosteel Resource and its subsidiaries	2,792,611	1,094,665
Baowu Environmental Technology and its subsidiaries	2,558,683	1,257,287
Baosteel Special Steel and its subsidiaries	2,329,186	2,513,904
Pingmei Coking	1,832,151	1,452,224
Baosteel Metals and its subsidiaries	1,610,139	1,496,668
Wuhan Iron & Steel Group and its subsidiaries	1,410,121	2,198,420
Meishan Steel and its subsidiaries	832,085	1,145,344
Guangzhou JFE	354,992	887,929
Weld Company	347,669	435,993
Baosteel Development and its subsidiaries	270,835	380,810

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

Engineering & Technology Co. and its subsidiaries	212,654	328,085
Zhengzhou MIBao	171,613	256,940
Hangzhou Baowei	167,425	277,300
Wuhan Baozhang	111,159	-
Changshu Baosheng	95,611	26,508
Wuxi Baojing	63,459	77,411
Masteel Group and its subsidiaries	58,877	-
Wuxi Summit-Bao	56,316	65,806
Ningbo Baoxin and its subsidiaries	56,001	72,502
Shaoguan Steel and its subsidiaries	52,602	23,534
Xinjiang Bayi and its subsidiaries	24,780	26,802
Baowu Group	2,979	15,876
Shanghai Stainless	-	50,300
Others	4,547	12,328
Total	54,490,772	48,197,003

Purchases of goods from related parties

Unit: Thousand yuan Currency: RMB

	2019	2018 (Restated)
Pingmei Coking	12,587,300	12,001,748
BNA	12,109,112	13,904,322
Baosteel Resource and its subsidiaries	8,445,057	8,252,224
Wuhan Iron & Steel Group and its subsidiaries	6,003,672	6,030,900
Ningbo Baoxin and its subsidiaries	5,953,397	6,492,447
Baosteel Special Steel and its subsidiaries	4,137,536	5,758,977
Shaoguan Steel and its subsidiaries	3,057,520	2,631,711
Baosteel Desheng	2,879,914	1,819,042
Xinjiang Bayi and its subsidiaries	1,986,822	1,521,886
Ouyeel Cloud Commerce and its subsidiaries	1,661,752	2,090,116
Baosteel Resources (International)	1,357,986	1,128,161
Engineering & Technology Co. and its subsidiaries	1,058,652	1,278,943
Guangzhou JFE	1,009,792	1,229,302
Wisco-Nippon Steel	903,558	3,318,672
Meishan Steel and its subsidiaries	740,586	495,953
Baosteel Development and its subsidiaries	720,782	1,017,638
Baowu Environmental Technology and its subsidiaries	464,158	210,101
Taichang Wugang	87,716	77,550
Shanghai Stainless	29,949	1,883,485
Sichuan Daxing	20,994	20,196
Shanghai Baoneng	20,012	25,016
Baowu Group	3,609	8,313
Others	55,142	93,832
Total	65,295,018	71,290,535

Rendering services to related parties

Unit: Thousand yuan Currency: RMB

	2019	2018 (Restated)
Wuhan Iron & Steel Group and its subsidiaries	289,014	122,797
BNA	271,986	281,478

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

Shaoguan Steel and its subsidiaries	126,328	29,166
Pingmei Coking	100,110	117,784
Baosteel Desheng	95,186	68,913
Baosteel Special Steel and its subsidiaries	90,498	75,048
Baosteel Resource and its subsidiaries	70,039	67,767
Ouyeel Cloud Commerce and its subsidiaries	66,068	43,561
Xinjiang Bayi and its subsidiaries	64,474	40,364
Baowu Environmental Technology and its subsidiaries	63,645	44,366
Baowu Group	57,246	48,213
Engineering & Technology Co. and its subsidiaries	41,381	31,079
Ningbo Baoxin and its subsidiaries	40,541	15,278
Hwabao Investment	40,022	48,573
Guangzhou JFE	36,045	39,422
Meishan Steel and its subsidiaries	25,234	82,880
Hwabao Trust	24,819	20,350
Baosteel Resources (International)	19,974	40,293
Baosteel Metals and its subsidiaries	18,946	20,214
Guangzhou Automobile Baoshang	9,473	19,515
Masteel Group and its subsidiaries	9,024	-
Baosteel Development and its subsidiaries	8,331	5,375
Shanghai Stainless	6,082	24,062
Wisco-Nippon Steel	5,689	952
Baohua Tendering	5,471	3,505
Zhengzhou MIBao	5,427	3,074
Nanjing Tiemei	5,202	5,453
Baodi Real Estate	3,392	7,222
Others	6,742	9,745
Total	1,606,389	1,316,449

Receiving services from related parties

Unit: Thousand yuan Currency: RMB

	2019	2018 (Restated)
Engineering & Technology Co. and its subsidiaries	2,122,638	2,325,621
Baosteel Resource and its subsidiaries	820,369	769,637
Wuhan Iron & Steel Group and its subsidiaries	768,960	875,996
Baosteel Development and its subsidiaries	762,949	997,057
Meishan Steel and its subsidiaries	620,381	1,118,307
Baowu Environmental Technology and its subsidiaries	503,162	278,741
Ouyeel Cloud Commerce and its subsidiaries	346,916	214,452
Baojin Enterprise	205,443	458,715
BNA	204,859	196,436
Renwei Software	98,294	86,475
Baosteel Resources (International)	94,706	154,236
Baowu Group	88,771	93,725
Wuhan Baozhang	18,076	20,431
Baosteel Special Steel and its subsidiaries	15,988	18,145
Nanjing Tiemei	9,128	3,596
Baosteel Metals and its subsidiaries	3,727	20,661
General Electric	2,986	41,864

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

Changshu Baosheng	2,940	4,681
Baoshan Hotel	1,516	9,114
Baohua Tendering	7,197	3,567
Wuxi Baojing	5,967	1,292
Baodi Real Estate	4,005	1,019
Masteel Group and its subsidiaries	3,596	-
Guangzhou Automobile Baoshang	3,089	2,491
Others	17,183	14,984
Total	6,732,846	7,711,243

(2) Entrusted management of related parties

Detailed entrusted management of related parties:

2019

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	1,563,055	2,171,055	84,156
Baoshan Iron & Steel Co.	Hwabao Investment	Funds and trust financial products	300,000	-	-

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	-	-

Detailed entrusted management of the Group:

2019

Unit: Thousand yuan Currency: RMB

Entrustor	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	2,447

2018

Unit: Thousand yuan Currency: RMB

Entrustor	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	1,417

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

(3) Guarantees with related parties

The Company as a guaranteed party:

2019

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	162,548	2004/11/10	2024/11/10	No

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

(4) Other related party transactions

Unit: Thousand yuan Currency: RMB

	Notes	2019	2018 (Restated)
Rental expenses of land, property and automobile	1	289,014	122,797
Rental income of property land, automobile and equipment	1	123,910	88,444
Financial service and interest income	2	56,305	43,403
Financial service and interest expenses	3	120,549	148,410
Sale of an investment property		-	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 2019, land use right lease expense of the Company amounted to RMB280,016,455 (2018: RMB223,034,734). 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 savings 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.

