



Bengang Steel Plates Co., Ltd.

Annual Report 2016

March, 2017

I. Important Notice, Table of Contents, and Definitions

The Board of Directors, the Supervisory Committee and the Directors, members of the Supervisory Committee and senior management of the Company guarantee that there are no misrepresentations or misleading statements, or material omission in this report, and individually and collectively accept full responsibility for the authenticity, accuracy and integrity of the information contained in this report.

Wang Shu, Chairman of the Company, Han Ge, the principal in charge of the accounting, and Wang Shaoyu, Chief of Accounting Affairs, make the pledge for the authenticity, accuracy and integrity of the attached financial statements.

All the members of the Board of Directors attended the board meeting on which this report was examined.

The prospective statements contained in this annual report do not constitute any substantial commitment to the investors. Investors should pay attention to the risks attached to investment decisions. The fourth chapter of this report “The Management Discussion and Analysis - Prospect for future development of the Company” describes the risks faced by the Company in its future operation, so it’s advised that all investors should pay attention to it. This report is prepared in both of Chinese and English. The Chinese version shall prevail when there are any controversial statements in the two versions.

The Company planed not to distribute cash dividend or bonus shares, and not to convert capital reserve into share capital.

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Definition

Terms to be defined	Refers to	Definition
Bengang Bancai, Bengang Steel, the Company, the Listed Company	Refers to	Bengang Steel Plates Co., Ltd.
Bengang Group	Refers to	Bengang Group Co., Ltd.
Bengang Co.	Refers to	Benxi Steel & Iron (Group) Co., Ltd.
Liaoning Provincial State-asset Administration	Refers to	Liaoning State-owned Asset Supervisory and Management Committee
SSE	Refers to	Shenzhen Stock Exchange
Bengang Puxiang	Refers to	Bengang Puxiang Cool Rolling Steel Sheet Co., Ltd.

II. Company Profile and Main Financial Index

I. Company Information

Stock abbreviation	Bengang Bancai, Bengangban B	Stock Code	000761, 200761
Stock exchange for listing	Shenzhen Stock Exchange		
Company name in Chinese	本钢板材股份有限公司		
Abbreviation of Company name in Chinese	本钢板材		
Company name in English (If any)	BENGANG STEEL PLATES CO.,LTD.		
Abbreviation of Company name in English (If any)	BSP		
Legal representative	Wang Shu		
Registration Address	No.16, Renmin Road, Pingshan District, Benxi City, Liaoning Province		
Post Code of registration Address	117000		
Office address	No.16, Renmin Road, Pingshan District, Benxi City, Liaoning Province		
Post Code of office address	117000		
Web Address	None		
Email	bgbc761@126.com		

II. Contact Information

	Secretary of Board of Directors	Representative of Securities Affairs
Name	Sun Yanbin	Tong Weigang
Address	No.16, Renmin Road, Pingshan District, Benxi City, Liaoning Province	No.16, Renmin Road, Pingshan District, Benxi City, Liaoning Province
Tel	024-47828860	024-47827003

Fax	024-47827004	024-47827004
Email	bgbcsyb@126.com	bgbcsyb@126.com

III. Information Disclosure and Place for Consulting

Press media for information disclosure	China Securities Journal, Securities Times, Hong Kong Commercial Daily
Web address for the annual report as assigned by CSRC	http://www.cninfo.com.cn
Place for inquiry of the annual report	Secretary Office of the Board, Bengang Steel Plate Co., Ltd.

IV. Change of Business Registration

Organization Code	91210000242690243E
Changes of principal business activities since listing (if any)	No change
Changes of the controlling shareholder in the past (if any)	No change

V. Other Information

Accountants' firm engaged by the Company:

Name of the accountants' firm	BDO China Shu Lun Pan Certified Public Accountants LLP
Address of the accountants' firm	Address: 4/F 61 Nanjing Rd. East, Huangpu, Shanghai
Signing name of accountants	Wu Xue, Zhang Huice

Sponsor engaged by the Company to conduct sustained supervision during the reporting period

☐ Applicable ☒ Not applicable

Financial consultancy institution engaged by the Company to conduct sustained supervision during the reporting period

☐ Applicable ☒ Not applicable

VI. Main Accounting Data and Financial Index

Whether the Company makes retroactive adjustment or restatement of the accounting data of the last years due to change of the accounting policy and correction of accounting errors

☐ Yes ☒ No

	2016	2015	Change over last year	2014
Operating income	29,526,012,651.08	29,253,638,605.80	0.93%	41,422,088,025.70
Net profit attributable to the shareholders of the listed company	781,274,829.32	-3,293,624,545.17	123.72%	232,804,820.19
Net profit after deducting non-recurring gain/loss attributable to the shareholders of listed company	736,095,375.87	-3,452,130,239.63	121.32%	187,126,217.32
Net cash flows generated by operating activities	9,557,353,906.52	-2,305,005,968.10	514.63%	2,868,140,094.86
Basic earnings per share	0.249	-1.050	123.72%	0.074
Diluted earnings per share	0.249	-1.050	123.72%	0.074
ROE	6.34%	-24.11%	30.45%	1.52%
	End of 2016	End of 2015	Change over last year	End of 2014
Total assets	54,155,710,718.91	44,461,643,345.33	21.80%	49,170,603,030.67
Net assets attributable to shareholders of the listed company	12,715,354,551.15	11,934,100,372.02	6.55%	15,384,562,323.08

VII. Differences between Domestic and Foreign Accounting Standards

1. Differences of net profit and net assets disclosed in financial reports prepared under IFRS and Chinese accounting standards.

☒ Applicable ☐ Not applicable

Unit: Yuan

	Net profit attributable to the shareholders of the listed company		Net assets attributable to the shareholders of the listed company	
	2016	2015	Ending balance	Beginning balance
According to Chinese accounting standards	781,274,829.32	-3,293,624,545.17	12,715,354,551.15	11,934,100,372.02
Items and amounts adjusted according to IFRS				

2. Differences of net profit and net assets disclosed in financial reports prepared under overseas and Chinese accounting standards.

☐ Applicable ☒ Not applicable

There are no differences of net profit and net assets disclosed in financial reports prepared under overseas and Chinese accounting standards during the reporting period.

3. Reasons of differences between domestic and foreign accounting standards

☐ Applicable ☒ Not applicable

VIII. Main Financial Index by Quarters

Unit: Yuan

	First quarter	Second quarter	Third quarter	Fourth quarter
Operation income	6,163,797,202.21	6,465,787,367.14	7,352,413,667.74	9,544,014,413.99
Net profit attributable to the shareholders of the listed company	41,106,090.36	141,432,085.96	392,077,397.20	206,659,255.80
Net profit after deducting	36,347,865.03	128,168,341.56	380,239,871.89	191,339,297.39

non-recurring gain/loss attributable to the shareholders of listed company				
Net cash flows generated by operating activities	2,598,490,197.76	-207,712,834.24	1,255,846,065.24	6,639,351,966.86

Whether significant variances exist between the above financial index or the index with its sum and the financial index of the quarterly report as well as semi-annual report index disclosed by the Company

☐ Yes ☒ No

IX. Items and Amount of Non-Current Gains and Losses

☒ Applicable ☐ Not applicable

Unit: Yuan

Item	2016	2015	2014	Notes
Gains and losses on disposal of non-current assets (including the write off part of the provision for impairment)	-1,854,918.03	-2,918,523.73	-3,000,928.56	
Government subsidy attributable to profit and loss of current period (except such government subsidy closely related to the company's normal business operation, meeting the regulation of national policy and enjoyed constantly in certain quota or quantity according to a certain standard)	36,089,000.00	136,992,233.61	18,722,224.00	
Profit or loss from investment or assets entrusted to others	1,715,742.47	7,226,589.08	20,845,473.00	

Gains and losses of debt restructuring	8,631,844.34	12,200,032.42	5,940,400.95	
Other non-operating income and expenses other than above	663,844.36	5,644,831.10	5,156,149.77	
Less: impact of income tax	66,059.69	639,468.02	710,902.39	
impact of minority equity (after tax)			1,273,813.90	
Total	45,179,453.45	158,505,694.46	45,678,602.87	--

Explanation for defining non-recurring gains and losses items according to the "Public Offering of Securities Information Disclosure Explanatory Notice No. 1 – Non-Recurring Gains and Losses", and reasons for defining non-recurring gains and losses items listed in the document as recurring items.

☐ Applicable ☒ Not applicable

There exists no situation of defining non-recurring gains and losses items listed in the document as recurring items.

III. Summary of Company Business

I. the Company's main business during the reporting period

Whether the Company needs to comply with the disclosure requirement for special industry

No

During the reporting period, the main businesses of the company involves iron and steel smelting, rolling processing, electricity generation, coal chemical industry, special steel profile, railway, import and export trade, research and development, product sales, etc. By introducing the world-advanced equipment technology, the company upgrades the equipment for main steel business and has basically built up a high-quality steel product base. Major products include hot-rolled plates, cold-rolled plates, zinc steel plates, special steel, silicon steel, etc. that are widely applied in fields including automobile, household appliances, petrochemical engineering, aerospace, machine manufacturing, energy transportation, architectural decoration, metal parts, etc. The Company can stably manufacture productions which represent the highest level of steel and iron industry, including high-end automobile steel sheet, pipe line, and etc. in large volume and the quality of these productions can reach the internationally advanced quality level.

Increasing efficiency is the oriented objective of the reporting period. The Company applied different methods to different departments to accomplish the objective. Manufacturing system reinforced production organization. Sales system emphasizes development of direct supplied end customers and high-grade steel to increase profits. Technology research and development system and quality supervisor system prompted product certification, key technology breakthrough and quality control. Besides, the Company applied the following methods. Implement comprehensively expenses elimination to strictly control three types of expenses and deeply apply standard cost. Reduce inventory to reduce occupation of funds. Reduce processing cost by prompting key technology breakthrough focused on reducing coal distribution and mine distribution cost. Apply comprehensively dynamic budget management through alternative varieties replacement and structural adjustment, as well as procurement choose and other methods to reduce purchase cost and purchase fund spending. The Company deems optimizing corporation management as the core process, intensifies each fundamental process, and ensures that management

level employees fully take their responsibilities. The Company improves rules and regulations, and enhances supervisor and assessment process of special project to let each process get improvement.

During the reporting period, the main performance-driving factors were: stimulating vitality through revolution, creating motivation through innovation, boosting management innovation and increasing productivity level and management through implement institutional reform. The Company built innovation system, established cooperation platform that regards continuously improving techniques in manufacturing system as the core process and the improvement in research and development, sales, and quality department as the supplementary process, and strengthened independent innovation capability. The Company highlighted scientific and technological innovation, improved the overall innovation and independently innovation capability through adjustment and development of varieties, implementation of key scientific and technological special projects, and strengthening of exchange and cooperation of technology with foreign companies. And the Company actively adjusted sales strategy and optimized regional distribution to realize the profits increasing generated from varieties.

The reporting period is the crucial period for steel and iron industry regarding industrial structure adjustment, transformation and upgrading. Because of the continuous policy of reducing excessive capacity, the whole market structure is expected to be further improved and the relationship between domestic steel supply and demand will be improved. Since domestic steel market presented stable relief rebound and market price increased, the Company's profits increased. However, the steel market upturns lead to company's large amount of restoring production and production increasing which made it more difficult for the Company to resolve the excess manufacturing capacity. Meanwhile, steel and iron industry still faced grim situation. During the reporting period, the Company increased profits through a serious of activities as following, formulated operation and management policy, intensified scientific and technological innovation and variety development, stabilized sales channel and reduced cost and the overall strength of the company maintains above the middle level in the whole industry.

II. Major Changes in Main Assets

1. Major Changes in Main Assets

Main assets	Notes to major changes
Monetary fund	As at 31 December 2016, balance of monetary fund is RMB 12,931,912

	thousand, increased by 151.57% compared with beginning balance, mainly due to increase of net cash flow from operating activities and increase in reserve funds.
Accounts receivable	As at 31 December 2016, balance of accounts receivable is RMB 623,865.4 thousand, increased by 27.69% compared with beginning balance, mainly due to increase in receivables for direct end users and container customers.
Construction materials	As at 31 December 2016, balance of construction materials is RMB 7,783.4 thousand, increased by 87.42% compared with beginning balance, mainly due to increase in unclaimed construction materials.

2. Main Information of Overseas Assets

☐ Applicable ☒ Not applicable

III. Analysis on Core Competitiveness

Whether the Company needs to comply with the disclosure requirement for special industry

No

The Company played the leading role of technology innovation in the comprehensive innovation to strengthen the adjustment of product structure, implemented key scientific and technological special projects, built the technological innovation platform, promoted the integration of research and innovation, application and high efficiency and improved the capability of independent innovation and substantial development.

The Company's National and Regional United Engineering Laboratory for Advanced Auto Steel has been authorized by National Development and Reform Commission so that one more Company's research and development platform upgraded to national research and development platform. Bengang joined in National Auto Lightweight Technology Innovation Strategic Alliance and actively integrated into national auto lightweight technology innovation system.

In this year, the Company developed 95 new product grades, there into, three items has been approved by provincial creative products and one item has been approved by China National Petroleum Corporation. All new

products passed the performance tests and satisfied customers' requirements. Some new products have already realized bulk supply. The Company has accomplished 33 product certifications. Certificated auto customer included Guangzhou Toyota Motor Co, Ltd. and Dongfeng Nissan. The Company is applying the certification from Volkswagen, General Motors, and SAIC Motor now. Special steel product has been certificated by OTIS. Two zinc steel products and two cold-rolled steel products completed performance assessment by SAIC General Motors American Laboratory. PHS1800 completed industrial trial production and got certification from domestic famous auto customer.

In 2016, the Company developed 79 corporation level research and development projects related to new product research and development, product quality improvement and technical progress improvement. 53 projects has been completed at the end of 2016. And 26 projects will be continued in 2017. There into, three hot-rolled steel products cooperation projects has reached international requirements and three cold-rolled cooperation projects has reached domestic leading level.

In this year, 21 results received provincial, municipal science and technology improvement award and excellent new product award. There into, Bengang Advance Auto Steel Series Products Research and Development project received Liaoning province major research and development achievement award. High Quality Wide Thick Pipeline Rolled Steel Manufacturing Technological Processing Research and Development project received second prize of Liaoning province scientific and technological progress award. High Niobium Pipeline Steel Rolling Methods received Liaoning province excellent patent award. A total of 205 patent items have been processed by China State Intellectual Property Office, including one PCT application, 81 inventions, and 123 practical innovation application. 125 patents were authorized, including 11 inventions and 114 practical innovation items. All realized substantial increase in this reporting period.

IV. Management Discussion and Analysis

I. General

During the reporting period, the Company faced grim operation situation and the most critical challenge through the Company history. Under the direction led by the Company, through employees' series of hard working, for example, making the scientific operation and management decisions, improving the capability of scientific research and product variety development, stabilizing the sales channel and reducing cost, the Company reached the total production of 9691.2 thousand tons pig iron, 9496.9 thousand tons raw steel, 11,272.4 thousand tons hot-rolled plates, 4317 thousand tons cold-rolled plates, which were increased by 2.39%, 1.71%, 1.57%, and 22.32% respectively compared to the last period and 683.6 thousand tons special steel which was decreased by 0.15%.

Looking back at the operation of 2016, the Company mainly focused on the following aspects:

1. The Company significantly improved the capability of increasing profits and enhancing efficiency of the products through sales and marketing development. The Company insisted on the market-oriented strategy, continuously focused on customer needs, optimized structure and increased efficiency to ensure proportion of products sold reached 100%.
2. The Company comprehensively upgraded the operational management of all processes and the quality of production system. The Company emphasized production plan process to ensure that contract can be delivered on time. According to the profits increasing plan and division of production lines, the Company continuously optimized its organization mode to arrange the weekly production plan which prioritized products with high profit return. On the basis of stabilizing the operation of each production line, the Company increased the execution rate of plan and contract completion rate to ensure that the contract of prior products can be completed at the due date.
3. The Company promoted technology innovation and yielded the substantial results in product research and development and key technology breakthrough. The Company played the leading role of technology innovation in the comprehensive innovation to strengthen the adjustment of product structure, implemented key scientific and technological special projects, built the technological innovation platform, promoted the integration of research

and innovation, application and high efficiency and improved the capability of independent innovation and substantial development.

4. The Company reformed the institution, innovated the management process, and further standardized and strengthened each fundamental management process. The Company deepened comprehensive reform, boosted management innovation and increase the productivity and level and management through implement institutional reform and process optimization, strengthen investment in risk control, financial cost, audit supervision, human resource, supplier, materials purchasing, equipment operation, energy utilization, product quality, transport service, and fixed asset, and the construction of major projects.

5. The Company persisted on green development and harmonious development to realize the sharing of corporation development results to employees and the society. While the Company strengthened its economic performance, it insisted operation philosophy of green development and harmonious development and regarded security, environmental protection and human development as important form parts of corporation development.

II. Main Business Analysis

1. General

For relevant information please refer to “Management Discussion and Analysis 1. General”.

2. Income and Cost

(1) Components of Operating Income

Unit: Yuan

	2016		2015		Change over last year
	Amount	Proportion	Amount	Proportion	
Total operating income	29,526,012,651.08	100%	29,253,638,605.80	100%	0.93%
By industries					
Industry	29,526,012,651.08	100.00%	29,253,638,605.80	100.00%	0.93%
By products					

Steel plate	27,509,431,558.50	93.17%	27,063,270,882.63	92.51%	1.65%
Billet	1,083,458.75	0.00%			
Others	2,015,497,633.83	6.83%	2,190,367,723.17	7.49%	-7.98%
By regions					
Northeast	8,437,683,126.99	28.58%	9,803,296,279.78	33.51%	-13.93%
North China	3,714,568,181.20	12.58%	2,250,800,509.79	7.69%	65.03%
East China	8,610,068,280.87	29.16%	8,734,382,778.07	29.86%	-1.42%
Northwest	12,684,259.06	0.04%	11,624,769.33	0.04%	9.11%
Southwest	9,035,194.69	0.03%	24,550,759.64	0.08%	-63.20%
Central south	20,890,552.83	0.07%	46,760,817.03	0.16%	-55.32%
Export	8,721,083,055.44	29.54%	8,382,222,692.16	28.65%	4.04%

(2) Industry, Product and Regions Occupying the Company's Operating Income or Profit over 10%

√ Applicable □ Not applicable

Whether the Company needs to comply with the disclosure requirement for special industry

No

Unit: Yuan

	Operating Income	Operating profit	Gross margin	Operating income change over last year	Operating profit change over last year	Gross margin change over last year
By industries						
Industry	29,526,012,651.08	25,677,665,232.12	13.03%	0.93%	-13.87%	14.94%
By products						
Steel plate	27,509,431,558.50	23,830,665,698.30	13.37%	1.65%	-13.91%	15.66%
Billet	1,083,458.75	981,830.32	9.38%			9.38%
Others	2,015,497,633.83	1,846,017,703.50	8.41%	-7.98%	-13.30%	5.62%
By regions						
Northeast	8,437,683,126.99	7,418,411,005.25	12.08%	-13.93%	-25.30%	13.38%
North China	3,714,568,181.20	3,171,273,526.74	14.63%	65.03%	33.84%	19.90%

East China	8,610,068,280.87	7,360,526,616.77	14.51%	-1.42%	-19.53%	19.24%
Northwest	12,684,259.06	11,059,405.47	12.81%	9.11%	-10.11%	18.65%
Southwest	9,035,194.69	7,883,207.37	12.75%	-63.20%	-69.57%	18.26%
Central south	20,890,552.83	18,260,432.23	12.59%	-55.32%	-63.14%	18.53%
Export	8,721,083,055.44	7,690,251,038.29	11.82%	4.04%	-7.09%	10.57%

Operating data of recent one year according to adjusted statistics caliber at the year-end in the case that the Company's main business statistics caliber has changed during the reporting period,

☐ Applicable ☒ Not applicable

(3) Whether the Company's Physical Sales Income Exceeded Service Income

☒ Yes ☐ No

Industry classification	Item	Unit	2016	2015	Change over last year
Steel rolling processing industry	Sales	ton	11,472,926.69	11,610,741.31	-1.19%
	Production	ton	11,406,457.32	11,597,504.49	-1.65%
	Inventory	ton	720,373.49	786,842.86	-8.45%

The main reasons that the relevant data changed more than 30%

☐ Applicable ☒ Not applicable

(4) Performance of Significant Sales Contract Signed-up in this Reporting Period

☐ Applicable ☒ Not applicable

(5) Components of Operating Cost

Unit: Yuan

Industry classification	Item	2016		2015		Change over last year
		Amount	Proportion	Amount	Proportion	
Steel rolling processing industry	Raw material	11,048,116,535.79	43.03%	12,942,748,210.39	43.41%	-0.38%

Steel rolling processing industry	Supplementary materials	1,271,301,205.64	4.95%	1,499,459,834.85	5.03%	-0.08%
Steel rolling processing industry	Spare parts and tools	378,211,917.00	1.47%	400,614,031.86	1.34%	0.13%
Steel rolling processing industry	Fuel	6,078,925,971.55	23.67%	7,709,142,042.53	25.86%	-2.19%
Steel rolling processing industry	Energy	2,687,749,842.84	10.47%	2,729,440,767.73	9.16%	1.31%
Steel rolling processing industry	Salary and benefits	1,663,003,962.99	6.48%	1,808,829,930.51	6.07%	0.41%
Steel rolling processing industry	Depreciation	1,847,129,545.38	7.19%	1,824,882,394.51	6.12%	1.07%
Steel rolling processing industry	Others	703,226,250.94	2.74%	896,777,804.48	3.01%	-0.27%
Steel rolling processing industry	Total	25,677,665,232.12	100.00%	29,811,895,016.85	100.00%	0.00%

(6) Whether Changes Occurred in Consolidation Scope in the Reporting Period

☐ Yes ☒ No

(7) Relevant Information of Significant Changes or Adjustment of the Business, Product or Service in the Reporting Period

☐ Applicable ☒ Not applicable

(8) Information of Main Customers and Main Suppliers

Information of the Company's main customers

Total sales amount of the top five customers (Yuan)	5,315,813,388.89
Total sales amount of the top five customers accounted for the proportion of total annual sales	18.00%
The proportion of the total sales of the related parties in the top five customers	2.82%

Information of the top 5 customers

No	Name	Amount(Yuan)	Proportion
1	Hangzhou Thermal Group Co., Ltd.	1,968,780,005.35	6.67%
2	Xiamen Jianfa Metals Co., Ltd.	1,003,132,401.62	3.40%
3	Hengxing International Resources Co., Ltd.	876,096,226.69	2.97%
4	Benxi Steel & Iron (Group) Mining Co., Ltd.	833,311,051.97	2.82%
5	Cargill Investment (China) Co., Ltd.	634,493,703.25	2.15%
Total	--	5,315,813,388.89	18.00%

Other information of principal customers

☐ Applicable ☒ Not applicable

Information of the Company's main suppliers

Total purchase amount of the top five suppliers (Yuan)	14,070,192,571.40
Total purchase amount of the top five suppliers accounted for the proportion of total purchase	54.80%
The proportion of the total purchase of the related parties in the top five suppliers	33.92%

Information of the top 5 suppliers

序号	Name	Amount(Yuan)	Proportion
1	Benxi Beiyang Steel & Iron (Group) Co., Ltd.	5,929,170,829.81	23.09%
2	Benxi Steel & Iron (Group) Mining Co., Ltd.	2,781,594,104.82	10.83%
3	Liaoning Electric Power Co., Ltd. Benxi Electric Power Supply Company	2,351,046,895.02	9.16%
4	Heilongjiang Dragon Coal Group Co., Ltd.	1,998,449,098.29	7.78%
5	Shenyang Coking Coal Co., Ltd. Sales Branch	1,009,931,643.47	3.93%
合计	--	14,070,192,571.40	54.80%

Other information of principal suppliers

☐ Applicable ☒ Not applicable

3. Expenses

Unit: Yuan

	2016	2015	Change over last year	Notes to significant change
Selling and distribution expenses	903,232,507.02	919,110,499.37	-1.73%	
General and administrative expenses	700,545,090.17	733,933,299.88	-4.55%	
Financial expenses	967,678,772.69	1,063,317,455.47	-8.99%	

4. Research and Development Input

☒ Applicable ☐ Not applicable

None

Information of research and development input by the company

	2016	2015	Change over last year
Number of Research and Development personnel	1,542	1,502	2.66%
Proportion of number of Research and Development personnel	7.44%	6.98%	0.46%
Amount of Research and Development Investment (In RMB)	1,437,398,000.00	1,531,589,000.00	-6.15%
Proportion of Research and Development investment to operating income	4.87%	5.24%	-0.37%
Amount of capitalized Research and Development investment	0.00%	0.00%	0.00%
Proportion of capitalized Research and Development investment accounted to total Research and Development investment	0.00%	0.00%	0.00%

Illustrations of the prominent change in proportion of research and development input occupying the operating income over same period last year

☐ Applicable ☒ Not applicable

Illustrations of significant change in the research and development input's capitalization rate and its reasonableness

☐ Applicable ☒ Not applicable

5. Cash Flow

Unit: Yuan

Item	2016	2015	Change over last year
Subtotal of cash inflows from operating activities	28,871,696,962.59	24,571,589,646.08	17.50%
Subtotal of cash outflows from operating activities	19,314,343,056.07	26,876,595,614.18	-28.14%
Net cash flows from operating activities	9,557,353,906.52	-2,305,005,968.10	514.63%
Subtotal of cash inflows from investing activities	467,307,421.09	1,775,980,060.32	-73.69%
Subtotal of cash outflows paid for investing activities	3,054,653,699.08	5,219,745,508.10	-41.48%
Net cash flows from investing activities	-2,587,346,277.99	-3,443,765,447.78	24.87%
Subtotal of cash inflows from financing activities	22,916,374,791.74	27,146,081,641.78	-15.58%
Subtotal of cash outflows from financing activities	22,469,812,521.87	26,180,913,966.24	-14.17%
Net cash flows from financing activities	446,562,269.87	965,167,675.54	-53.73%
Net increase in cash and cash equivalents	7,660,791,715.69	-4,714,251,257.09	262.50%

Illustrations of key factors of significant changes over same period last year

□ Applicable √ Not applicable

(1) Net cash flows from operating activities increased by 514.63% compared to last year, mainly due to reduction in cash paid for goods and services.

(2) Subtotal of cash inflows from investing activities decreased by 73.69% compared to last year, mainly due to reduction in purchase and recover of bank financial products.

(3) Subtotal of cash outflows from investing activities decreased by 41.48% compared to last year, mainly due to reduction in purchase of bank financial products.

(4) Net cash flows from financing activities decreased by 53.73% compared to last year, mainly due to reduction in loans.

(5) Net increase in cash and cash equivalents increased by 262.5% compared to last year, mainly due to increase in net cash flows from operating activities.

Illustrations of significant difference between cash flow from operating activities and net profit during the reporting period

☐ Applicable ☒ Not applicable

III. Analysis of Non-core Business

☒ Applicable ☐ Not applicable

	Amount	Proportion in total profit	Explanation of cause	Whether sustainable
Investment income	2,019,053.44	0.19%	Investment income from financial products and financial assets available for sale	Yes
Impairment of assets	136,135,960.40	13.11%	Inventory loss and bad debt loss	No
Non-operating income	58,071,429.33	5.59%		No
Non-operating expenses	14,541,658.66	1.40%		No

IV. Assets and Liabilities

1. Significant Change of Assets Components

Unit: Yuan

	End of 2016		End of 2015		Proportion change	Notes to significant change
	Amount	Proportion in the total assets (%)	Amount	Proportion in the total assets (%)		
Monetary fund	12,931,912,017.84	23.88%	5,140,480,509.97	11.56%	12.32%	
Accounts receivable	623,865,427.25	1.15%	488,584,624.72	1.10%	0.05%	
Inventories	9,782,173,936.74	18.06%	8,601,734,442.42	19.35%	-1.29%	
Investment property		0.00%		0.00%	0.00%	
Long-term equity investment		0.00%		0.00%	0.00%	
Fixed assets	20,688,468,637.44	38.20%	20,046,254,726.74	45.09%	-6.89%	
Construction in process	6,210,673,674.11	11.47%	5,646,624,293.27	12.70%	-1.23%	
Short-term loans	18,762,472,779.48	34.65%	18,139,885,596.60	40.80%	-6.15%	
Long-term loans	3,448,931,721.62	6.37%	1,005,919,974.09	2.26%	4.11%	

2. Assets and Liabilities Measured at Fair Value

☐ Applicable ☒ Not applicable

3. Restricted Assets by the End of the Period

Items	Ending balance	Reason
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Monetary assets	658,337,529.17	Deposit for notes and L/C
Notes receivable	682,288,925.93	Pledged for acceptance bill
Bank short-term financing products	244,000,000.00	Pledged for letter of credit
Total	1,584,626,455.10	

V. Investment

1. General

☐ Applicable ☒ Not applicable

2. Acquiring Significant Equity Investment in the Reporting Period

☐ Applicable ☒ Not applicable

3. Undergoing Significant Non-equity Investment in the Reporting Period

☐ Applicable ☒ Not applicable

4. Investment of Financial Assets

(1) Investment in Securities

☐ Applicable ☒ Not applicable

(2) Investment in Derivatives

☒ Applicable ☐ Not applicable

Unit: 10 thousand Yuan

Derivatives operation name	Relationship	Related party transaction	Derivatives investment type	Derivatives investment the initial investment	Start date	End date	Initial investment amount	the purchase amount during the reporting	The amount of sold during the reporting	Provision for impairment loss amount (if any)	The final amount of investment	The final investment company report	The actual profit and loss amount
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				ment amount				ng period	period			the final net worth ratio	nt durin g the repor ting perio d
Benga ng Bancai	Self	No	Hot rolling sheet future	1,214.0 4	30 June 2016	15 August 2016	1,214.0 4	1,204.7 9	1,219.3 5		0	0.00%	14.5 6
Total				1,214.0 4	--	--	1,214.0 4	1,204.7 9	1,219.3 5		0	0.00%	14.5 6
Derivatives investment funding				Owned fund									
Lawsuit (if any)				Not applicable									
Announcement date of approval of derivatives investment by board of directors (if any)				27 May 2016									
Announcement date of approval of derivatives investment by shareholders (if any)													
Risk analysis and control measures of the derivatives held during the reporting period (including but not limited to market risk, liquidity risk, credit risk, operation risk, legal risk, etc.)				<p>Using allocated billets and manufacture plates, using current and future sales and hedging as well, using spare capacity of production line, The Company dilutes the rolling cost and also locks the profits of manufacturing by using gap of base price of hedging tools. The Company established “Bengang Steel Plates Co., Ltd. futures management approach” and” Bengang Steel Plates Co., Ltd futures business rules” in order to fully assess the futures investment and holding risk and control the market.</p> <p>1 business scale will be controlled within the 20% of the purchasing and sales</p>									

	<p>targets. 2 the highest margin for hedging is RMB 200 million Yuan 3</p> <p>developing the futures business trading program, the program has fully assessed the possible legal risk, operational risk, market risk and develop effective control measures</p>
<p>Changes of market price or fair value of the invested derivatives during the reporting period and disclosure of the specific methods and relevant assumption and parameter setting when determining the fair value of the invested derivatives</p>	<p>The fair value as determined in the active market quotation。</p>
<p>During the reporting period, whether the accounting policies and accounting principles of derivatives of the company has greatly changed compared to last reporting period</p>	<p>No significant change</p>
<p>Special opinion of the independent director to the company's derivatives investment and risk control</p>	<p>In order to carry out the futures business, the Bengang Steel Plates Co., Ltd issued futures management methods and approach and clarified the organization system of risk control and other related business processes and business operation mode and to comply with the relevant national laws and regulations and the relevant provisions of the company's articles of association. Carrying out futures business is beneficial to reduce business risks and to adapt to the fierce market competition to achieve transformation spanning</p>

	development. The Company shall determine the highest limit of the futures margin and trades variety is reasonable and make sure that it will not affect the normal production and operation of the company and there is no damage to the company and the interests of all shareholders
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5. Use of Raised Funds

☐ Applicable ☒ Not applicable

There was no use of raised funds during the reporting period.

VI. Significant Assets and Equity Sold in Reporting Period

1. Significant Assets Sold

☐ Applicable ☒ Not applicable

There was no significant asset sold during the reporting period.

2. Substantial Equity Sold

☐ Applicable ☒ Not applicable

VII. Analysis on Main Subsidiaries and Share Participating Companies

☒ Applicable ☐ Not applicable

Main subsidiaries and the joint-stock companies influencing over 10% net profit of the Company

Unit: Yuan

Company Name	Company type	Main business	Registered capital	Total assets	Net assets	Operating income	Operating profit	Net Profit
Bengang Puxiang Cool Rolling Steel Sheet Co., Ltd.	Subsidiaries	Processing and sales of steel	1,920,000,000.00	4,417,626,292.34	2,090,053,294.96	5,453,347,561.49	221,849,215.95	187,050,304.77

Acquirement and disposal of subsidiaries during the reporting period

☐ Applicable ☒ Not applicable

Illustration of main joint-stock companies

VIII. Structure Entities controlled by the Company

☐ Applicable ☒ Not applicable

IX. Prospect for Future Development of the Company

1. The development trend of the industry and the market competition

The year 2017 will be a crucial year of deepening reform to State-owned Enterprises, optimizing industrial structure, and expanding the space of development. 2017 is also a key year for the Company to adjust ‘China’s New Normal’, seize new market challenge, deepen the reform, upgrade the quality, improve the efficiency, expand the market and innovation.

In 2017, China will step into the key stage of strengthen structural reform of the supply front. Steel industry will face significant opportunity in deepening revolution, structural adjustment, and demand upgrading, meanwhile, the industry will be challenged in the aspects of excess manufacturing capacity, and insufficient effective supply. The Company will face more fierce competition from the industrial perspective. However, because of the continuous policy of reducing excessive capacity, the whole market structure is expected to be further improved and the relationship between domestic steel supply and demand will be improved. The Company will seize the significant opportunity because of the bonus of national policy, for example, ‘the Belt and Road Initiatives’, ‘Made in China 2025’, ‘13th Five-Year Plan’ for reinvigorating of the Northeast, and the establishment of Liaoning pilot free trade zone.

2. The Company’s development strategy

The overall work route of the company in 2017 was established as: comprehensively implementing the contents of the Company’s economic working conference and work deployment, regarding improving the quality of economic operation as the overall orientation, improving the level of fundamental management operation as the guarantee, ensuring stable production and increasing employees’ benefits as the ultimate objective. The Company should deepen the reformation, improve the product quality, increase the efficiency, and keep innovation to realize the rapid development.

3. Business plan

Production: pig iron 920 million tons, raw steel 918 million tons, hot-rolled plate 1297 million tons, cold-rolled plates 595 thousand tons, special steel 70 thousand tons. Meanwhile, the Company plan to realize ‘three zeros’ in safety production. The business plan does not constitute a commitment of the company, so please be aware of the risks arising from such item, and the investors should understand the differences between a business plan and the commitment of performance.

In order to achieve the above-said goal, the company must try best to do the following key works: the first is to deepen the reform, and standardize the operation to provide system guarantee for the economic operation and development of the Company; the second is to make full use of the leading role of market and sales to promote regional customer structure adjustment and maximize the product benefits; the third is to ensure the product quality and delivery on time to realize production coordination operate in a stable way to bring stable productivity and higher yield; the fourth is to build highly efficient innovation system to improve the capability of individual innovation and sustainable development; the fifth is to reinforce the investment on major project and equipment improvement to provide guarantee to realize the quality and efficiency requirement of production; the sixth is to reduce cost in all aspects to receive profits through management, energy saving, and cost reducing; the seventh is to persist the principal of putting people at the first and practice corporate social responsibility to construct safe and eco-friendly modern plant; the eighth is to strengthen Party building and concentrate employees’ capability to promote the development of the Company in a health and harmonious way.

4. Maintaining current business and completing the required capital arrangements of invested projects under construction.

The company will use its own funds and the bank loans to meet the funds demand required by the production and operation and the technical transformation.

5. Potential risks

(1) Operational risk

National wide structural reform of the supply front and reducing excessive capacity among steel and iron industry implemented effectively, therefore, price of steel and iron products recovered. However, price recovery still existed risks because demand of steel products increases slowly. Meanwhile, price of raw materials continuously increases which will lead to the limited profit potential for the Company. Besides, international market has

intensified the anti-dumping investigation towards China's export steel and iron products, which leads to a grimmer situation for exporting the iron and steel, thus further increased the burden on the domestic market and threatened the Company's objectives of product sales and operation profits.

Counter measures: the Company should apply multi-process management including strengthens the optimization and management of upstream suppliers, management of purchase information and optimization pre-order system to possibly reduce the negative effect of price fluctuation of raw materials. Reduce material and energy consumption and manufacturing cost through intensifying manufacturing process management, improving technology and operation and raising equipment utilization efficiency. Increase sales volume and unit item profit by conducting market analysis, recognizing market condition in time, actively developing customers and intensifying product research and development.

(2) Environmental risk

With the increasingly completion of environmental protection legislation, the government further raised the requirements on environmental protection for enterprises, largely raised the pollutant emission standards for the iron and steel industry. Meanwhile, the environmental protection continues to maintain a high pressure situation, thus the iron and steel enterprises face great pressure on environmental protection.

Counter measures: intensify internal environmental protection management, fully implement environmental protection reformation projects, dig the potential of reducing emission, implement the environmental-protection management responsibility, strengthen the control on the pollution source, and strictly supervise the operation of environmental protection facilities to realize the real-time monitoring for the company's status on the environmental protection and dynamic adjustment.

X. Researches, visits and interviews received in this reporting period

1. Registration form of researches, visits and interviews received in this reporting period

☐ Applicable ☒ Not applicable

There was no research, visit or interview received in this reporting period.

V. Important Events

I. Profit Distribution or Capital Reserve Conversion

Formulation, implementation and adjustment of profit distribution policy of common shares especially cash dividend policy during the reporting period

☐ Applicable ☒ Not applicable

The profit distribution plan or proposal and the plan or proposal of conversion of the capital reserve into share capital in recent three years (including the reporting period)

1. Profit distribution proposal of 2016

As audited by BDO China Shu Lun Pan Certified Public Accountants LLP., the net profit attributable to the parent company of the year 2016 was RMB 781,274,829.32. After adding the retained profit of RMB -1,278,244,071.93 at beginning of the year, the balance of undistributed profit was -496,969,242.61.

Profits distribution plan of 2016: due to a negative undistributed profit balance at the year-end,, according to the relevant Chinese regulations and laws and the Company's Articles of Association, the company would not withdraw surplus reserves. The company planed not to distribute cash dividend or bonus shares, and not to convert capital reserve into share capital. This proposal was subject to approval of the Shareholders' Annual Meeting 2016.

2. Profit distribution plan of 2015

As audited by BDO China Shu Lun Pan Certified Public Accountants LLP., the net profit attributable to the parent company of the year 2015 was RMB -3,293,624,545.17. After adding the retained profit of RMB 2,172,180,473.24 at beginning of the year, and deducting RMB 156,800,000.00 of dividend distributed for the last year, the balance of undistributed profit was -1,278,244,071.93.

Profits distribution plan of 2015: due to a loss in 2015, according to the relevant Chinese regulations and laws and the Company's Articles of Association, the company would not withdraw surplus reserves. The company planed not to distribute cash dividend or bonus shares, and not to convert capital reserve into share capital.

3. Profit distribution plan of 2014

As audited by BDO China Shu Lun Pan Certified Public Accountants LLP., the net profit attributable to the parent company of the year 2014 was RMB 232,804,820.19. After withdrawing 10% statutory surplus reserves of RMB4,411,426.11, adding the retained profit of RMB 2,100,587,079.16 at beginning of year, and deducting RMB156,800,000.00 of dividend distributed for the last year, the profit distributable to the shareholders is RMB2,172,180,473.24.