(5) Business combination involving enterprises under common control

Please refer to Note VI. 1 for details.

(6) Disposal of subsidiaries

In the current year, the Group disposed of Shanghai Baotong Transportation Industry Co., Ltd. to Shanghai Ouyee Logistics Co., Ltd.; and Foshan Baosteel Stainless Steel Trade Co., Ltd. and Ningbo Baosteel Stainless Steel Processing Co., Ltd. were disposed of to Ouyee Cloud Commerce Corporation Ltd., please refer to Note VI. 2 for details.

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

6. Amounts due from related parties

Unit: Thousand yuan Currency: RMB

	2019		2018 (Restated)	
	Carrying balance	Provision	Carrying balance	Provision
Notes receivable and receivables financing				
Pingmei Coking	1,941,995	-	1,362,940	-
Wisco-Nippon Steel	1,096,253	-	1,036,134	-
Wuhan Iron & Steel Group and its subsidiaries	245,503	-	211,229	-
Baosteel Special Material and its subsidiaries	217,110	-	396,125	-
Baosteel Metals and its subsidiaries	137,625	-	148,836	-
Baowu Environmental Technology and its subsidiaries	123,687	-	56,904	-
Ouyeel Cloud Commerce and its subsidiaries	115,970	-	158,630	-
Meishan Steel and its subsidiaries	61,000	-	151,374	-
Xinjiang Bayi and its subsidiaries	45,782	-	26,159	-
Changshu Baosheng	39,706	-	23,721	-
Wuhan Baozhang	21,015	-	-	-
Henan Pingbao	14,400	-	28,000	-
Engineering & Technology Co. and its subsidiaries	14,164	-	7,503	-
Baosteel Desheng	13,667	-	10,617	-
Hangzhou Baowei	7,781	-	13,500	-
Guangzhou JFE	6,850	-	1,148	-
Shaoguan Steel and its subsidiaries	3,857	-	11,317	-
Masteel Group and its subsidiaries	498	-	-	-
Others	216	-	622	-
Total	4,107,079	-	3,644,759	-

Unit: Thousand yuan Currency: RMB

	31 December 2019		1 January 2019		31 December 2018 (Restated)	
	Carrying balance	Provision	Carrying balance	Provision	Carrying balance	Provision
Accounts receivable						
Baosteel Special Material and its subsidiaries	856,267	879	498,147	521	498,147	-
Wuhan Iron & Steel Group and its subsidiaries	395,009	190,417	661,789	182,952	661,789	-
Meishan Steel and its subsidiaries	376,981	114	558,906	14	558,906	-
Baosteel Resources (International)	318,033	-	302,880	-	302,880	-
Baosteel Metals and its subsidiaries	299,144	291,845	308,861	290,925	308,861	-
Baowu Environmental Technology and its subsidiaries	186,415	285	342,313	308	342,313	-
Baosteel Resource and its subsidiaries	176,682	619	323,842	654	323,842	-
Pingmei Coking	106,423	-	528,869	-	528,869	-
Engineering & Technology Co. and its subsidiaries	100,398	7,843	86,966	8,670	86,966	-
BNA	90,186	800	175,985	997	175,985	-
Shaoguan Steel and its subsidiaries	74,128	2,093	4,945	282	4,945	-
Xinjiang Bayi and its subsidiaries	61,086	28,616	85,921	39,392	85,921	-
Wisco-Nippon Steel	60,885	152	179,972	8,999	179,972	8,999
Ouyeel Cloud Commerce and its subsidiaries	53,852	590	15,922	262	15,922	-

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

Baosteel Desheng	36,781	1,682	27,255	647	27,255	-
Baowu Group	17,686	1,623	8,273	294	8,273	-
Baosteel Development and its subsidiaries	14,775	290	10,670	463	10,670	-
Masteel Group and its subsidiaries	14,464	106	-	-	-	-
Hwabao Investment	13,124	345	6,512	171	6,512	-
Wuhan Baohan	11,095	-	11,295	-	11,295	-
Ningbo Baoxin	10,035	295	7,814	498	7,814	-
Guangzhou JFE	5,716	-	15,239	515	15,239	-
Guangzhou Automobile Baoshang	3,451	-	4,459	-	4,459	-
Shanghai Stainless	3,237	683	3,092	62	3,092	-
Hwabao Trust	3,226	434	2,882	203	2,882	-
Baodi Real Estate	2,482	245	3,349	91	3,349	-
Tianjin Zhongzhi Tiancheng Technology Co., Ltd.	1,370	-	1,370	-	1,370	-
Baowu Aluminum	1,270	-	-	-	-	-
Wuxi Summit-Bao	-	-	6,640	-	6,640	-
Baosteel Stainless	-	-	18,703	643	18,703	-
Others	4,637	67	6,366	20	6,366	-
Total	3,298,838	530,023	4,209,237	537,583	4,209,237	8,999

Unit: Thousand yuan Currency: RMB

	2019		2018 (Restated)	
	Carrying balance	Provision	Carrying balance	Provision
Prepayments				
Pingmei Coking	855,524	-	1,625,257	-
BNA	429,237	-	397,301	-
Wisco-Nippon Steel	380,449	-	364,558	-
Shaoguan Steel and its subsidiaries	258,888	-	153,532	-
Wuhan Iron & Steel Group and its subsidiaries	213,904	-	250,570	-
Baosteel Resource and its subsidiaries	205,281	-	307,030	-
Xinjiang Bayi and its subsidiaries	169,995	-	77,940	-
Engineering & Technology Co. and its subsidiaries	62,498	-	28,096	-
Ouyeel Cloud Commerce and its subsidiaries	59,091	-	43,768	-
Guangzhou JFE	46,141	-	56,720	-
Masteel Group and its subsidiaries	6,078	-	-	-
Weld Company	4,611	-	-	-
Wuhan Baohan	2,281	-	1,193	-
Baosteel Development and its subsidiaries	2,198	-	1	-
Baosteel Desheng	168	-	18,824	-
Baosteel Special Material and its subsidiaries	87	-	15,602	-
Guangzhou Automobile Baoshang	17	-	3,640	-
Ningbo Baoxin	-	-	18,797	-
Baowu Environmental Technology and its subsidiaries	-	-	9,931	-
Baosteel Stainless	-	-	5,069	-
Beijing Qingke	-	-	3,041	-
Others	836	-	2,654	-
Total	2,697,284	-	3,383,524	-