Profits distribution plan of 2014: upon the total capital shares amounted to 3,136,000,000 shares as at December 31st 2014, RMB 0.5 (tax included) of dividend will be distributed upon each 10 shares to the whole shareholders. The dividend for common shares is totaled to RMB156,800,000.00. The remaining undistributed profit of RMB2,016,529,239.22 will be carried over to the next fiscal year.

Cash dividend distribution in recent three years

Unit: Yuan

Year	Cash dividend (Including Tax)	Net profit attributable to the parent company in the consolidated financial statements	Ratio in net profit attributable to the parent company in the consolidated financial statements	Amount of cash dividends in other ways	Proportion of cash dividends in other ways
2016	0.00	781,274,829.32	0.00%		
2015	0.00	-3,293,624,545.17	0.00%		
2014	156,800,000.00	232,804,820.19	67.35%		

Both the Company's profit and the parent company's retained earnings are positive however no proposal of cash dividend distribution was proposed during the reporting period

☐ Applicable ☒ Not applicable

II. Profit Distribution or Capital Reserve Conversion Proposal in the Reporting Period

☐ Applicable ☒ Not applicable

The Company planed not to distribute cash dividend or bonus shares, and not to convert capital reserve into share capital during the reporting period.

III. Performance of Committed Issues

1. The fulfilled commitments during the reporting period and under-fulfillment commitments by the end of the period made by actual controller, acquirer, director, supervisor, senior management personnel and other related parties.

☐ Applicable ☒ Not applicable

There was no fulfilled commitment during the reporting period or under-fulfillment commitment by the end of the period made by actual controller, acquirer, director, supervisor, senior management personnel and other related parties.

2. The Company made illustrations that there are assets or projects which meet the original profit forecast and the reasons when there are assets or projects profit forecast of the Company and the reporting period is still in the forecast period

☐ Applicable ☒ Not applicable

IV. Illustrations of Non-Operating Occupation of Funds by the Controlling Shareholder and Related Parties

☐ Applicable ☒ Not applicable

There was no non-operating occupation of funds by the controlling shareholder and related parties

V. Illustrations of the Supervisory Committee and Independent Directors (If Applicable) on the Qualified Audit Report Issued by the CPAs

☐ Applicable ☒ Not applicable

VI. Illustrations of Changes in the Accounting Policy, Accounting Estimate and Measurement Methods as Compared with the Financial Report of Last Year

☒ Applicable ☐ Not applicable

I. Summary of accounting policy changes

1. Date of change: from May 1, 2016

2. Reason of change:

On December 3, 2016, the Ministry of Finance issued Provisions on the accounting treatment of value added tax ([2016] no. 22). The main impacts of the implementation are as follows:

Adjust the “Business tax and surcharges” to “Tax and surcharges” in the income statement;

The business activities of the occurrence of property tax, land use tax, vehicle and vessel use tax, stamp tax from May 1, 2016 is reclassified from “General and administrative expenses” to “Tax and surcharges”. The tax occurred before May 1, 2016 shall not be adjusted. Comparative data stays unadjusted;

The debit balance of the sub-item under Tax payable such as VAT payable, VAT not paid, input VAT to be deducted, input VAT to be verified, VAT overpaid will be reclassified from Tax payable to other current assets or other non-current assets. Comparative data stays unadjusted.

3. Accounting policies before change:

The income statement sets "business tax and additional" item, and business activities of the occurrence of property tax, land use tax, vehicle and vessel use tax, stamp tax are recorded in administrative expenses.

4. Accounting policies after change:

According to the requirements document, the Company implemented above requirements from May 1, 2016, and adjusted the “Business tax and surcharges” to “Tax and surcharges” in the income statement. Meanwhile, business activities of the occurrence of property tax, land use tax, vehicle and vessel use tax, stamp tax from May 1, 2016 is reclassified from “General and administrative expenses” to “Tax and surcharges”. The tax occurred before May 1, 2016 shall not be adjusted. Comparative data stays unadjusted.

II. Impacts of accounting policy changes to the Company

The accounting policy change of the Company involves adjustment between profit and loss items according to the provisions of Ministry of Finance, and thus does not affect the profit and loss, and involves no retroactive adjustment. The main impacts of the accounting policy change are as follows:

No	The contents and reasons of accounting policy changes	Financial statement items affected	Amount
1	Adjust the “Business tax and surcharges” to “Tax and surcharges” in the income statement.	Tax and surcharges	Not applicable
2	The business activities of the occurrence of property tax, land use tax, vehicle and vessel use	Tax and surcharges, administrative	Tax and surcharges item have increased by RMB

	tax, stamp tax from May 1, 2016 is reclassified from “General and administrative expenses” to “Tax and surcharges”. The tax occurred before May 1, 2016 shall not be adjusted. Comparative data stays unadjusted.	expenses	65,261,381.86, while General and administrative expenses have decreased by RMB 65,261,381.86.
3	The debit balance of the sub-item under Tax payable such as VAT payable, VAT not paid, input VAT to be deducted, input VAT to be verified, VAT overpaid will be reclassified from Tax payable to other current assets or other non-current assets. Comparative data stays unadjusted.	Tax payable, other current assets	The ending balance of other current assets has increased by RMB 86,134,653.84 and the tax payable has increased by RMB 86,134,653.84

The change in accounting policy only affected above items, and had no impact on profit and loss, total assets, and net assets.

VI. Illustrations of Retrospective Restatement Due to Correction of Significant Accounting Errors in the Reporting Period

☐ Applicable ☒ Not applicable

There was no retrospective restatement due to correction of significant accounting errors during the reporting period

VIII. Illustrations of Changes of the Consolidation Scope as Compared with the Financial Report of Last Year

☐ Applicable ☒ Not applicable

There was no change of the consolidation scope as compared with the financial report of last year

IX. Appointment and Dismiss of Certified Accountant's Firm

Accountant's firm currently appointed

Name of the domestic accountant's firm	BDO China Shu Lun Pan Certified Public Accountants LLP
Payment to the domestic accountant's firm (RMB 10 thousand)	280
Service life of domestic accountant's firm providing audit service	9
Name of CPAs from the domestic accountant's firm	Wu Xue, Zhang Huice

Name of the overseas accountant's firm (if any)	None
Payment to overseas accountant's firm (RMB 10 thousand) (if any)	0
Service life of overseas accountant's firm providing audit service (if any)	None
Name of CPAs from the overseas accountant's firm (if any)	None

Whether the accountant's firm was changed during the reporting period

☐ Yes ☒ No

Engagement of accountant's firms, financial consultants or sponsors for internal control auditing

☒ Applicable ☐ Not applicable

The Company appointed BDO China Shu Lun Pan Certified Public Accountants LLP as the auditor of internal control auditing at RMB600 thousand.

X. Risk of Suspension or Termination of Listing after the Disclosure of Annual Report

☐ Applicable ☒ Not applicable

XI. Bankrupt and Reforming Events

☐ Applicable ☒ Not applicable

There was no bankrupt and reforming event during the reporting period.

XII. Significant Lawsuits and Arbitrations

☐ Applicable ☒ Not applicable

There was no significant lawsuit or arbitrations during the reporting period.

XIII. Punishment and Rectification

☐ Applicable ☒ Not applicable

There was no punishment or rectification during the reporting period.

XIV. Credit Status of the Company and its Controlling Shareholders and Actual Controllers

☐ Applicable ☒ Not applicable

There was no effective judgment of a court or large amount of debt maturity that the Company, its controlling shareholders and actual controller failed to perform or pay off during the reporting period.

XV. Implementation Situation of Stock Incentive Plan of the Company, Employee Stock Ownership Plan or Other Employee Incentive Measures

☐ Applicable ☒ Not applicable

XVI. Major Related Party Transactions

1. Related party transactions relevant to daily operations

☒ Applicable ☐ Not applicable

Related parties	Relationship	Type of related party transactions	Content of related party transactions	Pricing principle of related party transactions	Price of related party transactions	Amount of related party transactions (in 10 thousand)	Proportion of similar transactions	The approved trading limit of transactions (in 10 thousand)	Whether exceed the approved limited (Y/N)	Means of payment of related party transactions	Available market price of similar transactions	Date of disclosure	Index of disclosure
Benxi Steel & Iron (Group) Co., Ltd.	Parent Company	Purchase of goods and services	Accounts payable for repair	On agreement	Related agreement price	22,377.59	0.87%	32,000	No	Execute according to the agreement	No		
Bengang Cold-rolled Stainless Steel Dandong Co., Ltd.	Same controller	Purchase of goods and services	Products	On agreement	Related agreement price	19.79	0.00%	1,000	No	Execute according to the agreement	Yes		
Benxi Steel & Iron (Group) Mining Co., Ltd.	Same controller	Purchase of goods and services	Labor cost	On agreement	Related agreement price	2,202.94	0.09%	500,000	No	Execute according to the agreement	No		
Benxi Steel & Iron (Group) Mining Co., Ltd.	Same controller	Purchase of goods and services	Raw material and supplementary material	On agreement	Related agreement price	275,948.02	10.74%		No	Execute according to the agreement	Yes		
Benxi Steel & Iron (Group) Mining Co., Ltd.	Same controller	Purchase of goods and services	Freight	On agreement	Related agreement price	8.45	0.00%		No	Execute according to the agreement	Yes		
Benxi Steel & Iron (Group) Metallurgy Residues Co., Ltd.	Same controller	Purchase of goods and services	Raw material and supplementary material	On agreement	Related agreement price	12,193.97	0.47%	20,000	No	Execute according to the agreement	No		
Benxi Steel & Iron (Group) Steel & Iron Process and Logistics Co., Ltd.	Same controller	Purchase of goods and services	Processing fee	On agreement	Related agreement price	409.35	0.02%	800	No	Execute according to the agreement	No		
Benxi Steel & Iron (Group) Real-estate Development Co., Ltd.	Same controller	Purchase of goods and services	Raw materials	On agreement	Related agreement price	7,343.63	0.29%	8,000	No	Execute according to the agreement	Yes		
Benxi Steel & Iron (Group) Machinery Manufacture Co., Ltd.	Same controller	Purchase of goods and services	Spare parts	On agreement	Related agreement price	19,213.76	0.75%	35,000	No	Execute according to the agreement	Yes		
Benxi Steel & Iron (Group) Machinery Manufacture Co., Ltd.	Same controller	Purchase of goods and services	Repair services	On agreement	Related agreement price	1,822.64	0.07%		No	Execute according to the agreement	No		
Benxi Steel & Iron (Group) Construction Co., Ltd.	Same controller	Purchase of goods and services	Spare parts	On agreement	Related agreement price	24.29	0.00%	80,000	No	Execute according to the agreement	No		
Benxi Steel & Iron (Group) Construction Co., Ltd.	Same controller	Purchase of goods and services	Project fee	On agreement	Related agreement price	17,318.35	0.67%		No	Execute according to the agreement	No		
Benxi Steel & Iron (Group) Construction Co., Ltd.	Same controller	Purchase of goods and services	Repair services	On agreement	Related agreement price	11,396.14	0.44%		No	Execute according to the agreement	No		
Benxi Steel & Iron (Group) Construction Co., Ltd.	Same controller	Purchase of goods and services	Raw material and supplementary material	On agreement	Related agreement price	1,195.6	0.05%		No	Execute according to the agreement	No		
Benxi Steel & Iron (Group) Construction Co., Ltd.	Same controller	Purchase of goods and services	Freight	On agreement	Related agreement price	293.69	0.01%		No	Execute according to the agreement	No		

Related parties	Relationship	Type of related party transactions	Content of related party transactions	Pricing principle of related party transactions	Price of related party transactions	Amount of related party transactions (in 10 thousand)	Proportion of similar transactions	The approved trading limit of transactions (in 10 thousand)	Whether exceed the approved limited (Y/N)	Means of payment of related party transactions	Available market price of similar transactions	Date of disclosure	Index of disclosure
Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	Same controller	Purchase of goods and services	Raw material and supplementary material	On agreement	Related agreement price	21,849.65	0.85%	40,000	No	Execute according to the agreement	No		
Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	Same controller	Purchase of goods and services	Repair services	On agreement	Related agreement price	1,003.8	0.04%		No	Execute according to the agreement	No		
Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	Same controller	Purchase of goods and services	Freight	On agreement	Related agreement price	745.85	0.03%		No	Execute according to the agreement	No		
Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	Same controller	Purchase of goods and services	Project fee	On agreement	Related agreement price	248.27	0.01%		No	Execute according to the agreement	No		
Benxi Steel & Iron (Group) Construction and Repairing Co., Ltd.	Same controller	Purchase of goods and services	Raw material & supplementary materials & spare parts	On agreement	Related agreement price	782.34	0.03%	25,000	No	Execute according to the agreement	No		
Benxi Steel & Iron (Group) Construction and Repairing Co., Ltd.	Same controller	Purchase of goods and services	Project fee	On agreement	Related agreement price	12,773.74	0.50%		No	Execute according to the agreement	No		
Benxi Steel & Iron (Group) Construction and Repairing Co., Ltd.	Same controller	Purchase of goods and services	Accounts payable for repair	On agreement	Related agreement price	4,555.98	0.18%		No	Execute according to the agreement	No		
Bengang Electronics and Gas Co., Ltd.	Same controller	Purchase of goods and services	Raw material and supplementary material	On agreement	Related agreement price	12,138.43	0.47%	20,000	No	Execute according to the agreement	No		
Bengang Electronics and Gas Co., Ltd.	Same controller	Purchase of goods and services	Project fee	On agreement	Related agreement price	116.85	0.00%		No	Execute according to the agreement	No		
Bengang Electronics and Gas Co., Ltd.	Same controller	Purchase of goods and services	Repair services	On agreement	Related agreement price	1,514.32	0.06%		No	Execute according to the agreement	No		
Benxi High-tech Drilling Tools Manufacture Co., Ltd.	Same controller	Purchase of goods and services	Spare parts	On agreement	Related agreement price	46.97	0.00%	1,000	No	Execute according to the agreement	No		
Benxi New Career Development Co., Ltd.	Same controller	Purchase of goods and services	Labor protection fee	On agreement	Related agreement price	743	0.03%		No	Execute according to the agreement	No		
Benxi New Career Development Co., Ltd.	Same controller	Purchase of goods and services	Raw material and supplementary material and food	On agreement	Related agreement price	91.91	0.00%	1,200	No	Execute according to the agreement	No		
Liaoning Metallurgy Technician College	Same controller	Purchase of goods and services	Spare parts	On agreement	Related agreement price	948.48	0.04%	1,500	No	Execute according to the agreement	No		
Liaoning Metallurgy Technician College	Same controller	Purchase of goods and services	Project fee	On agreement	Related agreement price	140.93	0.01%		No	Execute according to the agreement	No		
Liaoning Metallurgy	Same	Purchase of	Repair services	On agreement	Related	219.08	0.01%	1,000	No	Execute according	No		

Related parties	Relationship	Type of related party transactions	Content of related party transactions	Pricing principle of related party transactions	Price of related party transactions	Amount of related party transactions (in 10 thousand)	Proportion of similar transactions	The approved trading limit of transactions (in 10 thousand)	Whether exceed the approved limited (Y/N)	Means of payment of related party transactions	Available market price of similar transactions	Date of disclosure	Index of disclosure
Technician College	controller	goods and services			agreement price					to the agreement			
Bengang Group International Economic and Trading Co., Ltd.	Same controller	Purchase of goods and services	Agency fee	On agreement	Related agreement price	5,727.01	0.22%		No	Execute according to the agreement	No		
Bengang Group International Economic and Trading Co., Ltd.	Same controller	Purchase of goods and services	Port surcharges	On agreement	Related agreement price	16,060.87	0.63%	35,000	No	Execute according to the agreement	No		
Benxi Steel & Iron (Group) Information and Automatic Tech Co., Ltd.	Same controller	Purchase of goods and services	Spare parts	On agreement	Related agreement price	1,448.52	0.06%		No	Execute according to the agreement	No		
Benxi Steel & Iron (Group) Information and Automatic Tech Co., Ltd.	Same controller	Purchase of goods and services	Project fee	On agreement	Related agreement price	1,055.39	0.04%	7,000	No	Execute according to the agreement	No		
Benxi Steel & Iron (Group) Information and Automatic Tech Co., Ltd.	Same controller	Purchase of goods and services	Repair services	On agreement	Related agreement price	80	0.00%		No	Execute according to the agreement	No		
Benxi Steel & Iron (Group) Thermal Power Development Co., Ltd.	Same controller	Purchase of goods and services	Heating costs	On agreement	Related agreement price	664.79	0.03%	2,000	No	Execute according to the agreement	No		
Benxi Steel & Iron (Group) Thermal Power Development Co., Ltd.	Same controller	Purchase of goods and services	Raw material and supplementary material	On agreement	Related agreement price	13.35	0.00%		No	Execute according to the agreement	No		
Benxi Steel & Iron (Group) Designing Institute	Same controller	Purchase of goods and services	Design fees	On agreement	Related agreement price	690.52	0.03%	5,000	No	Execute according to the agreement	No		
Benxi Beiyang Steel & Iron (Group) Co., Ltd.	Same controller	Purchase of goods and services	Raw material and supplementary material	On agreement	Related agreement price	531,397.56	20.68%	800,000	No	Execute according to the agreement	No		
Benxi Beiyang Steel & Iron (Group) Co., Ltd.	Same controller	Purchase of goods and services	Energy & Power	On agreement	Related agreement price	56,085.19	2.18%		No	Execute according to the agreement	No		
Benxi Beiyang Steel & Iron (Group) Co., Ltd.	Same controller	Purchase of goods and services	Freight	On agreement	Related agreement price	572.61	0.02%		No	Execute according to the agreement	No		
Benxi Beiyang Steel & Iron (Group) Co., Ltd.	Same controller	Purchase of goods and services	Labor cost	On agreement	Related agreement price	3,951.3	0.15%		No	Execute according to the agreement	No		
Benxi Beiyang Steel & Iron (Group) Co., Ltd.	Same controller	Purchase of goods and services	Spare parts	On agreement	Related agreement price	910.42	0.04%		No	Execute according to the agreement	No		
Liaoning Hengtong	Same	Purchase of	Raw material and	On agreement	Related	10,121.19	0.39%	15,000	No	Execute according	No		