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

Unit: Thousand yuan Currency: RMB

	31 December 2019		1 January 2019		31 December 2018 (Restated)	
	Carrying balance	Provision	Carrying balance	Provision	Carrying balance	Provision
Other receivables						
Wuhan Iron & Steel Group and its subsidiaries	290,671	135,791	1,205,595	135,814	1,205,595	-
Meishan Steel and its subsidiaries	17,104	1,067	39,706	2	39,706	-
Baowu Environmental Technology and its subsidiaries	13,069	19	394,585	3	394,585	-
Baowu Group	9,378	-	61,435	-	61,435	-
Baohua Tendering	7,298	219	3,530	51	3,530	-
Baosteel Development and its subsidiaries	5,253	101	9,392	100	9,392	-
Hangzhou Baowei	3,246	-	3,060	-	3,060	-
BNA	3,123	-	5,294	-	5,294	-
Baosteel Desheng	2,943	14	77	-	77	-
Baodi Real Estate	2,744	219	116	5	116	-
Hwabao Trust	2,401	-	3,504	-	3,504	-
Xinjiang Bayi and its subsidiaries	1,666	985	2,457	190	2,457	-
Weld Company	1,276	-	1,287	-	1,287	-
Shaoguan Steel and its subsidiaries	1,184	-	4,309	2	4,309	-
Changshu Weishike Daheng Metal Material Technology Co., Ltd.	1,145	-	376	-	376	-
Changshu Baosheng	863	-	487	-	487	-
Wuhan Baozhang	720	-	1,555	-	1,555	-
Engineering & Technology Co. and its subsidiaries	699	-	320	-	320	-
Pingmei Coking	521	-	11,550	-	11,550	-
Beijing Huili	-	-	2,628	153	2,628	-
Others	1,724	27	2,056	21	2,056	-
Total	367,028	138,442	1,753,319	136,341	1,753,319	-

Unit: Thousand yuan Currency: RMB

	2019		2018(Restated)	
	Carrying balance	Provision	Carrying balance	Provision
Other current assets				
Ouyee Cloud Commerce and its subsidiaries	564,687	2,300	-	-
Baosteel Metals and its subsidiaries	210,615	-	-	-
Baosteel Special Material and its subsidiaries	201,470	-	-	-
Baosteel Resource and its subsidiaries	247,144	-	-	-
Xinjiang Bayi and its subsidiaries	68,934	-	-	-
Sichuan Daxing	31,314	-	-	-
Wuhan Baohan	5,403	-	-	-
Total	1,329,567	2,300	-	-

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

Unit: Thousand yuan Currency: RMB

	2019		2018(Restated)	
	Carrying balance	Provision	Carrying balance	Provision
Loans and advances to customers				
Engineering & Technology Co. and its subsidiaries	196,417	4,418	196,826	-
Wuhan Iron & Steel Group and its subsidiaries	-	-	800,000	16,000
Baosteel Resource and its subsidiaries	-	-	433,835	-
Baosteel Metals and its subsidiaries	-	-	125,526	-
Ouyeel Cloud Commerce and its subsidiaries	-	-	87,113	-
Wuhan Baohan	-	-	1,071	-
Total	196,417	4,418	1,644,371	16,000

Unit: Thousand yuan Currency: RMB

	2019	2018 (Restated)
Customer deposits and deposits from banks and other financial institutions		
Baowu Group	4,132,152	4,119,401
BNA	1,468,449	636,836
Hwabao Trust	1,015,384	623,561
Wuhan Iron & Steel Group and its subsidiaries	439,191	1,600,212
Ouyeel Cloud Commerce and its subsidiaries	399,870	78,456
Shaoguan Steel and its subsidiaries	247,744	100,690
Baosteel Metals and its subsidiaries	94,331	33,599
Pingmei Coking	44,147	108,130
Wuhan Hanwei Refining Engineering Co., Ltd	12,191	-
Wisco-Nippon Steel	10,604	-
Baosteel Resource and its subsidiaries	10,087	8,117
Dansk Magnetic Material	6,937	-
General Electric	2,190	-
Engineering & Technology Co. and its subsidiaries	734	41,944
Xinjiang Bayi and its subsidiaries	172	2,833
Baosteel Desheng	-	100,852
Baowu Environmental Technology and its subsidiaries	-	696,970
Ningbo Baoxin	-	200,000
Baosteel Development and its subsidiaries	-	19,534
Others	3,813	4,931
Total	7,887,996	8,376,066

Unit: Thousand yuan Currency: RMB

	2019	2018 (Restated)
Notes payable		
Wuhan Iron & Steel Group and its subsidiaries	2,782,713	3,320,891
BNA	1,134,859	1,160,503
Baosteel Resource and its subsidiaries	667,108	1,784,501
Pingmei Coking	550,000	-

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

Ningbo Baoxin and its subsidiaries	118,500	205,373
Baosteel Special Material and its subsidiaries	85,000	16,796
Baosteel Development and its subsidiaries	82,489	117,207
Engineering & Technology Co. and its subsidiaries	29,021	159,066
Baowu Environmental Technology and its subsidiaries	18,218	3,022
Masteel Group and its subsidiaries	9,168	-
Meishan Steel and its subsidiaries	701	21,720
Shanghai Baoneng	664	334
Ouyeel Cloud Commerce and its subsidiaries	442	-
Baosteel Stainless	-	3,910
Beijing Qingke	-	900
Total	5,478,883	6,794,223

7. Amounts due to related parties

Unit: Thousand yuan Currency: RMB

	2019	2018 (Restated)
Accounts payable		
Wuhan Iron & Steel Group and its subsidiaries	1,403,201	2,188,563
Baosteel Resource and its subsidiaries	1,361,353	756,685
Engineering & Technology Co. and its subsidiaries	677,535	627,558
Meishan Steel and its subsidiaries	666,365	579,245
Ouyeel Cloud Commerce and its subsidiaries	320,340	81,037
Baowu Group	308,112	51,712
Baosteel Development and its subsidiaries	275,871	313,324
Baosteel Special Steel and its subsidiaries	270,319	218,774
Baowu Environmental Technology and its subsidiaries	221,638	337,005
Ningbo Baoxin	205,325	97,358
BNA	182,766	46,081
Pingmei Coking	100,690	154,040
Baosteel Desheng	93,141	218,091
Wisco-Nippon Steel	36,744	31,845
Masteel Group and its subsidiaries	33,340	-
Guangzhou JFE	28,782	5,077
Shaoguan Steel and its subsidiaries	25,428	27,166
Wuhan Baohan	11,938	7,685
Bao-Island	10,100	9,721
Baosteel Resources (International)	9,460	-
Taichang Wugang	5,606	340
Beijing Qingke	3,889	396
Xinjiang Bayi and its subsidiaries	3,035	3,687
Renwei Software	2,937	1,251
Baosteel Metals and its subsidiaries	2,723	6,315
Nanjing Tiemei	1,861	1,625
Changshu Baosheng	1,636	715
Wuxi Baojing	1,158	369
Hangzhou Baowei	1,113	1,388
Shanghai Baoneng	982	1,655
Baochixin	916	1,174
Weld Company	673	3,901

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

Shanghai Stainless	512	-
Wuhan Baozhang	3	5,002
Baoshan Hotel	-	190
Hubei Pingwu industry and Trade Co., Ltd	-	3,821
Wuhan Iron and Steel Petrochemical Industry Gas Co., Ltd	-	1,106
Baosteel Stainless	-	18,255
Others	2,010	1,935
Total	6,271,502	5,804,092

Unit: Thousand yuan Currency: RMB

	2019	2018 (Restated)
Receipts in advance		
Ouyeel Cloud Commerce and its subsidiaries	1,702,229	280,281
Baosteel Metals and its subsidiaries	280,285	223,660
Wuhan Iron & Steel Group and its subsidiaries	160,551	108,587
Baowu Environmental Technology and its subsidiaries	101,927	82,769
Baosteel Desheng	89,747	2,122
Hangzhou Baowei	56,250	21,106
Meishan Steel and its subsidiaries	48,458	81,510
Guangzhou JFE	41,520	23,006
Baosteel Development and its subsidiaries	28,133	14,742
Zhengzhou MIBao	21,966	6,436
Engineering & Technology Co. and its subsidiaries	16,198	18,791
Wisco-Nippon Steel	13,376	94,908
Changshu Baosheng	11,107	10,147
Baowu Group	10,745	7,573
Weld Company	10,677	48,779
Baosteel Special Steel and its subsidiaries	10,503	14,846
Shandong Baohua	8,041	17,631
Ningbo Baoxin	6,399	5,949
Wuxi Baojing	4,791	12,832
Shaoguan Steel and its subsidiaries	4,544	10,756
Xinjiang Bayi and its subsidiaries	3,513	11,074
BNA	2,550	42,844
Wuxi Summit-Bao	2,235	3,613
Others	8,360	5,710
Total	2,644,105	1,149,672

Unit: Thousand yuan Currency: RMB

	2019	2018 (Restated)
Other payables		
Wuhan Iron & Steel Group and its subsidiaries	88,957	557,862
Baowu Group	48,904	47,771
Baowu Environmental Technology and its subsidiaries	34,939	29,765
Ouyeel Cloud Commerce and its subsidiaries	14,375	6,205
Baosteel Resource and its subsidiaries	2,313	2,006
Meishan Steel and its subsidiaries	2,313	2,588
Engineering & Technology Co. and its subsidiaries	1,618	2,436

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

Hwabao Trust	895	1,050
Xinjiang Bayi and its subsidiaries	628	114
Others	445	920
Total	195,387	650,717

(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 the "Restricted Share Scheme") and a series of proposals. 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 the 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 shares is 47,446,100. The incentive participants 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 been fully converted into restricted circulating shares, and all the corresponding transfers of ownership had been 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 the 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 the 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 the 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 decreased RMB3,508,500.00 of share capital and the registered capital was 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 the above-mentioned 17,123,900 shares has been fully transferred to the special repurchase account of the Company and the shares been cancelled in 2016. Meanwhile, the Company decreased RMB17,123,900.00 of share capital and the registered capital was 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

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(XI) SHARE-BASED PAYMENTS - continued

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 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 Second phase of the A-share 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 for 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 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. The independent directors of the Company addressed independent opinion on the proposal. Shanghai Fangda law firm issued the "Legal Opinion on the granting of reserved restricted shares to incentive participants in the Second Phase A-share restricted stock plan of Baoshan Iron and Steel Co., Ltd." The Company decided to grant 9,566,700 reserved restricted shares to 76 eligible incentive participants on 18 December 2018 at a grant price of RMB3.99 per share. On 3 January 2019, the Company received the funds paid by all 76 equity incentive participants in currency to subscribe for 9,566,700 shares, totaling RMB38,173,991.00, of which RMB9,566,700.00 is included in the share capital, RMB28,604,433.00 is included in the capital reserve, and RMB2,858.00 overpaid is included in other payables.

In 2019, according to relevant provisions of the "Second Phase of A-share Restricted Stock Plan (Draft) of Baoshan Iron and Steel Co., Ltd." approved by the Company's Second Extraordinary General Meeting in 2017 and proposal on "Repurchase and Cancellation of restricted shares of some incentive participants of the Second Phase of Restricted Stock Plan" approved by the Company's Second Extraordinary General Meeting in 2018, the Company repurchased and cancelled restricted shares which were unqualified to be unlocked at the grant price (RMB3.99 per share), namely 305,250 shares from Wu Xiaodi, 257,675 shares from Shi Bing, 191,250 shares from Qi Weidong, 153,000 shares from Zhang Liming, 93,500 shares from Yan Guguo, 95,175 shares from Hu Liguang, 125,000 shares from Yan Hengfa, as well as 126,900 shares from Tu Guohua. The ownership of the above-mentioned 1,347,750 shares has been fully transferred to the special repurchase account of the Company and the shares have been cancelled on 22 January 2019.

The Company held the 8th meeting of the 7th Board of Directors on 23 and 24 April 2019 to approve and discuss the "Proposal on repurchase and cancellation of restricted shares of some incentive participants in the Second Phase of Restricted Stock Plan", and agreed to repurchase and cancel the granted and unlocked restricted shares held by incentive participants who no longer held the post in the company and to submit the proposal to the general meeting of shareholders for deliberation. The Company held the General Meeting of shareholders of 2018 on 17 May 2019 to approve the above-mentioned proposal. Thirteen incentive participants were involved in the repurchase and cancellation of restricted shares, including Wang Jing, Wu Bin, Wang Qiangmin, Jie Qi, Wu haishan, Fu Weiguo and Xu Yingming who no longer assumed the position in the Company, Shi Zhichang, Zhang Zhaocun, Chen Ping, Wang Yuli and Liao Dongfeng who retired, and Wang who resigned. The above-mentioned 1,673,700 restricted shares have been cancelled on 27 August 2019. The Company has gone through the relevant procedures such as the amendment of the articles of association, Industrial and commercial registration changes, etc.