Related parties	Relationship	Type of related party transactions	Content of related party transactions	Pricing principle of related party transactions	Price of related party transactions	Amount of related party transactions (in 10 thousand)	Proportion of similar transactions	The approved trading limit of transactions (in 10 thousand)	Whether exceed the approved limited (Y/N)	Means of payment of related party transactions	Available market price of similar transactions	Date of disclosure	Index of disclosure
Metallurgical Equipment Manufacture Co., Ltd.	controller	goods and services	spare parts		agreement price					to the agreement			
Liaoning Hengtai Heavy Machinery Co., Ltd.	Same controller	Purchase of goods and services	Raw material and spare parts	On agreement	Related agreement price	1,263.91	0.05%		No	Execute according to the agreement	No		
Liaoning Hengtai Heavy Machinery Co., Ltd.	Same controller	Purchase of goods and services	Repair and labor cost	On agreement	Related agreement price	1,068.72	0.04%	6,000	No	Execute according to the agreement	No		
Bengang Group Co., Ltd.	控制人	Purchase of goods and services	Property management fee	On agreement	Related agreement price	84.55	0.00%	1,000	No	Execute according to the agreement	No		
Bengang Electronics and Gas Co., Ltd.	Same controller	Sales of goods and services	Energy & Power	On agreement	Related agreement price	94.8	0.00%	300	No	Execute according to the agreement	No		
Benxi Beiyang Steel & Iron (Group) Co., Ltd.	Same controller	Sales of goods and services	Raw material & supplementary materials & spare parts	On agreement	Related agreement price	11,910.03	0.40%	150,000	No	Execute according to the agreement	No		
Benxi Beiyang Steel & Iron (Group) Co., Ltd.	Same controller	Sales of goods and services	Products	On agreement	Related agreement price	765.3	0.03%		No	Execute according to the agreement	Yes		
Benxi Beiyang Steel & Iron (Group) Co., Ltd.	Same controller	Sales of goods and services	Energy & Power	On agreement	Related agreement price	23,879.65	0.81%		No	Execute according to the agreement	No		
Benxi Steel & Iron (Group) Real-estate Development Co., Ltd.	Same controller	Sales of goods and services	Energy & Power	On agreement	Related agreement price	61.72	0.00%	1,000	No	Execute according to the agreement	No		
Benxi Steel & Iron (Group) Steel & Iron Process and Logistics Co., Ltd.	Same controller	Sales of goods and services	Energy & Power	On agreement	Related agreement price	54.71	0.00%		No	Execute according to the agreement	No		
Benxi Steel & Iron (Group) Steel & Iron Process and Logistics Co., Ltd.	Same controller	Sales of goods and services	Products	On agreement	Related agreement price	7,329.61	0.25%	40,000	No	Execute according to the agreement	Yes		
Benxi Steel & Iron (Group) Machinery Manufacture Co., Ltd.	Same controller	Sales of goods and services	Products	On agreement	Related agreement price	1,120.45	0.04%	15,000	No	Execute according to the agreement	Yes		
Benxi Steel & Iron (Group) Machinery Manufacture Co., Ltd.	Same controller	Sales of goods and services	Energy & Power	On agreement	Related agreement price	1,554.19	0.05%		No	Execute according to the agreement	No		
Benxi Steel & Iron (Group) Machinery Manufacture Co., Ltd.	Same controller	Sales of goods and services	Raw material & supplementary materials & spare parts	On agreement	Related agreement price	136.05	0.00%		No	Execute according to the agreement	No		
Benxi Steel & Iron (Group) Construction Co., Ltd.	Same controller	Sales of goods and services	Energy & Power	On agreement	Related agreement price	392.78	0.01%		No	Execute according to the agreement	No		

Related parties	Relationship	Type of related party transactions	Content of related party transactions	Pricing principle of related party transactions	Price of related party transactions	Amount of related party transactions (in 10 thousand)	Proportion of similar transactions	The approved trading limit of transactions (in 10 thousand)	Whether exceed the approved limited (Y/N)	Means of payment of related party transactions	Available market price of similar transactions	Date of disclosure	Index of disclosure
Benxi Steel & Iron (Group) Construction Co., Ltd.	Same controller	Sales of goods and services	Raw material & supplementary materials & spare parts	On agreement	Related agreement price	2,756.04	0.09%	25,000	No	Execute according to the agreement	No		
Benxi Steel & Iron (Group) Mining Co., Ltd.	Same controller	Sales of goods and services	Energy & Power	On agreement	Related agreement price	74,573.08	2.53%		No	Execute according to the agreement	No		
Benxi Steel & Iron (Group) Mining Co., Ltd.	Same controller	Sales of goods and services	Raw material & supplementary materials & spare parts	On agreement	Related agreement price	7,117.49	0.24%	100,000	No	Execute according to the agreement	No		
Benxi Steel & Iron (Group) Mining Co., Ltd.	Same controller	Sales of goods and services	Freight revenue	On agreement	Related agreement price	858.68	0.03%		No	Execute according to the agreement	No		
Benxi Steel & Iron (Group) Mining Co., Ltd.	Same controller	Sales of goods and services	Products	On agreement	Related agreement price	781.85	0.03%		No	Execute according to the agreement	Yes		
Benxi Steel & Iron (Group) Thermal Power Development Co., Ltd.	Same controller	Sales of goods and services	Energy & Power	On agreement	Related agreement price	2,819.49	0.10%		No	Execute according to the agreement	No		
Benxi Steel & Iron (Group) Thermal Power Development Co., Ltd.	Same controller	Sales of goods and services	Raw material & supplementary materials & spare parts	On agreement	Related agreement price	2,599.61	0.09%	15,000	No	Execute according to the agreement	No		
Benxi Steel & Iron (Group) Thermal Power Development Co., Ltd.	Same controller	Sales of goods and services	Freight revenue	On agreement	Related agreement price	66.15	0.00%		No	Execute according to the agreement	No		
Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	Same controller	Sales of goods and services	Energy & Power	On agreement	Related agreement price	823.58	0.03%		No	Execute according to the agreement	No		
Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	Same controller	Sales of goods and services	Products	On agreement	Related agreement price	22.3	0.00%		No	Execute according to the agreement	Yes		
Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	Same controller	Sales of goods and services	Raw material & supplementary materials & spare parts	On agreement	Related agreement price	11,640.04	0.39%	15,000	No	Execute according to the agreement	No		
Benxi Steel & Iron (Group) Information and Automatic Tech Co., Ltd.	Same controller	Sales of goods and services	Energy & Power	On agreement	Related agreement price	18.43	0.00%	50	No	Execute according to the agreement	No		
Benxi Steel & Iron (Group) Construction and Repairing Co., Ltd.	Same controller	Sales of goods and services	Energy & Power	On agreement	Related agreement price	97.49	0.00%		No	Execute according to the agreement	No		
Benxi Steel & Iron (Group) Construction	Same controller	Sales of goods and	Raw material & supplementary	On agreement	Related agreement	188.5	0.01%	1,000	No	Execute according to the agreement	No		

Related parties	Relationship	Type of related party transactions	Content of related party transactions	Pricing principle of related party transactions	Price of related party transactions	Amount of related party transactions (in 10 thousand)	Proportion of similar transactions	The approved trading limit of transactions (in 10 thousand)	Whether exceed the approved limited (Y/N)	Means of payment of related party transactions	Available market price of similar transactions	Date of disclosure	Index of disclosure
and Repairing Co., Ltd.		services	materials & spare parts		price								
Benxi Steel & Iron (Group) Metallurgy Residues Co., Ltd.	Same controller	Sales of goods and services	Energy & Power	On agreement	Related agreement price	371.37	0.01%		No	Execute according to the agreement	No		
Benxi Steel & Iron (Group) Metallurgy Residues Co., Ltd.	Same controller	Sales of goods and services	Raw material & supplementary materials & spare parts	On agreement	Related agreement price	1,669.59	0.06%	10,000	No	Execute according to the agreement	No		
Benxi Steel & Iron (Group) Metallurgy Residues Co., Ltd.	Same controller	Sales of goods and services	Freight revenue	On agreement	Related agreement price	0.89	0.00%		No	Execute according to the agreement	No		
Benxi Steel & Iron (Group) Metallurgy Residues Co., Ltd.	Same controller	Sales of goods and services	Products	On agreement	Related agreement price	217.33	0.01%		No	Execute according to the agreement	Yes		
Benxi Steel & Iron (Group) Co., Ltd.	Parent Company	Sales of goods and services	Energy & Power	On agreement	Related agreement price	272.47	0.01%		No	Execute according to the agreement	No		
Benxi Steel & Iron (Group) Co., Ltd.	Parent Company	Sales of goods and services	Raw material & supplementary materials & spare parts	On agreement	Related agreement price	923.88	0.03%	15,000	No	Execute according to the agreement	No		
Benxi New Career Development Co., Ltd.	Same controller	Sales of goods and services	Energy & Power	On agreement	Related agreement price	47.31	0.00%	500	No	Execute according to the agreement	No		
Dalian Boluole Steel Tube Co., Ltd.	Same controller	Sales of goods and services	Products	On agreement	Related agreement price	369.82	0.01%	1,000	No	Execute according to the agreement	Yes		
Liaoning Bengang Steel & Iron Trading Co., Ltd.	Same controller	Sales of goods and services	Products	On agreement	Related agreement price	6,564.11	0.22%	40,000	No	Execute according to the agreement	Yes		
Benxi Steel & Iron (Group) General Hospital	Same controller	Sales of goods and services	Energy & Power	On agreement	Related agreement price	9	0.00%	100	No	Execute according to the agreement	No		
Benxi Steel & Iron (Group) Zhengtai Construction Materials Co., Ltd.	Same controller	Sales of goods and services	Energy & Power	On agreement	Related agreement price	0.14	0.00%	50	No	Execute according to the agreement	No		
Liaoning Hengtong Metallurgical Equipment Manufacture Co., Ltd.	Same controller	Sales of goods and services	Energy & Power	On agreement	Related agreement price	1,565.92	0.05%		No	Execute according to the agreement	No		
Liaoning Hengtong Metallurgical Equipment Manufacture Co., Ltd.	Same controller	Sales of goods and services	Raw material & supplementary materials & spare parts	On agreement	Related agreement price	2,681.9	0.09%	10,000	No	Execute according to the agreement	No		
Liaoning Hengtong Metallurgical Equipment	Same controller	Sales of goods and services	Products	On agreement	Related agreement price	226.76	0.01%		No	Execute according to the agreement	Yes		

Related parties	Relationship	Type of related party transactions	Content of related party transactions	Pricing principle of related party transactions	Price of related party transactions	Amount of related party transactions (in 10 thousand)	Proportion of similar transactions	The approved trading limit of transactions (in 10 thousand)	Whether exceed the approved limited (Y/N)	Means of payment of related party transactions	Available market price of similar transactions	Date of disclosure	Index of disclosure
Manufacture Co., Ltd.													
Bengang Cold-rolled Stainless Steel Dandong Co., Ltd.	Same controller	Sales of goods and services	Raw material & supplementary materials & spare parts	On agreement	Related agreement price		0.00%	1,000	No	Execute according to the agreement	No		
Suzhou Bengang Industrial Co., Ltd.	Same controller	Sales of goods and services	Products	On agreement	Related agreement price	17,469.08	0.59%	35,000	No	Execute according to the agreement	Yes		
Bengang Group Finance Co., Ltd.	Same controller	Sales of goods and services	Energy & Power	On agreement	Related agreement price	1.58	0.00%	1,000	No	Execute according to the agreement	No		
Bengang Group Co., Ltd.	控制人	Sales of goods and services	Energy & Power	On agreement	Related agreement price	8.3	0.00%	500	No	Execute according to the agreement	No		
Total				--	--	1,244,945.18	--	2,114,000	--	--	--	--	--
Details of any sales return of a large amount				None									
Give the actual situation during the reporting period where a forecast had been made for the total amounts of routine related-party transactions, by type to occur in the current period(if any)				None									
Reason for any significant difference between the transaction price and the Market price for reference (if applicable)				None									

2. Related transactions relevant to asset acquisition or sold

☐ Applicable ☒ Not applicable

There was no related transaction relevant to asset acquisition or sold during the reporting period.

3. Related transactions relevant to joint investments

☐ Applicable ☒ Not applicable

There was no related transaction relevant to joint investments during the reporting period.

4. Credits and liabilities with related parties

☒ Applicable ☐ Not applicable

Whether there is any non-operating related credits and debts

☐ Yes ☒ No

There was no non-operating related credits and debts during the reporting period.

5. Other significant related transactions

☐ Applicable ☒ Not applicable

There was no other significant related transaction during the reporting period.

XVII. Major Contracts and Their Performance

1. Trusteeship, contracting and lease

(1) Trusteeship

☐ Applicable ☒ Not applicable

There was no trusteeship during the reporting period.

(2) Contracting

☐ Applicable ☒ Not applicable

There was no contracting during the reporting period.

(3) Lease

☐ Applicable ☒ Not applicable

There was no lease during the reporting period.

2. Guarantee

☐ Applicable ☒ Not applicable

There was no guarantee during the reporting period.

3. Entrusting Others for Managing Cash Asset**(1) Entrusted Finance**

☒ Applicable ☐ Not applicable

Title of trustee	Whether Related party transactions or not	Type of product	Amount entrusted	Started on	Expired on	Means of reward	Principal retrieved in this period	Provision of impairment (if any)	Predicted gains	Actual profit and loss of the period	Actual profit and loss retrieved in this period
Ping An Bank Dalian Xi-gang Branch	No	Capital guaranteed	4,100	March 24, 2016	September 23, 2016	On agreement	4,100		54.9	54.9	Recover
Ping An Bank Dalian Xi-gang Branch	No	Capital guaranteed	7,200	April 21, 2016	October 21, 2016	On agreement	7,200		96.93	96.93	Recover
Ping An Bank	No	Capital guaranteed	1,300	May 26, 2016	November 25, 2016	On agreement	1,300		17.41	17.41	Recover

Dalian Xi-gang Branch		ed			2016	ent					
Industri al Bank Benxi Branch	No	Capital guarante ed	30,000	Septemb er 7, 2016	Septemb er 8, 2016	On agreem ent	30,000		2.05	2.05	Recover
Industri al Bank Benxi Branch	No	Capital guarante ed	4,000	Novemb er 29,2016	Novemb er 30,2016	On agreem ent	4,000		0.28	0.28	Recover
Total			46,600	--	--	--	46,600		171.57	171.57	--
Resource of entrusted funds			The Company's own temporarily idle funds								
Accumulated principal and gains overdue			0								
Lawsuit (if any)			None								
Date of announcement made by the Board about approval of entrusted finance			April 29, 2016								
Date of announcement made by the Shareholders' Meeting about approval of entrusted finance			May 27, 2016								
Whether there is a plan for future trust entrusted finance			Yes								

(2) Entrusted Loans

☐ Applicable ☒ Not applicable

There was no entrusted loan during the reporting period.

4. Other Major Contracts

☐ Applicable ☒ Not applicable

There was no other major contract during the reporting period.

XVIII. Social Responsibilities**1. Performing corporation social responsibility of targeted poverty alleviation**

☐ Applicable ☒ Not applicable

2. Performing other corporation social responsibilities

During the reporting period, the Company conformed to the provisions stipulated by the relevant documents of social responsibility implementation, actively protected the legitimate rights and interests of the creditors and staff, honestly treated the suppliers, customers and consumers and actively engaged in the public welfare undertakings such as environmental protection and community development, while pursuing the economic profits and protecting the interests of the shareholders. In the business activities, the company consciously complied with the principle of voluntariness, fairness, compensation of equal value and honesty and credibility, consciously abided by social morality, professional ethics, consciously accepted the supervision from the government and the public and actively performed the company's social responsibility.

Whether the listed Company and its subsidiaries are among key pollution companies launched by Environmental Protection Department

Yes

During the reporting period, five subordinate units of the Company were listed as the national key monitoring companies, including coke plant, iron-making factory, steel-making factory, power plant and raw material plant. The Company had 104 air pollution emissions vents and 3 sewage emission points. The Company followed

several emission standards including ‘air pollution emission standard for thermal power plant’, ‘air pollution emission standard for steel and iron sintering and pellet production’, ‘air pollution emission standard for iron-making industry’, ‘air pollution emission standard for steel-making industry’, ‘air pollution emission standard for rolling steel industry’, ‘air pollution emission standard for coking industry’, ‘air pollution emission standard for boiler’, ‘Liaoning province sewage emission standard’, and ‘environmental noise emission standard for industrial company’s plant area’, etc. The total amount of key pollution emission volumes are as following, 35448 tons of sulfur dioxide, 32628 tons of nitrogen oxides, 2404 tons of COD, and 153 tons of ammonia nitrogen. Each pollution emission volumes reached counter requirement of emission concentration standard. There was no excessive emission, significant environmental problem, or rectification situation.

In 2016, the Company completed 191 environmental protection projects, and accumulated invention was 393.79 million. Major projects included the 2*265 Square Meter Sintering Machine Desulfurization Project of Blast Furnace Plant, Dust Removal Project of Power Plant High-pressure Workshop, Desulfurization and Denitration Projects for Coal-fired Boiler of Power Plant High-pressure Workshop, Power Plant No 3 workshop Heat and Power Cogeneration Renovation Project, Desulfurization Environmental Protection Renovation of Liaoyang Pellet, and the Second Stage of Replacing Steam Heating by Water Heating Project in the Plant Area, etc. The Company accumulatively invested 1817.1 thousand on greening and seedling replanting in 39 subordinate units. The Company totally planted 880 thousand flowers and 3500 square meters grass. The Company accumulatively invested 1500 thousand on plant maintenance. Overall, the Company positively took its environmental responsibility.

Whether the Company launched Social Responsibility Report

☐ Yes ☒ No

XIX. Other Major Issues

☐ Applicable ☒ Not applicable

There was no need for illustrating other major issue.

XX. Major Issues of Subsidiaries

☐ Applicable ☒ Not applicable

VI. Status of Share Capital Changes and Shareholders

I. Share Capital Changes

1. Share capital changes

Unit: Share

	Before the change		Increase/decrease(+, -)					After the Change	
	Quantity	Percentage	Issuing of new share	Bonus shares	Capitalization of common reserve fund	Others	Subtotal	Quantity	Percentage
II. Non-restricted Shares	3,136,000,000	100.00%						3,136,000,000	100.00%
1. Common shares in RMB	2,736,000,000	87.24%						2,736,000,000	87.24%
2. Foreign shares in domestic market	400,000,000	12.76%						400,000,000	12.76%
III. Total shares	3,136,000,000	100.00%						3,136,000,000	100.00%

Causation of share capital changes

☐ Applicable ☒ Not applicable

Approval of share capital changes

☐ Applicable ☒ Not applicable

Status of registration process of transferred shares

☐ Applicable ☒ Not applicable

Influences of share capital changes on financial indices such as basic earnings per share, diluted earnings per share, and net asset per share attributed to common shareholders

☐ Applicable ☒ Not applicable

Other information the Company deems necessary to be disclosed or required by the authority

☐ Applicable ☒ Not applicable

2. Changes of Restricted Shares

☐ Applicable ☒ Not applicable

II. Securities Issuance and Listing**1. Status of Security Issuance (Excluding Preferred Shares) in the Reporting Period**

☐ Applicable ☒ Not applicable

2. Total Share and Shareholder Change and Asset and Liability Structure Change

☐ Applicable ☒ Not applicable

3. Employee Shareholding Status

☐ Applicable ☒ Not applicable

III. Shareholders and Actual Controller**1. Total Number of shareholders and shareholding**

In Shares

Total number of common shareholders at the end of the reporting period	66,419	Total shareholders at the end of the month from the date of disclosing the annual report	56,454	The total number of preferred shareholders voting rights restored at the end of the reporting period (See Notes 8)	0	Total preferred shareholders at the end of the month from the date of disclosing the annual report (if any) (See Notes 8)	0	
Shareholding of shareholders holding more than 5% or top 10 shareholders								
Name of the shareholder	Nature of shareholder	Holding Percentage (%)	Number of shares held at period-end	Changes in reporting period	Restricted shares held	Un-restricted shares held	Number of pledged or frozen shares	
							Status	Number

Benxi Steel & Iron (Group) Co., Ltd.	State-owned legal person	77.88%	2,442,316,069			2,442,316,069	Pledged	924,000,000
Zhou Jie	Domestic natural person	0.26%	8,179,000			8,179,000		
BBH A/C VANGUARD EMERGING MARKETS STOCK INDEX FUND	Overseas legal person	0.26%	8,157,311			8,157,311		
China Merchants Securities Co., LTD.	Domestic non-State-owned legal person	0.23%	7,293,753			7,293,753		
Zhan Changcheng	Domestic natural person	0.15%	4,660,515			4,660,515		
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	Overseas legal person	0.15%	4,606,141			4,606,141		
CITIGROUP GLOBAL MARKETS LIMITED	Overseas legal person	0.14%	4,235,196			4,235,196		
Haitong International Securities Company Limited-Account Client	Overseas legal person	0.10%	3,286,109			3,286,109		
Agricultural Bank of China—Fullgoal State-owned Enterprise Reform Index Classification Securities Investment Fund	Others	0.09%	2,750,000			2,750,000		
Ji Qinghui	Domestic natural person	0.08%	2,622,500			2,622,500		

Strategy investors or general legal person becomes top 10 shareholders due to rights issued (if any) (See Notes 3)	None		
Notes to relationship or ‘action in concert’ among the top 10 shareholders.	It is unknown to the Company whether there is any related connection or ‘Action in Concert’ as described by Rules of Information Disclosing Regarding Changing of Shareholding Status of Listed Companies existing among the above shareholders.		
Shareholding of top 10 unrestricted shareholders			
Name of the shareholder	Un-restricted shares held at the end of the reporting period	Category of shares	
		Category of shares	Quantity
Benxi Steel & Iron (Group) Co., Ltd.	2,442,316,069	Common shares in RMB	2,442,316,069
Zhou Jie	8,179,000	Foreign shares in domestic exchange	8,179,000
BBH A/C Vanguard Emerging Markets Stock Index Fund	8,157,311	Foreign shares in domestic exchange	8,157,311
China Merchants Securities Co., LTD.	7,293,753	Common shares in RMB	7,293,753
Zhan Changcheng	4,660,515	Foreign shares in domestic exchange	4,660,515
Vanguard Total International Stock Index Fund	4,606,141	Foreign shares in domestic exchange	4,606,141
Citigroup Global Markets Limited	4,235,196	Foreign shares in domestic exchange	4,235,196
Haitong International Securities Company Limited-Account Client	3,286,109	Foreign shares in domestic exchange	3,286,109
Agricultural Bank of China—	2,750,000	Common shares in RMB	2,750,000

Fullgoal Stat-owned Enterprise Reform Index Classification Securities Investment Fund			
Ji Qinghui	2,622,500	Foreign shares in domestic exchange	2,622,500
Notes to relationship or 'action in concert' among the top 10 non-restricted shareholders, and among the top 10 non-restricted shareholders and top 10 shareholders	<p>Benxi Steel & Iron (Group) Co., Ltd., the holding shareholder, has no relationship with any of the other shareholders among the top 10 shareholders, neither being regarded as action-in-concert parties by the Information Disclosure Regulations for Change of Shareholding in PLC.</p> <p>The Company is not aware of any relationship among the other shareholders, neither being regarded as action-in-concert parties by the Information Disclosure Regulations for Change of Shareholding in PLC.</p> <p>The Company is not aware of any relationship among the top 10 shareholders, neither being regarded as action-in-concert parties by the Information Disclosure Regulations for Change of Shareholding in PLC.</p>		
Shareholders among the top 10 participating in securities margin trading (if any) (see Note 4)	None		

Whether top 10 common shareholders and top 10 un-restricted common shareholders have a buy-back agreement dealing in reporting period

☐ Yes ☒ No

Top 10 common shareholders and top 10 un-restricted common shareholders had no buy-back agreement dealing in reporting period.

2. Controlling Shareholder

Nature of Controlling Shareholders: Local state holding

Type of Controlling Shareholders: Legal person

Name of the Controlling	Legal representative /	Date of incorporatio	Organizatio n Code	Principal business activities
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shareholder	person in charge	n		
Benxi Steel & Iron (Group) Co., Ltd.	Han Ge	July 10, 1996	91210500119726263U	Business scope: steel smelt, mine exploitation, panel rolling, oxygen manufacturing, pipe manufacturing, power generating, coal industry, special steel material manufacturing, heating, supply of the water, electricity, wind and gas, metal processing, electro mechanics builds, device manufacturing, architecture installation, railway, highway transportation, import and export trade, traveling industry, construction material, refractory material, measuring device instrument, goods and materials supply and marketing, development of real estate, scientific research, design , information service, property management, telecommunication, processing of waste iron, property leasing, exchange of steel material, and recycling of waste oils (to the extent of licensed to the subsidiary companies) , property management; publishing of Bengang Daily; designing and making of presswork and advertisement, releasing, producing of TV advertisements in the country and abroad.
Equity of other domestic/foreign listed company with share controlling and share	None			

participation by controlling shareholder in reporting period	
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Changes of controlling shareholders during the reporting period

☐ Applicable ☒ Not applicable

3. Actual Controller

Actual controller nature: Local state owned assets management

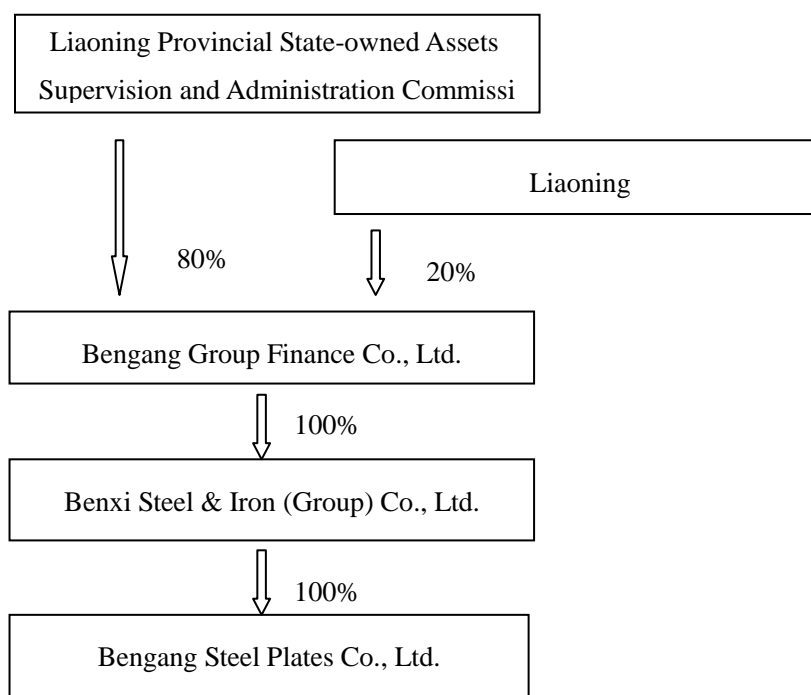
Actual controller type: Legal person

Name of the controlling shareholder	Legal representative / person in charge	Date of incorporation	Organization Code	Principal business activities
Bengang Group Co., Ltd.	Chen Jizhuang	November 25, 2010	91210000564625575 9	Asset management
Equity of other domestic/foreign listed company with share controlling and share participation by controlling shareholder in reporting period	None			

Change of actual controller during the reporting period

☐ Applicable ☒ Not applicable

Block diagram of the ownership and control relations between the Company and the actual controller



Whether the actual controller is controlling the Company through trusteeship or other asset management service

☐ Applicable ☒ Not applicable

4. Shareholders holding More than 10% of the Shares

☐ Applicable ☒ Not applicable

5. Status of Share Reduction Limitation of Controlling Shareholders, Actual Controller, Restructuring Party and Other Commitment Subjects

☐ Applicable ☒ Not applicable

VII. Status of Preferred Shares

☐ Applicable ☒ Not applicable

There was no Preferred Shares during the reporting period.

VIII. Status of Directors, Supervisors, Senior Executives and Employees

I. Change in Shares held by Directors, Supervisors and Senior Executives

Name	Position	Office status	Sex	Age	Starting date of office term	Expiry date of office term	Shares held at the year-begin	Shares increased during the reporting period	Shares decreased during the reporting period	Other increase / decrease	Shares held at the year-end
Wang Shu	Director, Chairman	In office	Male	46	December 27, 2016	May 26, 2019					
Cao Aimin	Director, Chairman	In office	Male	50	October 26, 2009	May 26, 2019					
Han Ge	Director, General Manager	In office	Male	48	February 19, 2014	May 26, 2019					
Tang Chaosheng	Director	In office	Male	54	December 27, 2016	May 26, 2019					
Jin Yongli	Independent Director	In office	Male	59	May 17, 2013	May 26, 2019					
Zhong Tianli	Independent Director	In office	Female	61	May 20, 2014	May 26, 2019					
Zhao Xinan	Independent Director	In office	Male	57	May 21, 2015	May 26, 2019					
Dong Liju	Supervisor, Chairman of Supervisory	In office	Female	53	February 19, 2014	May 26, 2019					

	Committee										
Han Mei	Supervisor	In office	Female	48	February 19, 2014	May 26,2019					
Li Lin	Supervisor	In office	Female	49	February 19, 2014	May 26,2019					
Li Zhengchun	Supervisor	In office	Male	44	April 1, 2015	May 26,2019					
Zhang Yanlong	Supervisor	In office	Male	40	January 26, 2014	May 26,2019					
Zhang Jichen	Deputy General Manager	In office	Male	60	June 26, 2008	May 26,2019					
Bao Mingwei	Deputy General Manager	In office	Male	54	December 28, 2012	May 26,2019					
Wang Fengmin	Deputy General Manager	In office	Male	52	January 26, 2014	May 26,2019					
Hu Guangyuan	Deputy General Manager	In office	Male	57	January 26, 2014	May 26,2019					
Wang Shaoyu	Deputy General Manager, CFO	In office	Male	53	October 28, 2015	May 26,2019					
Sun Yanbin	Secretary of the Board	In office	Male	35	August 3, 2015	May 26,2019					
Zhao Zhongmin	Director, Chairman	Resigned	Male	50	May 21, 2015	December 8, 2016					
Zhao Wei	Director	Resigned	Male	50	May 21, 2015	August 23, 2016					
Total	--	--	--	--	--	--					

II. Change in Directors, Supervisors and Senior Executives

Name	Position	Type of change	Date	Reason
Zhao Zhongmin	Director, Chairman	Resigned	December 8, 2016	Change of position
Zhao Wei	Director	Resigned	August 23, 2016	Change of position

III. Posts holding

Work experience in the past five years of Directors, Supervisors and Senior Executives in current office

Profiles of the members of the Board::

Wang Shu, Male, 46, undergraduate, MBA, economist. Once General Manager Assistant of Benxi Steel & Iron (Group) Co., Ltd. and Manager of Guo Mao; General Manager Assistant of Bengang Group Co., Ltd. and Manager of Guo Mao; Deputy General Manager of Bengang Group Co., Ltd. He is now deputy CCP Secretary, General Manager, Deputy Chairman of Bengang Group Co., Ltd. and Chairman of Bengang Steel Plates Co., Ltd.

Cao Aimin, Male, 50, undergraduate, senior accountant. Once Head of Capital Division of Finance Department; Head of Planning and Finance Division; and Chief Accountant. He is now Director and Chief Accountant of Bengang Group Co., Ltd., Vice Chairman of Bengang Steel Plates Co., Ltd.

Hen Ge, Male, 48, undergraduate, MBA, senior engineer. Once he was manager of hot-rolling factory of the Company; vice manager of iron-making factory; assistant of general manager of Bengang Group. He is now Chairman of Benxi Steel & Iron (Group) Co., Ltd. and General Manager of Bengang Steel Plates Co., Ltd.

Tang Chaosheng, Male, 48, postgraduate, senior accountant. Once he was Chief Accountant of Bengang Group Dalian Fire Resistant Material Co., Head of No.1 Division of Bengang Group Audit Department; Chief Accountant of Bengang Bei Ying; Head of Bengang Goup Co. Ltd. Finance Department. He is now Assistant General Manager and Head of Finance Department of Bengang Group Co., Ltd. and Director of Bengang Steel Plates Co., Ltd.

Jin Yongli, Male, 59, postgraduate, professor. Once he was the dean of engineering school of Shenyang University. At present he is the dean of Business School of Shenyang University. He has been Independent Director of the Company since May 2013.

Zhong Tianli, Female, 61. Once she was Professor of Northeast Universities(Doctorial Tutor) . Once she was vice dean of Business School of Northeast University, dean of Fundamental Study School and Head of Accounting Institute of Northeast University. At present she is professor of Accounting Dept. of Business School of Northeast University. She has been Independent Director of the Company since May 2014.

Zhao Xinan, Male, 57, Professor of Northeast Universities(Doctorial Tutor) . Once he was vice dean of Business School of Northeast University, member of the national Education Dept of Management science and Engineering Teaching steering Committee; He is now Professor of Business School of Northeast University. He has been independent director of the Company since May 2015.

Profiles of the Supervisory Committee:

Dong Liju, Female, 53, undergraduate, senior engineer. Once she was head of auditing department of the Company; the secondary Chairman of Supervisory Committee of the Company. She now is Supervisor, Deputy Secretary Commission for Discipline Inspection of Bengang Group; Chairman of Supervisory Committee of Bengang Steel Plates Co., Ltd.

Hen Mei, Female, 48, undergraduate, senior accountant. Once she was the vice head of financial department of the Company; vice head of auditing department and head of administration department of the supervisory committee of Bengang Group; Provincial Government Liaison in Bengang Benxi Steel & Iron (Group) Co., Ltd. Director of Audit Dept. She now is Head of Audit Department, Head of Supervisory Committee Management of Bengang Group; Head of Audit Department and the third Chairman of Supervisory Committee of Benxi Steel & Iron (Group) Co. Ltd.; Supervisor of Bengang Steel Plates Co. Ltd.

Li Lin, Female, 49, postgraduate, engineer. Once she was the administrator of HR department of Bengang Group; vice chief engineer of Transportation Department of the Company; substitute chairman of the trade union of

Transportation Department of the Company. She now is Secretary of Commission for Discipline Inspection of Transportation Department and Chairman of the Labour Union of Bengang Steel Plates Co. Ltd. She is Supervisor of Bengang Steel Plates Co. Ltd.

Li Zhengchun, Male, 44, undergraduate, senior administration engineer. Once he was member of Human Resource Department of Bengang Group; Assistant Director, Director of Organization Management Department. He now is Deputy Director of CCP Work Department of Bengang Steel Plates Co. Ltd.; Deputy Chairman of Labour Union, Deputy Secretary of Commission for Discipline Inspection and Supervisor of Bengang Steel Plates Co. Ltd.

Zhang Yanlong, Male, 40, undergraduate, senior engineer. He once was the workshop manager of steel-making factory; vice chief of QC department of iron-making factory, Director of Steel-making plant, Manager of Manufacturing Department of Bengang Steel Plates Co., Ltd.; He is now the assistant of director of production division of steel-making plant, Supervisor of Bengang Steel Plates Co. Ltd.

Executives other than directors:

Zhang Jichen, Male, 60, postgraduate, senior engineer. Once the vice director of planning department of Benxi Steel & Iron (Group) Co., Ltd.; Vice director of Development and Strategy Department and Director of Industrial Policy Division; Director and Secretary of the Board of Bengang Steel Plates Co. Ltd. At present he is Vice General Manager of Bengang Steel Plates Co., Ltd.

Bao Mingwei, Male, 54, undergraduate, senior engineer. Once he was Vice Director and Secretary of CCP of hot-rolled steel plant of Bengang Steel Plates Co. Ltd., Director of the plant. He is now Vice General Manager of Bengang Steel Plates Co. Ltd.

Wang Fengmin, Male, 52, postgraduate, senior engineer. Once he was Vice Director of Iron-making plant, Director and Secretary of CCP of Iron-making plant of Bengang Steel Plates Co. Ltd. He is now Vice General Manager and Director of Manufacturing Department of Bengang Steel Plates CO. Ltd.

Hu Guangyuan , Male, 57, postgraduate, senior engineer. Once he was the vice general manager and general manager of Bengang Puxiang Cool-rolling Plate Co., Ltd.; Vice General Manager and Dean of Product Research and Development Institution of Bengang Steel Plates Co. Ltd. He is now Vice General Manager of Bengang Steel Plates Co. Ltd. and Director of cold-rolled plant.

Wang Shaoyu, Male, 53, undergraduate, senior accountant. Once he was Vice Director of Financial Department of Bengang Steel Plates Co. Ltd.; Deputy director, Director of Financial Department; Assistant of General Manager. He is now Vice General Manager and Director of Financial Department of Bengang Steel Plates Co. Ltd.

Sun Yanbin, Male, 35, undergraduate, senior accountant. Once he was the officer and deputy director of budget finance Dept of Bengang Group; manager of Finance Dept of hot rolling factory of Finance Dept of Bengang Steel Plates Co., Ltd.; the assistant minister of Finance Dept of Bengang Steel Plates Co., Ltd.. At present he is the Secretary of the Board of Bengang Steel Plates Co., Ltd..

Posts holding in Shareholders

√ Applicable □ Not applicable

Names of the persons in office	Names of the shareholders	Titles engaged in the shareholders	Starting date of office term	Expiry date of office term	Does he /she receive remuneration or allowance from the shareholder
Wang Shu	Bengang Group Co., Ltd.	Vice Secretary of CCP, General Manager, Chairman	December 1, 2013		Yes
Cao Aimin	Bengang Group Co., Ltd.	Director, Chief Accountant	November 1, 2010		Yes
Han Ge	Benxi Steel & Iron (Group) Co., Ltd.	Chairman	March 1, 2016		No
Tang Chaosheng	Bengang Group Co., Ltd.	General Manager Assistant, Director of Financial Department	February 1, 2013		Yes

Dong Liju	Bengang Group Co., Ltd.	Supervisor, Deputy Secretary of Commission for Discipline Inspection	September 1, 2014		Yes
Han Mei	Bengang Group Co., Ltd.	Director of Audit Department, Director of Supervisory Committee Management	February 1, 2016		Yes
Office taking in shareholder companies	None				

Posts holding in other companies

☐ Applicable ☒ Not applicable

Punishment by the securities regulatory authorities in last three years

☐ Applicable ☒ Not applicable

IV. Remuneration to Directors, Supervisors and Senior Executives

Decision-making procedures, basis of recognition and actual payment of the remuneration to Directors, Supervisors and Senior Executives

Decision making procedures

1. The Remuneration and Assessment Committee will produce a plan or proposal, which will be implemented upon approval of the Board or the Shareholders' Meeting;
2. According to performance assessment criteria and procedures, the Remuneration and Assessment Committee undertakes assessment on the Directors and Senior Executives;
3. Remuneration amounts and ways of rewards will be proposed according to the assessment and remuneration policies for Directors, Supervisors and Senior Executives, and adopted by voting;
4. To be implemented upon approval of the Board.

Basis of recognition

Remuneration scheme for a particular position is recognized basing on the range of responsibilities, duties.
Remunerations are distributed based on the assessment results and remuneration policies.

Actual payment of the remuneration

Remuneration is paid on monthly basis according to the remuneration allocation policies.

Remuneration of Directors, Supervisors and Senior Executives during the reporting period

Unit: 10 thousand Yuan

Name	Position	Sex	Age	Office status	Total remuneration received from the shareholder	Whether receive remuneration in the Company's related parties
Wang Shu	Director, Chairman	Male	46	In office		Yes
Cao Aimin	Director, Chairman	Male	50	In office		Yes
Han Ge	Director, General Manager	Male	48	In office	23.52	No
Tang Chaosheng	Director	Male	54	In office		Yes
Jin Yongli	Independent Director	Male	59	In office	5	No
Zhong Tianli	Independent Director	Female	61	In office	5	No
Zhao Xinan	Independent Director	Male	57	In office	5	No
Dong Liju	Supervisor, Chairman of Supervisory Committee	Female	53	In office		Yes
Han Mei	Supervisor	Female	48	In office		Yes
Li Lin	Supervisor	Female	49	In office	12.5	No
Li Zhengchun	Supervisor	Male	44	In office	11.84	No
Zhang Yanlong	Supervisor	Male	40	In office	13.97	No
Zhang Jichen	Deputy General Manager	Male	60	In office	22.75	No
Bao Mingwei	Deputy General Manager	Male	54	In office	23.19	No
Wang Fengmin	Deputy General	Male	52	In office	22.51	No

	Manager					
Hu Guangyuan	Deputy General Manager	Male	57	In office	19.4	No
Wang Shaoyu	Deputy General Manager, CFO	Male	53	In office	22.51	No
Sun Yanbin	Secretary of the Board	Male	35	In office	9.92	No
Zhao Zhongmin	Director, Chairman	Male	50	Resigned		Yes
Zhao Wei	Director	Male	50	Resigned		Yes
Total	--	--	--	--	197.11	--

Incentive equity to Directors, Supervisors and Senior Executives during the reporting period

☐ Applicable ☒ Not applicable

V. Staff Condition

1. Staff Population, Professional Structure and Education Level

Population of in-service staff in parent company	20,099
Population of in-service staff in main subsidiaries	632
Total population of in-service staff	20,731
Total population of staff receiving remuneration in the current period	20,731
Population of retired staff whose expense was borne by parent company and major subsidiary companies	21,600
Professional Composition	
Type of Professional Composition	Population
Production Staff	16,852
Sales Staff	213
Technician	1,356
Financial Staff	149
Administrative Staff	2,161

Total	20,731
Educational Degree	
Type of Educational Degree	Population
Postgraduate or above	366
Undergraduate	3,504
Junior college	5,669
Secondary school ,high school, technical school	4,693
Below secondary school	6,499
Total	20,731

2. Remuneration Policies

In 2016, based on the principle of the linkage between economic benefits and employee benefits , and based on the current corporation profits making situation, the Company lead all subsidiaries to adjust the internal distribution system that prioritize front line employees benefits to realize the linkage between employees income level, post contribution and Company's profits making situation. Meanwhile, the Company researched current situation of each subsidiaries employee salary distribution system including special awards and salary distribution for those employees who cannot complete their job to further standardize the salary distribution system. Besides, the Company optimized the ERP employee salary distribution system, re-determined the scope to ensure the timeliness and accuracy of approval and distribution of salary by fully utilization of the ERP system.