2. General situation

	Unit: share	
	2019	2018
Total number of the Company's equity instruments granted during the period	9,566,700	-
Total number of the Company's equity instruments exercised during the period	-	11,360,700
Total number of the Company's equity instruments lapsed during the period	3,021,450	196,750

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(XI) SHARE-BASED PAYMENTS - continued

	Unit: Thousand yuan Currency: RMB	
	2019	2018
Share-based payments for total services from employees	124,409,363.70	294,205,350.58
Included: First stock option incentive	-	1,713,808.93
Second stock option incentive	124,409,363.70	292,491,541.65

Equity-settled share-based payments:

	Unit: Thousand yuan Currency: RMB	
	2019	2018
Total capital reserve of equity-settled share-based payments	416,900,905.35	292,491,541.65
Included: Second stock option incentive	416,900,905.35	292,491,541.65
Total expense of equity-settled share-based payments	124,409,363.70	294,205,350.58
Included: First stock option incentive	-	1,713,808.93
Second stock option incentive	124,409,363.70	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.

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 participants subscribed 7,770,000 shares at a grant price of RMB8.60 per share on 12 January 2018 and the share price was RMB18.54 on the grant date. By the end of 2019, the total expense of equity-settled share-based payment was RMB27,230,211.00, of which RMB13,835,670.21 was recognized in shareholders' equity, RMB13,394,540.79 was recognized in minority shareholders' equity. The cumulative amount of equity-settled share-based payment included in the capital reserve is RMB55,119,911.00, of which RMB28,342,324.64 was recognized in shareholders' equity and RMB 26,777,586.36 was recognized in minority shareholders' equity.

Baosight Software (A-share listed company), one of the subsidiaries of the Company, repurchased 130,000 shares for the share incentive scheme in the current year.

(XII) COMMITMENTS

1. Significant commitments

	Unit: Thousand yuan Currency: RMB	
	2019	2018
Contracted but not provided	26,283,665	10,528,346
Approved by the Board but not contracted	8,456,886	4,507,454
Total	34,740,551	15,035,800

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 10 December 2019, the Company received the "Notice on transfer of state-owned shares of Baoshan Iron and Steel Co., Ltd. without compensation" from the controlling shareholder, China Baowu. China Baowu plans to transfer the Company's 486,753,644 A shares without compensation (accounting for 2.19% of the total share capital of the Company) to Shougang Group Co., Ltd., and the Company received the transfer registration confirmation on 8 January 2020. After the completion of the free transfer, Baowu directly and indirectly holds 13,795,567,827 A shares of the Company, accounting for 61.93% of the total share capital of the Company.

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(XIII) EVENTS AFTER THE BALANCE SHEET DATE - continued

The Company held the 13th meeting of the 7th Board of Directors on 3 January 2020 to discuss and approve the "Proposal on Lifting some restrictions during the first period of lifting the restriction on sale of the Second Phase of A-share restricted stock plan", and agrees to release 54,895,700 restricted shares, which meet the unlocking conditions, held by 1,062 first granted incentive participants. The above-mentioned restricted shares meet the unlocking conditions and were circulated on 16 January 2020.

The Company held the 13th meeting of the 7th Board of Directors on 3 January 2020 and the first Extraordinary General Meeting of shareholders on 21 January 2020 to discuss and approve the "Proposal on repurchase and cancellation of some incentive participants' restricted shares of the Second Phase of the Restricted Stock Plan". The Company agrees to repurchase and cancel at the grant price the 3,140,925 granted and unlocked restricted shares held 48 incentive participants such as Qian Feng, among which 3,055,925 shares are repurchased and cancelled on 27 March 2020.

On 4 February 2020, Huabao investment, a wholly-owned subsidiary of China Baowu, the controlling shareholder of the Company, increased 711,403 A shares of the Company by means of centralized bidding, accounting for 0.32% of the total share capital of the Company. After the increase, China Baowu directly and indirectly holds 13,867,279,230 A shares of the Company, accounting for 62.26% of the total share capital of the Company.

On 17 March 2020, Huabao investment, a wholly-owned subsidiary of China Baowu, the controlling shareholder of the Company, increased 5,000,000 A shares of the Company by means of centralized bidding. After the increase, China Baowu directly and indirectly holds 13,872,279,230 A shares of the Company, accounting for 62.28% of the total share capital of the Company.

Since the outbreak of novel coronavirus pneumonia (hereinafter referred to as the "COVID-19") from January 2020, the Group has implemented the requirements of the prevention and control work and strengthened the support for epidemic prevention and control. The Group will continue to pay close attention to the development of COVID-19 and strive to reduce any impacts on the Group's financial situation, operating results and other aspects.

According to the proposal of the 19th meeting of the 7th Board of Directors held on 28 April 2020, the Company intends to distribute a dividend of RMB0.28 per share (including tax). Based on the total share capital of 22,274,460,375 shares at the end of 2019, the Company is expected to pay a dividend of RMB6,236,848,905.00 (including tax), representing 50.20% 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, and managed by Baosteel Group's subsidiary, Huabao Trust Co., Ltd. since 2009. According to the "Guidance on the Implementation of Enterprise Annuity by subsidiaries at all levels in China Baowu" (Baowu Zi [2019] No. 311) issued by the general office of China Baowu Steel Group Co., Ltd. on 12 July 2019, for the units that have implemented annuity before the issuance of the guidance, the portion contributed by the enterprise can be increased from 4% of the base amount of the individual salary (last year's wage income and with ceiling or lower limit) to 6%; and for units newly implementing annuity after the issuance of the guidance, the portion contributed by the enterprise shall not exceed 4%. Employees' individual annuity payments shall be carried out in accordance with one quarter of the enterprise's payment proportion. According to the current annuity policy, no individual additional payment proportion will be implemented.

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 reporting 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, Howa Trading, Bao-trans, Laser tailor-

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(XIV) OTHER SIGNIFICANT EVENTS - continued

welded 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.

2019

Unit: Thousand yuan Currency: RMB

	Iron and steel manufacturing	Processing and distribution	Others	Inter-segment eliminations	Total
Operating income					
External revenue	46,040,066	234,868,363	11,181,671	-	292,090,100
Inter-segment revenue	178,278,568	52,255,133	5,188,101	(235,721,802)	-
Total segment operating income	224,318,634	287,123,496	16,369,772	(235,721,802)	292,090,100
Operating expenses	215,319,150	284,601,331	14,931,346	(235,702,768)	279,149,059
Operating profit	8,999,484	2,522,165	1,438,426	(19,034)	12,941,041
Total segment assets	337,145,119	75,132,751	36,069,045	(111,932,859)	336,414,056
Total segment liabilities	86,316,628	42,240,326	21,606,921	(65,524,386)	84,639,489
Supplementary information:					
Depreciation and amortization	17,459,909	975,438	597,469	8,855	19,041,671
Impairment losses recognized in the current year	191,219	27,552	109,472	(47,276)	280,967
Capital expenditures	15,015,712	595,053	2,254,400	-	17,865,165

2018 (Restated)

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	9,929,494	-	305,636,184
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	13,210,549	(237,290,087)	305,636,184
Operating expenses	207,483,751	295,365,328	11,777,217	(236,857,746)	277,768,550
Operating profit	23,270,563	3,596,080	1,433,332	(432,341)	27,867,634
Total segment assets	330,527,878	76,092,329	32,238,754	(105,908,915)	332,950,046
Total segment liabilities	99,387,195	40,345,602	18,448,684	(71,979,253)	86,202,228
Supplementary information:					
Depreciation and amortization	17,546,362	1,157,849	480,567	-	19,184,778
Impairment losses recognized in the current year	(702,785)	(2,607)	(288,801)	674,760	(319,433)
Capital expenditures	13,814,394	525,689	1,523,163	-	15,863,246

Other information

External revenue by geographical area:

Unit: Thousand yuan Currency: RMB

	2019	2018
External revenue from domestic customers	259,398,094	274,360,214
External revenue from foreign customers	32,692,006	31,275,970
Sub-total	292,090,100	305,636,184

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(XIV) OTHER SIGNIFICANT EVENTS - continued

Non-current assets by geographical location:

Unit: Thousand yuan Currency: RMB

	2019	2018 (Restated)
Non-current assets located in the domestic country	199,615,229	206,582,844
Non-current assets located in foreign countries	6,234,341	5,633,630
Sub-total	205,849,570	212,216,474

External revenue includes:

Unit: Thousand yuan Currency: RMB

	2019	2018 (Restated)
Investment income of Finance Co.	32,638	129,643

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

	2019	2018 (Restated)
Financial expenses	2,460,430	4,375,385
Credit impairment loss	42,451	-
Impairment losses on assets	(323,418)	319,433
Losses from changes in fair values	(256,868)	(189,020)
Investment income (excluding investment income of Finance Co., Ltd.)	(3,667,247)	(3,990,247)
Gain on disposal of assets	(573,601)	(597,788)
	(255,306)	-
Total	(2,573,559)	(82,237)

Segment assets do not include:

Unit: Thousand yuan Currency: RMB

	2019	2018 (Restated)
Deferred tax assets	3,218,948	2,900,012

Segment liabilities do not include:

Unit: Thousand yuan Currency: RMB

	2019	2018 (Restated)
Short-term borrowings	13,068,011	38,454,058
Non-current liabilities due within one year	3,643,150	5,162,332
Other current liabilities	34,213,447	6,076,755
Long-term borrowings	2,007,531	5,610,231
Long-term payables	960,749	927,505
Bonds payable	9,000,000	3,000,000
Deferred tax liabilities	884,711	840,783
Total	63,777,599	60,071,664

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(XIV) OTHER SIGNIFICANT EVENTS - continued

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

	2019	2018
Within 1 year, inclusive	209,023	322,399
1 to 2 years, inclusive	150,323	184,188
2 to 3 years, inclusive	108,574	126,821
Over 3 years	344,480	304,605
Total	812,400	938,013

4. Comparative data

In July 2019, the Group obtained the control right of Baoxin software (Wuhan) Co., Ltd. through the business combination involving entities under common control. The relevant items of the previous financial statements were adjusted when preparing the Group's comparative consolidated financial statements, as if the reporting entity formed after the combination has existed since the final controller began to implement the control. Due to the business involving entities under common control in this year, the relevant items in the financial statements of the Group in the previous year have been restated.

According to the requirements of the Notice on Revising and Circulating Consolidated Financial Statement Formats 2019 (Cai Kuai [2019] No.16), and the Notice on Revising and Issuing the Format of the 2019 Consolidated Financial Statements (Cai Kuai [2019] No.16), in the balance sheet, "notes receivable and accounts receivable" are divided into "notes receivable" and "accounts receivable", while "notes payable and accounts payable" are divided into "notes payable" and "accounts payable"; in the income statement, the "research and development expenses" not only reflects the expenses incurred in the process of research and development, but also includes the amortization of self-developed intangible assets previously presented in the "administrative expenses". The Group has restated the financial statements for the comparative period on a retrospective basis.

(XV) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

1. Accounts receivable

The aging analysis of accounts receivable is as follows:

Unit: Yuan Currency: RMB

	31 December 2019	1 January 2019 31 December 2018
Within 1 year	19,954,202,764.49	15,770,768,764.56
More than 1 year but not exceeding 2 years	92,291,292.71	1,284,274,678.17
More than 2 years but not exceeding 3 years	3,128,381.25	1,015,070.44
More than 3 years	32,554,974.36	33,008,284.36
Subtotal	20,082,177,412.81	17,089,066,797.53
	38,969,072.12	32,607,177.48
Less: Provision for bad debt in respect of accounts receivable	20,043,208,340.69	17,056,459,620.05

An analysis of accounts receivable based on bad debt provision is presented as follows:

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(XV) NOTES TO KEY ITEMS IN THE COMPANY ' S FINANCIAL STATEMENTS - continued

Unit:Yuan Currency: RMB

	31 December 2019			
	Gross carrying amount		Provision for bad debt	
	Amount	Proportion (%)	Amount	Proportion (%)
Items for which provision for bad debts is recognized separately	-	-	-	-
Items for which provision for bad debts is recognized by group with distinctive credit risk characteristics	20,082,177,412.81	100	38,969,072.12	-
Total	20,082,177,412.81	100	38,969,072.12	-

Unit:Yuan Currency: RMB

	1 January 2019			
	Gross carrying amount		Provision for bad debt	
	Amount	Proportion (%)	Amount	Proportion (%)
Items for which provision for bad debts is recognized separately	-	-	-	-
Items for which provision for bad debts is recognized by group with distinctive credit risk characteristics	17,089,066,797.53	100	32,607,177.48	-
Total	17,089,066,797.53	100	32,607,177.48	-

Unit:Yuan Currency: RMB

	31 December 2018			
	Carrying amount		Bad debt provision	
	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	-	-
Accounts receivable with provision accrued collectively on a portfolio basis	3,358,257,656.76	20	9,956,281.90	-
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
Total	17,089,066,797.53	100	32,607,177.48	-

As at 31 December 2018, accounts receivable that are individually significant or not individually significant but for which provision for bad debt is recognized separately are presented as follows:

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		

Note 1: There are no significant obstacles to recollect the accounts receivable within one year and those with significant balances are all due from related parties. Hence, no provision is recognized pursuant to the bad debt provision policies of the Company.

Note 2: Provision for bad debt aged over 3 years is fully made due to a slim chance of recollection.