3. Training Plan

38 training programs were provided to 13286 employees, ensuring that 85% training plan were enforced and 70% of the whole employees were covered.

4. Outsourcing

☐ Applicable ☒ Not applicable

IX. Corporate Governance

I. Basic Situation of Corporate Governance

Since listed in the stock exchange, the Company has been following the laws, regulations and documents such as the Company Law, Securities Law, Listed Company Governance Rules, Shareholders' Meeting Criteria of Listed Companies, Guide of Lifting the Quality of Listed Company, and Instructions for Articles of Association of Listed Companies. The Company has been establishing and improving governance structure to protect the interests of the Company and the investors. The Shareholders' Meeting was working with clear responsibilities and decision making procedures. Arrangements were made to enable convenient participating of the public investors. Online voting system was introduced for material decision making processes. During the reporting period, according to the relevant laws and regulations, and combining with the actual situation of the Company, 'Management Measures for Futures' was formulated.

Whether there exist any difference in compliance with corporate governance, PRC Company Law and relevant provisions of CSRC

☐ Yes ☒ No

There exist no difference in compliance with corporate governance, PRC Company Law and relevant provisions of CSRC.

II. Explanation on Structural Independence of the Company on Business, Personnel, Assets, Organization and Finance from the Controlling Shareholder

The Company is separated from the controlling shareholder in aspects of business, personnel, assets, organization and finance, etc. and has its own independent and complete business operation.

(1) In business operation: the Company has its own production and business planning, financial affairs check and calculate, personnel, raw material supplies and products selling business system independently and completely, .

(2) In personnel: The Company and controlling shareholder are separate in such aspects as labor, personnel and salary management.

Such senior executives as company's chairman, general manager, vice general manager, secretary of Board of Directors, etc. get salary from the Company, and have not held the important position other than a director in shareholding party.

(3) In Asset: The Company is separated from the controlling shareholder's clearly in asset. The Company has its own independent purchase, production, and marketing system.

(4) In organization: The internal operations of the Company are independent; organization structuring and working function are totally independent.

(5) In finance: The company has independent financial & accounting department, the accounting and financial management system were are complete and operated independently, and has bank account and pay taxes independently.

III. Competition Situations of the Industry

☐ Applicable ☒ Not applicable

IV. Annual General Meeting and Extraordinary Shareholders' Meetings in the Reporting Period

1. Annual General Meeting

Sessions	Type	Investor participation ratio	Meeting Date	Date of disclosure	Index of information disclosure
Annual General Meeting of 2015	Annual General Meeting	0.07%	May 26, 2016	May 27, 2016	Announcement No.: 2016-030 http://www.cninfo.com.cn
The first provisional Shareholders' General Meeting in 2016	Provisional shareholders' General Meeting	0.08%	December 27, 2016	December 28, 2016	Announcement No.: 2016-062 http://www.cninfo.com.cn

2. Request for Extraordinary General Meeting by Preferred Stockholders Whose Voting Rights Restore

☐ Applicable ☒ Not applicable

V. Duty fulfillment of Independent Directors in Reporting Period

1. Attendance of Independent Directors in Board Meeting and Shareholder's Meeting

Attendance of independent directors						
Independent Directors	Number of Board meetings necessary to be attended during the reporting period	Number of spot attendances	Number of meetings attended by Communication	Number of attendances by representative	Number of absence	Failure to personally attend board meetings successively twice (Yes/No)
Jin Yongli	6	4	2	0	0	No
Zhong Tianli	6	4	2	0	0	No
Zhao Xinan	6	4	2	0	0	No
Number of general meetings attended by independent directors as non-voting delegates		2				

Illustration to failure to personally attend Board Meetings Twice Successively

2. Objection of Independent Directors on Relevant Issues

Objection of independent directors on some relevant issues

☐ Yes ☒ No

Independent directors proposed no objection against the relevant matters during the reporting period.

3. Other Notes to Duty Fulfillment of Independent Directors

Whether any independent director's advice to the Company was accepted

☒ Yes ☐ No

Illustration of acceptance of or failure to accept an independent director's advice to the Company

Independent directors have not made recommendations during the reporting period.

VI. Duty Fulfillment of the Special Committees under the Board during the reporting period

The Remuneration and Assessment Committee is responsible to inspect the assessment process of the executives in year 2016.

The Development and Strategy Committee is responsible to examine the Board of Directors' Work Report 2016 and the Proposal of Investment Structural Planning 2016 in advance and provide suggestions on the Company's long-term development basing on its researches.

The Auditing Committee is responsible to inspect the operation of internal auditing system, to verify the financial information disclosure, to examine the Financial Report 2015, and the Internal Control Introspective Evaluation Report, etc.

Nomination Committee provided opinions on the adjustment of executive positions.

VII. Duty Fulfillment of the Supervisory Committee

Whether the supervisory board made any objection against the supervision issue during the reporting period

☐ Yes ☒ No

The Supervisory Board made no objection against the supervision issue during the reporting period.

VIII. Appraisal and Incentive System for Senior Executives

The Company's performance assessment scheme for executives has become a regular mechanism. Annual business plans adopted by the shareholders' meeting and the Board were assigned and authorized to the executive team of the Company and were used as basis of annual assessment. Operational targets were scheduled by the Board to the executives to the executives and were reviewed from time to time in the year and annual rewards or penalties were issued at end of year. The incentive scheme was working effectively to motivate the directors, supervisors and executives.

IX. Internal Control

1. Significant Defects of the Internal Control Found in the Internal Control Self-Assessment Report in the Reporting Period

☒ Yes ☐ No

Significant DEFECTS OF THE INTERNAL CONTROL FOUND IN THE REPORT PERIOD
No significant defects of the internal control were found during the reporting period

2. Self-Evaluation Report on Internal Control

Disclosing date of internal control auditing report full text	March 30, 2017	
Index of the internal control auditing report full text	http://www.cninfo.com.cn	
Proportion of total assets of subsidiaries belong to the scope of self-evaluation report in the total assets of the Company’s consolidated financial statements	99.00%	
Proportion of operation income of subsidiaries belong to the scope of self-evaluation report in the operation income of the Company’s consolidated financial statements	70.00%	
Standards of Defects Evaluation		
Category	Financial Report	Non-financial Report
Qualitative criteria	1. Material deficiencies: The frauds made by the directors, or supervisors, or senior management personnel that leads to significant losses and adverse effects to the company	1. Material deficiencies: Major errors caused by decision-making procedure; the important business lacks institutional control or has a systematic failure while lacking effective compensatory control; serious drain of senior and middle level management personnel and senior technical staff; the results of internal control evaluation, especially the significant deficiencies have not been corrected; other circumstances that have big negative impact on the company.
	2. Significant deficiencies: Not in accordance with generally accepted accounting standards selection and application of accounting policies; Not established anti-fraud procedures and control measures; Not established the corresponding control mechanism or not implemented the corresponding compensatory control on the accounting treatment of non-conventional or special deals;	2. Significant deficiencies: General errors caused by decision-making procedure; there are defects in the important business regulations and system serious drain of business personnel in key posts; the results of

	<p>there are one or more defects in the process control of the final financial report and which leads to cannot reasonably guaranteeing the financial report compiled to achieve the goal of being true and accurate.</p> <p>3. General deficiencies: the internal control deficiencies except those constitute the material deficiencies and the significant deficiencies.</p>	<p>internal control evaluation, especially the important deficiencies have not been corrected; other circumstances that have comparably big negative impact on the company.</p> <p>3. General deficiencies: low-efficiency on the decision-making process; existed defects in the ordinary business institution or system; serious drain of business personnel in general posts; general deficiencies that have not been corrected.</p>
Quantitative criteria	<p>1. Material deficiencies: 1) misstatement\geq5% of the total profits; 2) misstatement\geq3% of the total assets; 3) misstatement\geq1% of the total operating income 4) misstatement\geq1% of the total amount of the owner's equity. 5) 3% of the total profits \leq misstatement$<$5% of the total profits; 2. Significant deficiencies: 1) 0.5% of the total assets \leq misstatement$<$3% of the total assets; 2) 0.5% of the total operating income \leq misstatement$<$1% of the total operating income; 3) 0.5% of the total amount of the owner's equity \leq misstatement$<$1% of the total amount of the owner's equity. 3. General deficiencies: 1) misstatement$<$3% of the total profits; 2)</p>	<p>1. Material deficiencies: 1) misstatement\geq5% of the total profits; 2) misstatement\geq3% of the total assets; 3) misstatement\geq1% of the total operating income; 4) misstatement\geq1% of the total amount of the owner's equity. 5) 3% of the total profits \leq misstatement$<$5% of the total profits; 2. Significant deficiencies: 1) 0.5% of the total assets \leq misstatement$<$3% of the total assets; 2) 0.5% of the total operating income \leq misstatement$<$1% of the total operating income; 3) 0.5% of the total amount of the owner's equity \leq misstatement$<$1% of the total amount of the owner's equity. 3. General deficiencies: 1) misstatement$<$3% of the total profits; 2) misstatement$<$0.5% of the total assets; 3) misstatement$<$0.5% of the total operating income; 4) misstatement$<$0.5% of the total</p>

	misstatement<0.5% of the total assets; amount of the owner's equity. 3) misstatement<0.5% of the total operating income; 4) misstatement<0.5% of the total amount of the owner's equity.	
Number of major defects in financial reporting(a)		0
Number of major defects in non-financial reporting (a)		0
Number of important defects in financial reporting(a)		0
Number of important defects in non-financial reporting(a)		0

X. Internal Control Audit Report

√ Applicable ☐ Not applicable

Review opinions in the internal control audit report	
We acknowledge that internal control of Bengang Banca is effective in all material respects and is compliance with 'Fundamental Rules of Enterprise Internal Control' up to December 31, 2016.	
Internal Control Audit Report Status	Disclosure
Disclosure date of audit report of internal control (full-text)	March 30, 2017
Index of audit report of internal control (full-text)	http://www.cninfo.com.cn
Internal audit report's opinion	Standard unqualified opinion
Whether there is significant defect in non-financial report	No

Whether the accountants' firm issued a qualified auditor's report of internal control

☐ Yes ☒ No

Whether the internal control audit report issued by the accountants' firm agree with the self-assessment report of the Board of Directors

☒ Yes ☐ No

X. Relevant Information about Corporate Bonds

Whether there exists any un-matured corporate bonds public issued and listed on the Stock Exchange or any matured corporate bonds which the listed company failed to pay in full at the approval date of the annual report

Yes

I. Basic information of corporate bonds

Bond name	Bond short name	Bond code	Issuance date	Maturity date	Bond balance in 10 thousand	Interest rate	Servicing way
Corporate Bond 2015 (Phase I)	15 Benxi Steel 01	112236	February 9, 2015	February 9, 2018	150,000	5.17%	Interest is paid annually, and principal is paid when due.
Corporate bonds listed or trading places		Shenzhen Stock Exchange					
Investors appropriate management		The above bond transactions have been implemented by investors appropriate management					
Interest payment status of the Company Bond during the reporting period		The interests of Bengang Steel Plates Co., Ltd. Corporate Bonds 2015 (Phase I) of the period from February 5, 2016 to February 4, 2017 were paid on February 6, 2017, as each bond would gain RMB 5.17 (tax inclusive). The date of record of interest payment was February 3, 2017, thus any investor who bought and held the bonds before or on the date of February 3, 2017 enjoyed the right to receive the interest payments. The investors who sold out the bonds on the date of February 3, 2017 should not enjoy the interests.					
If the corporate bonds are attached to special clauses		Not applicable					

such as option clause and exchangeable clause to the issuer or investors, please specify the implementation status of the corresponding clauses. (If applicable)	
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II. Bond Trustee and the Credit Rating Agency

Bond trustee:							
Name	ESSENC E Securitie s	Office address	12 F, Guo Tou Financial Building, 2 Fu Cheng Men North Street, Xi Cheng District, Beijing	Contact	Tian Zhu	Contact number	010-8332119 7
The credit rating agency which conducted tracking rating of the corporate bond during the reporting period:							
Name	United Ratings Co., Ltd.			Office address	12/F, PICC Building, No.Jianguo Menwai Street, Chaoyang District, Beijing.		
If during the reporting period, the bond trustee, credit rating agency employed by the company have changed, reasons for the change, performing procedures, relevant influence on investors, etc. (If applicable)				Not applicable			

III. The Usage of Raised Funds from Corporate Bonds

The usage of raised funds from Corporate bonds and procedures of performance	After deducting issuance costs, all raised funds are used for debt restructuring and repayment. The amount of repayment of bank loans was
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	RMB 1.5 billion. As of December 31, 2016, all the raised funds have been used up.
Balance (ten thousand)	0
Operation of raised funds special account	Normal
Whether the usage of the raised funds corresponded to the purposes of promise, use plans, or other agreements	Yes

IV. Corporate Bond Rating

(1) On Jun 28, 2016, United Rating Agency exercised rating towards the Corporate Bond 2015 (Phase I) and confirmed the Company's bond at AA+, and prospect evaluation was negative. Bengang Steel Plates Co. Ltd conducted the disclosure about tracking rating report on <http://www.cninfo.com.cn/> on June 30, 2016.

(2) Regular tracking rating report will be launched before June 31, 2017 as planned. The report will be disclosed on <http://www.cninfo.com.cn/>. Investors are advised to pay attention to it.

(3) During the reporting period, United Rating Agency did not exercise irregular tracking rating about the Company's bonds.

(4) During the reporting period, the Company did not launch any other bonds or securities financing tools and there was no difference of the assessment results between different rating agencies.

V. Corporate Bond Credit Increasing Mechanism, Debt Repayment Plans and Other Debt Repayment Security Measures

1. Debt repayment plans

According to 'Prospectus of Public Issuance of Corporate Bond 2015 (Phase I)' launched on February 3, 2015, debt repayment plans are as followings:

(1) The value date of the bond is February 5, 2015. In the duration of the bond, the interest will be paid once a year, and the interest payment date is February 5 in three consecutive years, ranging from 2016 to 2018 (subject to postponement in case of statutory public holiday and weekend, similarly hereinafter) .

(2) The maturity date is February 5, 2018. The principal and the interest thereof will be paid at the maturity date.

(3) Interest will be paid through registration agency and related agencies. The details will strictly follow related regulations and will be disclosed on the designated public media by the issuer.

(4) According to national tax legislation and regulation, the relevant taxes emerged in investment on the bond should be paid by investors.

2. Debt repayment security measures

According to 'Prospectus of Public Issuance of Corporate Bond 2015 (Phase I)' launched on February 3, 2015, debt repayment security measures are as following:

In order to fully and effectively preserve bondholders' benefit, the Company made a series plan towards repaying the debt in time and in full amount, including set up a special project group, formulated 'Meeting Rules for bondholders', formulated and strictly executed fund management plan, fully played the bond trustee's roles and strictly carried out the disclosure responsibility.

- (1) Set up a special project group;
- (2) Formulate 'Meeting Rules for Bondholders';
- (3) Bengang Group Co., Ltd. acted as the company's bond guarantor;
- (4) Formulate and strictly execute fund management plan;
- (5) Protect bondholders' benefits;
- (6) Strictly carry out the disclosure responsibility;
- (7) Issuer's Board of Director's commitment.

During the reporting period, the Company follows the debt repayment plan and security mechanism disclosed in 'Prospectus of Public Issuance of Corporate Bond 2015 (Phase I)'. The Company set up a special project group, formulated 'Meeting Rules for Bondholders', applied ESSENCE Securities as trustee, and Bengang Group Co., Ltd. as the company's bond guarantor, formulated and strictly executed fund management plan that reasonably distribute fund to ensure the interest was paid in time. On January 28, 2016, the Company disclosed 'Interest Repayment Information' and completed the first interest repayment on February 5, 2016.

During the reporting period, the Company had no significant changes that would influence the in time repayment of bond and there is no differences situation with relevant commission.

During the reporting period, there was no change to Corporate Bond Credit Increasing Mechanism, Debt Repayment Plans and Other Debt Repayment Security Measures. Bengang Group Co., Ltd. was the guarantor for the Company's bond. As of 31 December 2016, Bengang Group Co., Ltd.'s net assets is RMB 35.804 billion,

asset-liability ratio is 74.98%, ROE is 0.03%, liquidity ratio is 0.49, quick ratio is 0.28 (above financial data is not audited) . Bengang Group Co., Ltd. is rated AAA by China Cheng Xin International Credit Rating Co. Ltd.

VI. Bondholders' Meeting in the Reporting Period

During the reporting period, the Company did not hold bondholders' meeting.

VII. Duty fulfillment of Bond Trustee in the Reporting Period

During the reporting period, the bond trustee performs its responsibilities in accordance with the regulations in Corporate Bond Issuance and Transaction Management Method and commitment in Bond Trustee Agreement:

- (1) Constantly pay attention to the credit status, execution of credit enhancement measurements and credit repayment safeguard measures of the guarantor and company;
- (2) Supervise the utilization of raised funds in the company in the duration of bond;
- (3) Exercise a well-rounded investigation into and pay constant attention to the company's debt repayment ability and credit enhancement measures, and provide at least one trustee affair report for the market each year;
- (4) Constantly supervise the company's performance of information disclosure obligation in the duration of the bond.

The trustee hasn't been confronted with conflict of interest in performing its responsibilities.

The trustee has announced the trustee affair report 2015 on June 30, 2016.

VIII. Major Accounting Data and Financial Indicators for Last 2 Years

Unit: 10 thousand Yuan

Items	2016	2015	Rate of change
EBITDA	361,703.32	-115,704.04	412.61%
Liquidity ratio	74.56%	61.27%	13.29%
Asset-liability ratio	75.51%	72.02%	3.49%
Quick ratio	47.04%	31.72%	15.32%
EBITDA total debt ratio	8.85%	-0.05%	8.90%
Interest coverage ratio	1.71	-2.8	161.21%

Cash interest coverage ratio	14.47	-1.57	1,021.84%
EBITDA interest coverage ratio	3.51	-1.08	425.42%
Loan payment rate	100.00%	100.00%	0.00%
Rate of Interest payment	100.00%	100.00%	0.00%

The main reasons that the accounting data and financial indicators change more than 30%

√ Applicable □ Not applicable

(1) EBITDA had increased by 412.61% compared to last year, mainly due to an increase in total profit.

(2) The interest coverage ratio had increased by 161.21% compared to last year, mainly due to an increase in EBITDA.

(3) The cash interest coverage ratio had increased by 1,021.84% compared to last year, mainly due to an increase in net cash flow generated by operating activities.

(4) The multiple of EBIT interest safeguard had increased by 425.42% compared to last year, mainly due to an increase in EBITDA.

IX. Interest Payment for Other Bonds and Debt Financing Tool in the Reporting Period

During the reporting period, the Company did not launch any other bonds or securities financing tools or pay interest for other bonds and securities financing tools.