The Group's accounts receivable for which grouping of expected credit losses is determined using aging analysis are presented as follows:

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(XV) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS - continued

Unit: Yuan Currency: RMB

31 December 2019			
	Carrying amount estimated to be in default	Expected credit loss rate (%)	Provision for bad debts
Within 1 year	19,954,202,764.49	-	6,401,717.09
1 to 2 years	92,291,292.71	-	12,380.67
2 to 3 years	3,128,381.25	-	-
Over 3 years	32,554,974.36	100	32,554,974.36
Total	20,082,177,412.81	-	38,969,072.12

The aging analysis of bad debt provision on a portfolio basis:

Unit: Yuan Currency: RMB

31 December 2018			
	Gross carrying amount	Percentage (%)	Provision for bad debts
Within 1 year	3,327,916,285.21	-	9,950,692.24
1 to 2 years	20,750,597.46	-	-
2 to 3 years	1,015,070.44	1	5,589.66
Over 3 years	8,575,703.65	-	-
Total	3,358,257,656.76	-	9,956,281.90

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
2019	32,607,177.48	9,892,314.75	(3,530,420.11)	38,969,072.12
2018	34,827,674.43	506,142.82	(2,726,639.77)	32,607,177.48

As at 31 December 2019, the top five balances in respect of accounts receivable had a sum of closing balance of RMB15,551,021,453.96 (31 December 2018: RMB13,708,158,245.19), accounting for 77% (31 December 2018: 80%) closing balance of accounts receivable. No provision is recognized.

As at 31 December 2019, no accounts receivable were written off in the reporting period.

As at 31 December 2019, the Group had no pledged notes receivable.

As at 31 December 2019, no other receivables would need to be derecognized due to the transfer of financial assets.

2. Other receivables

Unit: Yuan Currency: RMB

	31 December 2019	1 January 2019 31 December 2018
Interest receivable	-	82,540,335.24
Other receivables	563,326,737.35	579,684,831.05
Total	563,326,737.35	662,225,166.29

Interest receivable

Unit: Yuan Currency: RMB

	31 December 2019	1 January 2019 31 December 2018
Transfer of assets to subsidiaries	-	82,540,335.24

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(XV) NOTES TO KEY ITEMS IN THE COMPANY ' S FINANCIAL STATEMENTS - continued

Other receivables

Aging analysis of other receivables is as follows:

	31 December 2019	1 January 2019 31 December 2018
Within 1 year	400,737,097.53	409,163,035.92
1 to 2 years	4,943,478.27	14,732,955.29
2 to 3 years	4,767,416.57	42,196,271.30
Over 3 years	164,244,853.84	122,506,354.09
Subtotal	574,692,846.21	588,598,616.60
	11,366,108.86	8,913,785.55
Less: Provision for bad debt in respect of other receivables		
Total	563,326,737.35	579,684,831.05

Unit:Yuan Currency: RMB

Other receivables are classified by nature as follows:

	31 December 2019	1 January 2019 31 December 2018
Deposit	319,236,401.55	366,260,306.17
Asset disposal payments	182,687,121.93	152,745,426.75
Others	72,769,322.73	69,592,883.68
Subtotal	574,692,846.21	588,598,616.60
	11,366,108.86	8,913,785.55
Less: Provision for bad debt in respect of other receivables		
Total	563,326,737.35	579,684,831.05

Unit:Yuan Currency: RMB

Change in the provision for bad debts in respect of other receivables based on 12-month expected credit losses and lifetime expected credit losses is as follows:

2019

	Stage 1 Expected credit losses for the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Financial assets with incurred credit losses (Lifetime)	Total
Balance as at 1 January 2019	-	3,508,071.56	5,405,713.99	8,913,785.55
During the year, balance as at 1 January 2019				
-Transferred to Stage 2	-	-	-	-
-Transferred to Stage 3	-	(1,981,471.54)	1,981,471.54	-
-Transferred to Stage 2	-	-	-	-
-Transferred to Stage 1	-	-	-	-
Provided for the year	-	2,452,323.31	-	2,452,323.31
Reversed during the year	-	-	-	-
Written off during the year	-	-	-	-
Other changers	-	-	-	-
Closing balance	-	3,978,923.33	7,387,185.53	11,366,108.86

Unit:Yuan Currency: RMB

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(XV) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS - continued

2018

Unit: Yuan Currency: RMB

	31 December 2018			
	Carrying amount		Bad debt provision	
	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	-	-
Other receivables with provision accrued collectively on a portfolio basis	65,124,928.13	11	3,508,071.56	5
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
Total	588,598,616.60	100	8,913,785.55	

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

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		

Note 1: Other receivables with significant balances mainly consist of deposit margins, asset disposal payments, and 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 a portfolio basis:

Unit: Yuan Currency: RMB

	31 December 2018		
	Gross carrying amount	Percentage (%)	Provision for bad debts
Within 1 year	47,902,729.75	-	226,349.21
1 to 2 years	14,732,955.29	12	1,818,176.50
2 to 3 years	2,439,243.09	60	1,463,545.85
Over 3 years	50,000.00	-	-
Total	65,124,928.13	5	3,508,071.56

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

Unit: Yuan Currency: RMB

	Opening balance	Provision for the year	Reversed for the year	Closing balance
2019	8,913,785.55	2,452,323.31	-	11,366,108.86
2018	7,639,676.62	1,276,283.55	(2,174.62)	8,913,785.55

As at 31 December 2019, other receivables from the five largest customers amounted to RMB501,892,318.78 (As at 31 December 2018: RMB518,067,974.48), accounting for 87% of the total other receivables (As at 31 December 2018: 88%). 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

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(XV) NOTES TO KEY ITEMS IN THE COMPANY 'S FINANCIAL STATEMENTS - continued

to the 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

	31 December 2019	1 January 2019 31 December 2018
Investments in subsidiaries	73,574,454,587.48	73,581,128,237.48
Investments in joint ventures/ associates	9,346,606,797.17	8,469,191,833.58
Subtotal	82,921,061,384.65	82,050,320,071.06
Less: Provision for impairment in respect of long-term equity investments	-	-
Total	82,921,061,384.65	82,050,320,071.06

As at 31 December 2019, details of long-term equity investments under the cost method are as follows:

Unit: Yuan Currency: RMB

	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	1,519,774,360.40	-	-	1,519,774,360.40	-
Baosteel America	187,562,180.98	-	-	187,562,180.98	-
Howa Trading	221,975,780.12	-	-	221,975,780.12	-
Baosteel Europe	328,631,981.58	-	-	328,631,981.58	-
Baosteel Singapore	154,883,364.09	-	-	154,883,364.09	-
Bao-Trans Enterprises	370,550,495.27	-	-	370,550,495.27	-
Baosteel Chemical	3,006,227,819.74	-	-	3,006,227,819.74	-
Finance Co.	754,570,003.65	-	-	754,570,003.65	-
Zhanjiang Steel	17,262,206,889.41	-	-	17,262,206,889.41	-
Tailored blanks	2,101,475,910.43	-	-	2,101,475,910.43	-
Baoma Tube (Note1)	36,673,650.00	-	(36,673,650.00)	-	-
Baosteel Brazil Trading	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	-
Shengsi Port Shipping (Note 2)	-	30,000,000.00	-	30,000,000.00	-
Total	73,581,128,237.48	30,000,000.00	(36,673,650.00)	73,574,454,587.48	-

Note 1: The Company transferred the whole 75% equity interest of Baoma Tube on 22 November 2019.

Note 2: The Company established a wholly-owned subsidiary, Shengsi Port Shipping, on 13 June 2019.

As at 31 December 2019, details of long-term equity investments under the equity method are as follows:

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2019

(XV) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS - continued

Unit: Yuan Currency: RMB

	Opening balance	Changes for the current year						Closing balance	Closing impairment provision
		Increase	Decrease	Investment profit or loss under equity method	Adjustment of other comprehensive income	Other equity movement	Declared cash dividends Others		
Investments in joint ventures									
BNA	2,198,959,174.13	-	-	128,954,868.88	-	167,760.41	-	2,328,081,803.42	-
Bao-Island Enterprise	652,982,006.00	-	-	31,448,709.60	10,886,102.50	-	(14,087,400.00)	681,229,418.10	-
Subtotal	2,851,941,180.13	-	-	160,403,578.48	10,886,102.50	167,760.41	(14,087,400.00)	3,009,311,221.52	-
Investments in associates									
Shanghai Rural Commercial Bank Co., Ltd.	5,214,758,115.48	-	-	758,591,995.43	-	26,787,346.15	(148,000,000.00)	5,852,137,457.06	-
Ouyeel Cloud Commerce	106,215,987.15	18,700,000.80	-	852,358.52	456,620.35	65,818,989.00	-	192,043,955.82	-
Ouyeel Finance	296,276,550.82	-	-	(6,426,933.80)	4,827,238.40	283,767.10	(1,846,459.75)	293,114,162.77	-
Subtotal	5,617,250,653.45	18,700,000.80	-	753,017,420.15	5,283,858.75	92,890,102.25	(149,846,459.75)	6,337,295,575.65	-
Total	8,469,191,833.58	18,700,000.80	-	913,420,998.63	16,169,961.25	93,057,862.66	(163,933,859.75)	9,346,606,797.17	-

4. Operating income and operating costs

Unit: Yuan Currency: RMB

	2019		2018	
	Income	Cost	Income	Cost
Principal businesses	134,922,164,753.90	123,449,828,239.20	130,511,653,661.02	113,378,696,329.41
Other businesses	861,980,956.50	789,908,218.59	850,783,473.42	827,903,349.91
Total	135,784,145,710.40	124,239,736,457.79	131,362,437,134.44	114,206,599,679.32

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 the cost method	2,394,599,818.60	3,362,176,634.30
Income from long-term equity investments under the equity method	913,420,998.63	1,018,556,474.97
Investment income arising from disposal of long-term equity investments	(27,673,650.00)	-
Gain on remaining equity remeasured based on the fair value after the loss of control over the investee	635,279,316.46	-
Investment income arising from disposal of financial assets held for trading	350,125,898.69	-
Loss on disposal of derivative financial instruments and others (Note)	(9,943,066.33)	282,763,987.68
Investment income from the available-for-sale financial assets during the holding period	-	928,039,130.22
Investment income from other wealth management products	-	603,134,857.39
Bond investments income	-	311,990,304.52
Total	4,255,809,316.05	6,506,661,389.08

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 2019

(XV) NOTES TO KEY ITEMS IN THE COMPANY ' S FINANCIAL STATEMENTS - continued

6. Bank facilities

As at 31 December 2019, the unutilized bank facilities of the Company amounted to RMB86,153 billion (2018: RMB62,511 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	
	2019	2018
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	7,895,809,057.59	14,270,692,982.51
Add: Provision for impairment losses of assets	74,450,144.63	64,057,763.14
Depreciation of fixed assets and investment properties	6,271,344,434.83	6,317,724,167.42
Amortization of intangible assets	81,725,355.70	82,167,983.64
Amortization of long-term prepaid expenses	9,067,864.74	7,546,566.60
Gains from the disposal of fixed assets, intangible assets and other long-term assets	(237,774,145.42)	-
Losses/ (gains) on disposal of fixed assets	379,472,320.43	103,520,873.03
Losses/ (gains) on changes in fair values	(49,578,286.69)	(395,300,719.56)
Financial expenses/ (gains)	1,045,658,596.16	1,637,064,764.84
Losses/ (gains) arising from investments	(4,255,809,316.05)	(6,506,661,389.08)
Increase/ (decrease) in deferred tax assets	195,733,276.04	1,387,103.23
Decrease/ (increase) in deferred tax liabilities	42,539,501.77	23,432,086.14
Decrease/ (increase) in inventories	646,473,713.89	(2,431,199,748.04)
Decrease/ (increase) in receivables from operating activities	(7,294,978,235.80)	(7,729,990,647.68)
Increase/ (decrease) in payables from operating activities	(2,245,310,628.54)	(11,251,112,682.14)
Net cash flow from operating activities	2,558,823,653.28	(5,806,670,895.95)
2. Net changes in cash and cash equivalents:		
Closing balance of cash and cash equivalents	10,032,788,869.82	9,408,059,019.15
Less: Opening balance of cash and cash equivalents	9,408,059,019.15	11,927,358,284.13
Net increase in cash and cash equivalents	624,729,850.67	(2,519,299,264.98)

Supplementary Information

FOR THE YEAR ENDED 31 DECEMBER 2019

1. Breakdown of non-recurring profit or loss

Unit: Yuan Currency: RMB

	2019
Profit/ (loss) on disposal of non-current assets	(212,012,999.76)
Gain on disposal of long-term equity investments	184,201,224.87
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 standards based on state policies	607,363,905.47
The net loss of the combined party before combination	(12,247,479.63)
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	1,300,874,509.18
Profit and loss from entrusted assets	2,446,810.00
Other non-operating income and expenses other than the aforesaid items	(53,233,282.65)
Other profit and loss items that meet the definition of non-recurring profit or loss (provision for impairment of other non-current assets)	(48,779,081.61)
Tax effects	(373,222,664.16)
Effect on minority interests (after tax)	(32,037,968.51)
Total	1,363,352,973.20

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 the China Securities Regulatory Commission.

31 December 2019

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	7.05	0.56	0.56
Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	6.27	0.50	0.50

31 December 2018 (Restated)

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	12.68	0.96	0.96
Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	12.16	0.93	0.93

The Group holds no potential ordinary shares that are dilutive.

Section XII Catalog of Documents Available for Inspection

Catalog of documents available for inspection	Accounting statement with signature and seal of legal representative, CFO in charge of the accounting affairs and head of accounting department.
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 during the reporting period.

Chairman: Zou Jixin
Approval and submission date of the Board of Directors: April 28, 2020

Revision information

☐ Applicable ☒ Not applicable