X. Usage of Bank Credit Obtained and Repayment of Bank Loans in the Reporting Period

During the reporting period, the total bank line of credit of the Company was RMB 31.85 billion, and RMB 27.29 billion was used, leaving unused line of credit of RMB 4.56 billion. The total loan amount at the beginning was RMB 20.58 billion, and had increased RMB 25.869 billion in this period. The loan repaid in this period was RMB 21.431 billion, leaving a balance of RMB 22.649 billion.

XI. Performance of Agreements or Commitments Related to Corporate Bond Prospectus in the Reporting Period

The Company strictly observed the Bond Trustee Agreement and regulations as described in different bond terms and conditions. The Company fulfilled its responsibilities according to Prospectus. There was no situation that the Company harmed investors' benefits.

XII. Major Events Occurred in the Reporting Period

On Jun 28, 2016, United Rating Agency exercised rating towards the Corporate Bond 2015 (Phase I) and confirmed the Company's bond at AA+, and prospect evaluation was negative. Meanwhile, it lowered credit rating of '15 Bengang 01' down to AA+.

XIII. Whether There Exist Any Guarantors of the Corporate Bond

√ Yes ☐ No

Whether the guarantor of the corporate bond is a legal person or other organizations

√ Yes ☐ No

Whether the Company disclosed the guarantor's financial statements including statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows, and notes to the financial statements in four months since the end of each fiscal year.

√ Yes ☐ No

XI. Financial Report

Type of audit opinion	Standard unqualified opinion
Date of issuance of the audit report	March 28, 2017
Name of the accountants' firm	BDO China Shu Lun Pan Certified Public Accountants LLP
Name of the CPAs	Wu Xue, Zhang Huice

AUDITORS' REPORT

PCPAR (2017) No. ZB10428

To All Shareholders of Bengang Steel Plates Co., Ltd.:

We have audited the accompanying financial statements of Bengang Steel Plates Co., Ltd. (hereinafter referred to as "the Company") which comprise the consolidated statement of financial position and statement of financial position as at 31 December 2016, the consolidated statement of comprehensive income and statement of comprehensive income, the consolidated statement of changes in equity and statement of changes in equity, the consolidated statement of cash flows and statement of cash flows for the year then ended, and notes to the financial statements.

Management's Responsibility for the Financial Statements

Management of the Company is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: (1) preparing the financial statements in accordance with the requirements of Accounting Standards for Business Enterprises to achieve a fair presentation; (2) designing, implementing and maintaining internal control that is necessary to ensure that the financial statements are free from material misstatements, whether due to frauds or errors.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Chinese Certified Public Accountants Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditors' opinion

In our opinion, the financial statements of Bengang Steel Plates Co., Ltd. present fairly, in all material respects, the consolidated financial position and financial position of the Company as at 31 December 2016, and the consolidated results of operations and results of operations and the consolidated cash flows and cash flows of the Company for the year then ended in accordance with the requirements of Accounting standards for Business Enterprises.

BDO China Shu Lun Pan Certified
Public Accountants LLP

Shanghai, the People's Republic of China

Certified Public Accountants
Registered in the People's Republic
Of China

28 March 2017

BENGANG STEEL PLATES CO., LTD.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2016
(Expressed in Renminbi unless otherwise indicated)

Assets	Notes	Ending balance	Beginning balance
Current assets			
Cash at bank and on hand	5 (1)	12,931,912,017.84	5,140,480,509.97
Settlement provisions			
Capital lent			
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable	5 (2)	2,030,681,138.03	2,449,682,561.16
Accounts receivable	5 (3)	623,865,427.25	488,584,624.72
Prepayments	5 (4)	493,839,659.44	569,851,950.69
Premium receivable			
Reinsurance accounts receivable			
Receivable deposit for reinsurance contract			
Interests receivable	5 (5)	4,208,818.85	3,524,615.12
Dividends receivable			
Other receivables	5 (6)	117,909,972.49	151,668,877.26
Redemptory financial assets for sale			
Inventories	5 (7)	9,782,173,936.74	8,601,734,442.42
Assets held for sale			
Non-current assets due within one year			
Other current assets	5 (8)	513,398,815.83	431,360,541.21
Total current assets		26,497,989,786.47	17,836,888,122.55
Non-current assets			
Loan and advances issued			
Available-for-sale financial assets	5 (9)	14,856,585.63	20,271,278.63
Held-to-maturity investment			
Long-term receivables			
Long-term equity investments			
Investment property			
Fixed assets	5 (10)	20,688,468,637.44	20,046,254,726.74
Construction in progress	5 (11)	6,210,673,674.11	5,646,624,293.27
Construction materials	5 (12)	7,783,370.29	4,152,880.79
Disposal of fixed assets			
Productive biological assets			
Oil and gas assets			
Intangible assets	5 (13)	259,837,410.93	265,520,912.57
Development expenditure			
Goodwill			
Long-term deferred expenses			
Deferred tax assets	5 (14)	476,101,254.04	641,931,130.78
Other non-current assets			
Total non-current assets		27,657,720,932.44	26,624,755,222.78
Total assets		54,155,710,718.91	44,461,643,345.33

The notes to the financial statements attached form part of these financial statements.

Legal Representative:

Chief Financial Officer:

Chief Accountant:

BENGANG STEEL PLATES CO., LTD.**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)****As at 31 December 2016***(Expressed in Renminbi unless otherwise indicated)*

Liabilities and equities	Notes	Ending balance	Beginning balance
Current Liabilities			
Short-term loans	5 (15)	18,762,472,779.48	18,139,885,596.60
Loan from central bank			
Absorbed deposit and interbank deposit			
Loan from other financial institutions			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable	5 (16)	6,372,173,897.13	2,110,511,950.79
Accounts payable	5 (17)	5,680,244,661.52	5,015,900,664.47
Advance from customers	5 (18)	3,679,477,129.80	1,815,443,452.05
Financial assets sold for repurchase			
Handling charges and commission payable			
Employee benefits payable	5 (19)	24,063,493.70	36,455,143.76
Current tax liabilities	5 (20)	45,771,585.46	45,194,528.35
Interests payable	5 (21)	75,115,265.66	70,958,686.96
Dividends payable			
Other payables	5 (22)	460,009,213.78	444,734,704.90
Reinsurance accounts payable			
Provision for insurance contract			
Receipt from vicariously traded securities			
Receipt from vicariously underwriting securities			
Liabilities held for sale			
Non-current liabilities due within one year	5 (23)	437,669,535.66	1,434,004,649.14
Other current liabilities			
Total current liabilities		35,536,997,562.19	29,113,089,377.02
Non-current liabilities			
Long-term loans	5 (24)	3,448,931,721.62	1,005,919,974.09
Bonds payable	5 (25)	1,494,825,782.32	1,490,352,572.75
Including: Preferred stock			
Perpetual bond			
Long-term payables			
Long-term employee benefits payable			
Special accounts payable			
Estimated liabilities			
Deferred income	5 (26)	410,399,000.00	413,188,000.00
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities		5,354,156,503.94	2,909,460,546.84
Total liabilities		40,891,154,066.13	32,022,549,923.86
Shareholders' equity:			
Share capital	5 (27)	3,136,000,000.00	3,136,000,000.00
Other equity instruments			
Including: Preferred stock			
Perpetual bond			
Capital reserves	5 (28)	9,114,845,542.05	9,114,845,542.05
Less: treasury shares			
Other comprehensive income			
Special reserves	5 (29)	372,721.86	393,372.05
Surplus reserves	5 (30)	961,105,529.85	961,105,529.85
General risk reserve			
Undistributed profits	5 (31)	-496,969,242.61	-1,278,244,071.93
Total equity attributable to equity holders of the parent company		12,715,354,551.15	11,934,100,372.02
Non-controlling interests		549,202,101.63	504,993,049.45
Total shareholder's equity		13,264,556,652.78	12,439,093,421.47
Total liabilities and shareholder's equity		54,155,710,718.91	44,461,643,345.33

The notes to the financial statements attached form part of these financial statements.

Legal Representative:

Chief Financial Officer:

Chief Accountant:

BENGANG STEEL PLATES CO., LTD.
STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

(Expressed in Renminbi unless otherwise indicated)

Assets	Notes	Ending balance	Beginning balance
Current assets			
Cash at bank and on hand		12,402,995,087.03	4,921,089,319.57
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable		1,870,384,367.64	2,298,691,410.40
Accounts receivable	13 (1)	455,070,302.00	449,193,422.02
Prepayments		487,869,713.72	549,553,039.03
Interests receivable		4,208,818.85	3,524,615.12
Dividends receivable			
Other receivables	13 (2)	210,089,804.88	229,428,159.94
Inventories		8,308,291,029.07	7,452,873,949.34
Assets held for sale			
Non-current assets due within one year			
Other current assets		431,675,085.33	387,259,423.54
Total current assets		24,170,584,208.52	16,291,613,338.96
Non-current assets			
Available-for-sale financial assets		12,888,980.00	18,303,673.00
Held-to-maturity investment			
Long-term receivables			
Long-term equity investment	13 (3)	1,700,981,902.16	1,700,981,902.16
Investment property			
Fixed assets		18,125,714,092.15	17,179,043,906.45
Construction in progress		6,196,524,880.06	5,646,077,292.11
Construction materials		4,134,139.52	4,134,138.91
Disposal of fixed assets			
Productive biological assets			
Oil and gas assets			
Intangible assets		155,388,452.53	158,694,589.82
Development expenditure			
Goodwill			
Long-term deferred expenses			
Deferred tax assets		378,696,605.02	562,072,018.42
Other non-current assets			
Total non-current assets		26,574,329,051.44	25,269,307,520.87
Total assets		50,744,913,259.96	41,560,920,859.83

The notes to the financial statements attached form part of these financial statements.

Legal Representative:

Chief Financial Officer:

Chief Accountant:

BENGANG STEEL PLATES CO., LTD.
STATEMENT OF FINANCIAL POSITION (Continued)
As at 31 December 2016
(Expressed in Renminbi unless otherwise indicated)

Liabilities and shareholders' equities	Notes	Ending balance	Beginning balance
Current liabilities			
Short-term loans		17,376,963,500.00	16,798,213,600.00
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable		5,768,523,196.16	1,651,808,822.92
Accounts payable		5,939,417,729.46	5,263,012,477.37
Advance from customers		3,671,944,099.35	1,957,484,054.73
Employee benefits payable		22,386,057.59	34,194,188.88
Current tax liabilities		28,902,954.65	9,986,022.56
Interests payable		70,109,821.13	70,113,698.63
Dividends payable			
Other payables		289,522,026.53	324,906,037.82
Liabilities held for sale			
Non-current liabilities due within one year		437,669,535.66	1,434,004,649.14
Other current liabilities			
Total current liabilities		33,605,438,920.53	27,543,723,552.05
Non-current liabilities			
Long term loans		3,448,931,721.62	1,005,919,974.09
Bonds payable		1,494,825,782.32	1,490,352,572.75
Including: Preferred stock			
Perpetual bond			
Long-term payables			
Long-term employee benefits payable			
Special accounts payable			
Estimated liabilities			
Deferred income		410,399,000.00	413,188,000.00
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities		5,354,156,503.94	2,909,460,546.84
Total liabilities		38,959,595,424.47	30,453,184,098.89
Shareholder's equity:			
Share capital		3,136,000,000.00	3,136,000,000.00
Other equity instruments			
Including: Preferred stock			
Perpetual bond			
Capital reserves		8,694,693,859.93	8,694,693,859.93
Less: Treasury shares			
Other comprehensive income			
Special reserves		230,735.89	393,372.05
Surplus reserves		961,105,529.85	961,105,529.85
Undistributed Profits		-1,006,712,290.18	-1,684,456,000.89
Total shareholder's equity		11,785,317,835.49	11,107,736,760.94
Total liabilities and shareholder's equity		50,744,913,259.96	41,560,920,859.83

The notes to the financial statements attached form part of these financial statements.

Legal Representative:

Chief Financial Officer:

Chief Accountant:

BENGANG STEEL PLATES CO., LTD.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2016
(Expressed in Renminbi unless otherwise indicated)

Items	Notes	2016	2015
1. Total operating income		29,526,012,651.08	29,253,638,605.80
Including: Operating income	5 (32)	29,526,012,651.08	29,253,638,605.80
Interest income			
Premium earned			
Income from handling charges and commission			
2. Total operating cost		28,532,803,997.64	33,094,102,341.68
Including: Operating cost	5 (32)	25,677,665,232.12	29,811,895,016.85
Interest cost			
Expenditure for handling charges and commission			
Surrender value			
Net expenditure for compensation			
Net provision for insurance contract appropriated			
Bonus payment for policy			
Reinsurance premium			
Tax and surcharges	5 (33)	147,546,435.24	51,569,621.87
Selling and distribution expenses	5 (34)	903,232,507.02	919,110,499.37
General and administrative expenses	5 (35)	700,545,090.17	733,933,299.88
Financial expenses	5 (36)	967,678,772.69	1,063,317,455.47
Asset impairment loss	5 (37)	136,135,960.40	514,276,448.24
Add: Gains from the change in fair value ("-" for loss)			
Income on investment	5 (38)	2,019,053.44	7,226,589.08
Including: Income from associates and joint ventures			
Exchange gains ("-" for loss)			
3. Operating profit ("-" for loss)		995,227,706.88	-3,833,237,146.80
Add: Non-operating income	5 (39)	58,071,429.33	176,054,356.57
Including: Gain on disposal of non-current assets		11,801,616.20	21,206,096.82
Less: Non-operating expenses	5 (40)	14,541,658.66	24,135,783.17
Including: Loss on disposal of non-current assets		13,656,534.23	24,124,620.55
4. Total profit before tax ("-" for total loss)		1,038,757,477.55	-3,681,318,573.40
Less: Income tax expenses	5 (41)	213,278,070.90	-440,390,216.16
5. Net profit ("-" for net loss)		825,479,406.65	-3,240,928,357.24
Attributable to: Owners of parent company		781,274,829.32	-3,293,624,545.17
Non-controlling shareholders		44,204,577.33	52,696,187.93
6. Other comprehensive income after tax			
Other comprehensive income attributable to owners of parent company after tax			
1) Other comprehensive income unable to be reclassified into profit and loss afterwards			
(1) Change of net liabilities or net assets through remeasuring defined benefit plan			
(2) Share of other comprehensive income of investee not to be classified into profit or loss afterwards under equity method			
2) Other comprehensive income to be reclassified into profit and loss afterwards			
(1) Share of other comprehensive income of investee to be classified into profit or loss afterwards under equity method			
(2) Gains and losses on remeasuring available-for-sale financial assets			
(3) Gains and losses resulting from reclassification of held-to maturity investment to financial assets held-for sale			
(4) Effective portion of gains or losses from cash flow hedging			
(5) Gains and losses resulting from translating the foreign currency financial statements			
(6) Other			
Other comprehensive income attributable to non-controlling shareholders after tax			
7. Total comprehensive income		825,479,406.65	-3,240,928,357.24
Total comprehensive income attributable to owners of parent company		781,274,829.32	-3,293,624,545.17
Total comprehensive income attributable to non-controlling shareholders		44,204,577.33	52,696,187.93
8. Earnings per share:			
1) Basic earnings per share (RMB)		0.249	-1.050
2) Diluted earnings per share (RMB)		0.249	-1.050

The notes to the financial statements form part of these financial statements
Legal Representative: Chief Financial Officer:

Chief Accountant:

BENGANG STEEL PLATES CO., LTD.
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2016
(Expressed in Renminbi unless otherwise indicated)

Items	Notes	2016	2015
1. Operating income	13 (4)	29,364,395,482.30	28,523,101,618.99
Less: Operating cost	13 (4)	26,083,359,198.14	29,769,289,938.38
Tax and surcharges		116,460,450.85	25,627,202.18
Selling and distribution expenses		670,821,345.25	730,692,018.11
General and administrative expenses		648,932,544.53	675,861,313.03
Financial expenses		904,933,228.73	986,248,046.33
Asset impairment loss		136,136,868.48	514,222,418.93
Add: Gains from the change in fair value ("- " for loss)			
Income on investment	13 (5)	15,429,070.92	7,226,589.08
Including: Income from associates and joint ventures			
2. Operating profit ("- " for loss)		819,180,917.24	-4,171,612,728.89
Add: Non-operating income		55,594,741.10	172,498,611.64
Including: Gain on disposal of non-current assets		11,660,376.86	19,820,758.05
Less: Non-operating expenses		13,656,534.23	24,039,513.56
Including: Loss on disposal of non-current assets		13,656,534.23	24,039,513.56
3. Total profit before tax ("- " for total loss)		861,119,124.11	-4,023,153,630.81
Less: Income tax expenses		183,375,413.40	-480,107,035.91
4. Net profit ("- " for net loss)		677,743,710.71	-3,543,046,594.90
5. Other comprehensive income after tax			
1) Other comprehensive income unable to be reclassified into profit and loss afterwards			
(1) Change of net liabilities or net assets through remeasuring defined benefit plan			
(2) Share of other comprehensive income of investee not to be classified into profit or loss afterwards under equity method			
2) Other comprehensive income to be reclassified into profit and loss afterwards			
(1) Share of other comprehensive income of investee to be classified into profit or loss afterwards under equity method			
(2) Gains and losses on remeasuring available-for-sale financial assets			
(3) Gains and losses resulting from reclassification of held-to-maturity investment to financial assets held for sale			
(4) Effective portion of gains or losses from cash flow hedging			
(5) Gains and losses resulting from translating the foreign currency financial statements			
(6) Other			
6. Total comprehensive income		677,743,710.71	-3,543,046,594.90
7. Earnings per share:			
1) Basic earnings per share (RMB)			
2) Diluted earnings per share (RMB)			

The notes to the financial statements form part of these financial statements

Legal Representative:

Chief Financial Officer:

Chief Accountant:

BENGANG STEEL PLATES CO., LTD.
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2016
(Expressed in Renminbi unless otherwise indicated)

Items	Notes	2016	2015
1. Cash flow from operating activities			
Cash received from sale of goods or rendering of services		28,241,551,432.83	23,411,443,776.75
Net increase of customers' deposit and interbank deposit			
Net increase of loan from central bank			
Net increase of loans from other financial institutions			
Cash received for premium of original insurance contract			
Net cash received for reinsurance business			
Net increase of deposit and investment of the insured			
Net increase of Financial assets at fair value through profit or loss			
Cash from receiving interest, handling charge and commission			
Net increase of loans from other financial institutions			
Net increase of fund for buy-back business			
Tax rebate received		197,081,126.50	797,597,007.61
Other cash received relating to operating activities	5 (42)	433,064,403.26	362,548,861.72
Subtotal of cash inflows from operating activities		28,871,696,962.59	24,571,589,646.08
Cash paid for goods and services		16,785,161,764.39	24,253,340,775.32
Net increase of customer's loan and advances			
Net increase of deposit in central bank and interbank deposit			
Cash for payment of compensation for original insurance contract			
Cash for payment of interest, handling charge and commission			
Cash for payment of policy bonus			
Cash paid to and on behalf of employees		1,732,720,138.71	1,927,960,219.83
Cash paid for all types of taxes		177,242,826.85	343,995,637.61
Other cash paid relating to operating activities	5 (42)	619,218,326.12	351,298,981.42
Subtotal of cash outflows from operating activities		19,314,343,056.07	26,876,595,614.18
Net cash flows from operating activities		9,557,353,906.52	-2,305,005,968.10
2. Cash flows from investing activities			
Cash received from return on investments		453,000,000.00	1,747,000,000.00
Cash received from distribution of dividends or profit		2,019,053.44	7,226,589.08
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		12,288,367.65	21,753,471.24
Net cash received from disposal of subsidiary and other operating units			
Other cash paid relating to investing activities			
Subtotal of cash inflows from investing activities		467,307,421.09	1,775,980,060.32
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		2,348,653,699.08	3,472,745,508.10
Cash paid for acquisition of investments		706,000,000.00	1,747,000,000.00
Net increase of mortgage loan			
Net cash received from subsidiary and other operating unit			
Other cash paid relating to investing activities			
Subtotal of cash outflows from investing activities		3,054,653,699.08	5,219,745,508.10
Net cash flows from investing activities		-2,587,346,277.99	-3,443,765,447.78
3. Cash flows from financing activities			
Proceeds from investment			
Including: Proceeds from investment of non-controlling shareholders of subsidiary			
Proceeds from borrowings		22,692,917,296.84	24,859,581,641.78
Cash received from bond issuance			1,486,500,000.00
Other proceeds relating to financing activities	5 (42)	223,457,494.90	800,000,000.00
Subtotal of cash inflows from financing activities		22,916,374,791.74	27,146,081,641.78
Cash repayments of borrowings		21,347,292,445.53	24,800,789,257.57
Cash payments for distribution of dividends, profit or interest expenses		939,292,589.51	980,727,660.92
Including: Cash paid to non-controlling shareholders as dividend and profit by subsidiaries			
Other cash payments relating to financing activities	5 (42)	183,227,486.83	399,397,047.75
Subtotal of cash outflows from financing activities		22,469,812,521.87	26,180,913,966.24
Net cash flows from financing activities		446,562,269.87	965,167,675.54
4. Effect of foreign exchange rate changes on cash and cash equivalents		244,221,817.29	69,352,483.25
5. Net increase in cash and cash equivalents		7,660,791,715.69	-4,714,251,257.09
Add: Cash and cash equivalents at the beginning of the period		4,612,782,772.98	9,327,034,030.07
6. Cash and cash equivalents at the ending of the period		12,273,574,488.67	4,612,782,772.98

The notes to the financial statements attached form part of these financial statements

Legal Representative:

Chief Financial Officer:

Chief Accountant:

BENGANG STEEL PLATES CO., LTD.
STATEMENT OF CASH FLOWS
For the year ended 31 December 2016
(Expressed in Renminbi unless otherwise indicated)

Items	2016	2015
1. Cash flow from operating activities		
Cash received from sale of goods or rendering of services	29,446,843,561.82	23,427,109,010.65
Tax rebate received	172,506,656.56	711,467,848.16
Other cash received relating to operating activities	125,792,149.08	210,299,707.85
Subtotal of cash inflows from operating activities	29,745,142,367.46	24,348,876,566.66
Cash paid for goods and services	18,729,162,875.25	25,774,210,167.57
Cash paid to and on behalf of employees	1,638,137,170.73	1,817,930,712.94
Cash paid for all types of taxes	19,559,029.42	154,610,526.07
Other cash paid relating to operating activities	131,675,505.02	60,248,461.32
Subtotal of cash outflows from operating activities	20,518,534,580.42	27,806,999,867.90
Net cash flows from operating activities	9,226,607,787.04	-3,458,123,301.24
2. Cash flows from investing activities		
Cash received from return on investments	453,000,000.00	1,747,000,000.00
Cash received from distribution of dividends or profit	1,715,742.47	7,226,589.08
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	12,136,292.65	21,713,471.24
Net cash received from disposal of subsidiary and other operating units		
Other cash received relating to investing activities		
Subtotal of cash inflows from investing activities	466,852,035.12	1,775,940,060.32
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	2,330,445,853.26	3,446,420,670.56
Cash paid for acquisition of investments	706,000,000.00	1,757,000,000.00
Net cash paid for acquisition of subsidiary & other operating unit		
Other cash paid relating to investing activities		
Subtotal of cash outflows paid for investing activities	3,036,445,853.26	5,203,420,670.56
Net cash flows from investing activities	-2,569,593,818.14	-3,427,480,610.24
3. Cash flows from financing activities		
Proceeds from investment		
Cash received from borrowings	21,124,677,912.68	23,419,954,378.62
Other proceeds relating to financing activities		1,486,500,000.00
Other cash received relating to financing activities	210,000,000.00	800,000,000.00
Subtotal of cash inflows from financing activities	21,334,677,912.68	25,706,454,378.62
Cash repayments of borrowings	19,837,110,764.77	22,260,440,315.08
Cash payments for distribution of dividends, profit or interest	879,486,861.85	901,348,956.26
Other cash payments relating to financing activities	132,384,026.03	329,226,064.22
Subtotal of cash outflows from financing activities	20,848,981,652.65	23,491,015,335.56
Net cash flows from financing activities	485,696,260.03	2,215,439,043.06
4. Effect of foreign exchange rate changes on cash and cash equivalents	244,195,433.65	69,329,673.35
5. Net increase in cash and cash equivalents	7,386,905,662.58	-4,600,835,195.07
Add: Cash and cash equivalents at the beginning of the period	4,489,630,951.08	9,090,466,146.15
6. Ending balance of cash and cash equivalents	11,876,536,613.66	4,489,630,951.08

The notes to the financial statements form part of these financial statements

Legal Representative:

Chief Financial Officer:

Chief Accountant:

BENGANG STEEL PLATES CO., LTD.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2016
(Expressed in Renminbi unless otherwise indicated)

Items	2016											
	Owner's equity attributable to parent company											Non-controlling interest
	Share capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk reserve	Undistributed profit	
		Preference shares	Perpetual bond	Others								
1. Ending balance of last year	3,136,000,000.00				9,114,845,542.05			393,372.05	961,105,529.85		-1,278,244,071.93	504,993,049.45
Add: Change of accounting policies												
Correction of errors for last period												
Business consolidation under common control												
Others												
2. Beginning balance of current year	3,136,000,000.00				9,114,845,542.05			393,372.05	961,105,529.85		-1,278,244,071.93	504,993,049.45
3. Changes in current year ("—" for decrease)								-20,650.19			781,274,829.32	44,209,052.18
1) Total comprehensive income											781,274,829.32	44,204,577.33
2) Capital increase and decrease by shareholders												
(1) Common share invested by shareholders												
(2) Capital input by the holder of other equity instruments												
(3) Share-based payment attributable to owners' equity												
(4) Others												
3) Profit distribution												
(1) Appropriation to surplus reserves												
(2) Appropriation to general risk reserve												
(3) Profit distribution to shareholders												
(4) Others												
4) Transfers within shareholders' equity												
(1) Capital reserves transferred into paid-in capital (or stock)												
(2) Surplus reserves transferred into paid-in capital (or stock)												
(3) Surplus reserves to recover loss												
(4) Others												
5) Special reserves								-20,650.19				4,474.85
(1) Provision of special reserves								39,766,855.73				4,474.85
(2) Use of special reserves								39,787,505.92				
6) Others												
4. Ending balance of current year	3,136,000,000.00				9,114,845,542.05			372,721.86	961,105,529.85		-496,969,242.61	549,202,101.63

The notes to the financial statements attached form part of these financial statements

Legal Representative:

Chief Financial Officer:

Chief Accountant:

BENGANG STEEL PLATES CO., LTD.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)
For the year ended 31 December 2016
(Expressed in Renminbi unless otherwise indicated)

Items	2015												
	Owner's equity attributable to parent company											Non-controlling interest	Total shareholder's equity
	Share capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk reserve	Undistributed profit		
		Preference shares	Perpetual bond	Others									
1. Ending balance of last year	3,136,000,000.00				9,114,845,542.05			430,777.94	961,105,529.85		2,172,180,473.24	452,296,861.52	15,836,859,184.60
Add: Change of accounting policies													
Correction of errors for last period													
Business consolidation under common control													
Others													
2. Beginning balance of current year	3,136,000,000.00				9,114,845,542.05			430,777.94	961,105,529.85		2,172,180,473.24	452,296,861.52	15,836,859,184.60
3. Changes in current year (“-” for decrease)								-37,405.89			-3,450,424,545.17	52,696,187.93	-3,397,765,763.13
1) Total comprehensive income											-3,293,624,545.17	52,696,187.93	-3,240,928,357.24
2) Capital increase and decrease by shareholders													
(1) Common share invested by shareholders													
(2) Capital input by the holder of other equity instruments													
(3) Share-based payment attributable to shareholders' equity													
(4) Others													
3) Profit distribution											-156,800,000.00		-156,800,000.00
(1) Appropriation to surplus reserves													
(2) Appropriation to general risk reserves													
(3) Profit distribution to shareholders											-156,800,000.00		-156,800,000.00
(4) Others													
4) Transfers within shareholders' equity													
(1) Capital reserves transferred into paid-in capital (or stock)													
(2) Surplus reserves transferred into paid-in capital (or stock)													
(3) Surplus reserves to recover loss													
(4) Others													
5) Special reserves								-37,405.89					-37,405.89
(1) Provision of special reserves								34,967,129.18					34,967,129.18
(2) Use of special reserves								35,004,535.07					35,004,535.07
6) Others													
4. Ending balance of current year	3,136,000,000.00				9,114,845,542.05			393,372.05	961,105,529.85		-1,278,244,071.93	504,993,049.45	12,439,093,421.47

The notes to the financial statements attached form part of these financial statements

Legal Representative:

Chief Financial Officer:

Chief Accountant:

BENGANG STEEL PLATES CO., LTD.
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2016
(Expressed in Renminbi unless otherwise indicated)

Items	(Expressed in Renminbi unless otherwise indicated)										
	2016										
	Share capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Total shareholder's equity
Preference shares		Perpetual bond	Others								
1. Ending balance of last year	3,136,000,000.00				8,694,693,859.93			393,372.05	961,105,529.85	-1,684,456,000.89	11,107,736,760.94
Add: Change of accounting policies											
Correction of errors for last period											
Others											
2. Beginning balance of current year	3,136,000,000.00				8,694,693,859.93			393,372.05	961,105,529.85	-1,684,456,000.89	11,107,736,760.94
3. Changes in current year ("–" for decrease)								-162,636.16		677,743,710.71	677,581,074.55
1) Total comprehensive income										677,743,710.71	677,743,710.71
2) Capital increase and decrease by shareholders											
(1) Common share invested by shareholders											
(2) Capital input by the holder of other equity instruments											
(3) Share-based payment attributable to owners' equity											
(4) Others											
3) Profit distribution											
(1) Appropriation to surplus reserves											
(2) Profit distribution to shareholders											
(3) Others											
4) Transfers within shareholders' equity											
(1) Capital reserves transferred into paid-in capital (or stock)											
(2) Surplus reserves transferred into paid-in capital (or stock)											
(3) Surplus reserves to recover loss											
(4) Others											
5) Special reserves								-162,636.16			-162,636.16
(1) Provision of special reserves								34,079,630.37			34,079,630.37
(2) Use of special reserves								34,242,266.53			34,242,266.53
6) Others											
4. Ending balance of current year	3,136,000,000.00				8,694,693,859.93			230,735.89	961,105,529.85	-1,006,712,290.18	11,785,317,835.49

The notes to the financial statements attached form part of these financial statements

Legal Representative:

Chief Financial Officer:

Chief Accountant:

BENGANG STEEL PLATES CO., LTD.
STATEMENT OF CHANGES IN EQUITY (Continued)
For the year ended 31 December 2016
(Expressed in Renminbi unless otherwise indicated)

Items	2015										
	Share capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Total shareholder's equity
1. Ending balance of last year	3,136,000,000.00				8,694,693,859.93			430,777.94	961,105,529.85	2,015,390,594.01	14,807,620,761.73
Add: Change of accounting policies											
Correction of errors for last period											
Others											
2. Beginning balance of current year	3,136,000,000.00				8,694,693,859.93			430,777.94	961,105,529.85	2,015,390,594.01	14,807,620,761.73
3. Changes in current year ("-" for decrease)								-37,405.89		-3,699,846,594.90	-3,699,884,000.79
1) Total comprehensive income										-3,543,046,594.90	-3,543,046,594.90
2) Capital increase and decrease by shareholders											
(1) Common share invested by shareholders											
(2) Capital input by the holder of other equity instruments											
(3) Share-based payment attributable to shareholders' equity											
(4) Others											
3) Profit distribution										-156,800,000.00	-156,800,000.00
(1) Appropriation of surplus reserves											
(2) Profit distribution to shareholders										-156,800,000.00	-156,800,000.00
(3) Others											
4) Transfers within shareholders' equity											
(1) Capital reserves transferred into paid-in capital (or stock)											
(2) Surplus reserves transferred into paid-in capital (or stock)											
(3) Surplus reserves to recover loss											
(4) Others											
5) Special reserves								-37,405.89			-37,405.89
(1) Provision of special reserves								34,967,129.18			34,967,129.18
(2) Use of special reserves								35,004,535.07			35,004,535.07
6) Others											
4. Ending balance of current year	3,136,000,000.00				8,694,693,859.93			393,372.05	961,105,529.85	-1,684,456,000.89	11,107,736,760.94

The notes to the financial statements attached form part of these financial statements

Legal Representative:

Chief Financial Officer:

Chief Accountant:

Bengang Steel Plates Co., Ltd.

Notes to the financial statements

For the year ended December 2016

(Expressed in Renminbi unless otherwise indicated)

1. Basic Information of the Company

(1) Company profile

Bengang Steel Plates Co., Ltd. (hereinafter referred to as “the Company”), as approved in Liao-Zheng (1997) No. 57 by Liaoning People’s Government on 27 March 1997, was incorporated as a joint stock limited company through public share offer of domestic listed foreign currency denominated shares (B shares) in the People’s Republic of China (the “PRC”) on 27 June 1997 by Benxi Steel and Iron (Group) Co., Ltd. (“Bengang Group”), through reorganization of operations, assets and liabilities of its plants, namely, Steel Smelting Plant, Primary Rolling Plant and Continuous Hot Rolling Plant.

As approved by China Securities Regulatory Commission (hereinafter referred to as “the CSRC”), the Company issued 400,000,000 B-shares at HKD2.38 each in Shenzhen Stock Exchange on 10 June 1997. On 3 November 1997, the Company issued another 120,000,000 A-shares (Renminbi common Shares) at RMB5.40 each, and listed in Shenzhen Stock Exchange since 15 January 1998. The capital shares were totaled to 1,136,000,000 shares including 616,000,000 shares held by the promoter.

On 14 March 2006, according to the resolutions of the Shareholders’ Meeting regarding share equity relocation, the Share Equity Relocation Scheme, Response to Bengang Steel Plate Co., Ltd. about Share Equity Relocation issued by Liaoning Provincial Government State-owned Asset Administrative Committee, Bengang Group – the only holder of non-negotiable state-owned legal person shares paid the consideration to the current shareholders to obtain the current option for the 40,800,000 shares of the total 616,000,000 shares it was holding. Shareholding positions have been registered with China Securities Depository & Clearing Corporation Ltd. Shenzhen Office. However, the total amount of capital shares of Bengang Steel Plates Co., Ltd. was not changed through the share equity relocation action.

According to the approval document “Zheng-Jian-Gong-Si-Zi [2006] No. 126” by China Securities Regulatory Commission on 30 June 2006, the Company was approved to place 2 billion Renminbi common shares particularly to Bengang Group and the proceeds would be used to purchase the related assets of the Group. On the same day, Bengang Group received circular Zheng-Jian-Gong-Si-Zi [2006] No. 127 issued by China Securities Regulatory Committee, and were exempted for the liability of undertaking the purchase offer. The liability was caused by

subscribing of the 2 billion new shares and the total shareholding was thus increased to 2.5752 billion shares (accounting for 82.12% of the total capital shares of the Company). On 28 August 2006, as approved by China Securities Depository & Clearing Corporation Ltd. Shenzhen Office, the registration and conditional placing procedures of the 2 billion new shares were completed. On 28 September 2006, the privately placed shares were approved by Shenzhen Stock Exchange to be placed in the stock market. The new shares were placed in the market with face value of RMB1.00 per share and the placing price was RMB4.6733 per share. The newly placed shares were restricted to be sold in 36 months when they were registered to the account of Bengang Group.

Up to 31 December 2016, the capital shares of Bengang Steel Plates Co., Ltd were amounted to 3,136,000,000 shares. The unified social credit code was 91210000242690243E. The registered address is 16th Renmin Road, Pingshan District, Benxi, Liaoning Province. The registered capital is RMB 3,136,000,000. The legal representative is Wang Shu.

The parent company of Bengang Steel Plates Co., Ltd is Benxi Steel and Iron (Group) Co., Ltd. and the actual controller is the State-owned Assets Supervision and Administration Commission of the State Council of Liaoning province.

Bengang Steel Plates Co., Ltd. belongs to ferrous metal smelting and rolling processing industry, and is mainly involved in producing and trading of ferrous metal products.

The financial statements have been approved for reporting by the board of directors of the Company on 28 March 2017.

(2) Consolidation scope

As at 31 December 2016, subsidiaries included in the Company's consolidated financial statements are as follows:

Name of the subsidiaries
Guangzhou Bengang Steel & Iron Trading Co., Ltd.
Shanghai Bengang Metallurgy Science and Technology Co., Ltd.
Bengang Steel Plates Liaoyang Pellet Co., Ltd.
Dalian Benruitong Automobile Material Technology Co., Ltd.
Changchun Bengang Steel & Iron Sales Co., Ltd.
Harbin Bengang Economic and Trading Co., Ltd.
Nanjing Bengang Materials Sales Co., Ltd.
Wuxi Bengang Steel & Iron Sales Co., Ltd.
Xiamen Bengang Steel & Iron Sales Co., Ltd.
Yantai Bengang Steel & Iron Sales Co., Ltd.
Tianjin Bengang Steel & Iron Trading Co., Ltd.

Bengang Posco Cold-rolled Sheet Co., Ltd.

Benxi Bengang Steel Sales Co., Ltd

Shenyang Bengang Metallurgical Science and Technology Co., Ltd.

Notes: there is no change of scope of consolidation this year.

2. Basis of preparation

(1) Basis of preparation

The financial statements have been prepared on the going concern basis of actual trading and events in accordance with “Accounting Standards for Business Enterprises – Basic Standard” and relevant specific standards, application materials, interpretations (together hereinafter referred to as “Accounting Standards for Business Enterprises”) issued by the Ministry of Finance, and “Information Disclosure Rules for Companies of securities for public issuance No. 15 – General Regulations for Financial Statements” issued by the China Securities Regulatory Commission.

(2) Going concern

The Company is operating normally and in a good condition, and thus has the capability to continue to operate in the next twelve months from the end of reporting period.

3. Significant accounting policies and accounting estimates

(The following disclosed content covers the detailed accounting policies and accounting estimates that are adopted by the Company according to the actual features of production or operation.)

(1) Statement of compliance with China Accounting Standards for Business Enterprises

The financial statements present truly and completely the financial position, operation results and cash flows of the Company during the reporting period in accordance with China Accounting Standards for Business Enterprises.

(2) Accounting year

The Accounting year is from 1 January to 31 December.

(3) Operating period

The operating period is twelve months.

(4) Functional currency

The Company’s functional currency is RMB.

(5) The accounting treatment for Business combination under/now under common control

1. Business combination under common control

The assets and liabilities that the Company acquired in a business combination shall be measured on the basis of their carrying amount of acquiree's assets, liabilities (as well as the goodwill arising from the business combination) in the consolidated financial statement of the ultimate controller on the combining date.

As for the balance between the carrying amount of the net assets obtained by the Company and the carrying amount of the consideration paid by it (or the total par value of the shares issued), capital reserve needs to be adjusted. If the capital reserve is not sufficient, any excess shall be adjusted against retained earnings.

2. Business combination involving entities now under common control

The Company shall, on the acquisition date, measure the assets given and liabilities incurred or assumed by an enterprise for a business combination in light of their fair values, and shall record the balances between them and their carrying amounts into the profits and losses at the current period.

The Company shall recognize the positive balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree as goodwill. The Company shall treat the negative balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree into the profits and losses of the current period.

The intermediary costs and relevant management fee for the business combination now under same control paid by the acquirer, including the expenses for audit, assessment and legal services, shall be recorded into the profits and losses at the current period. The transaction expenses for the issuance of equity securities for the business combination shall be recorded into the initial recognition amount of equity securities.

(6) Consolidation of Financial Statements

1. Scope of consolidation

The scope of consolidation of consolidated financial statements is determined based on control. All the subsidiaries (including separable sections of the investees controlled by the Company) have been consolidated into the scope of consolidation for this period ended.

2. Procedure of consolidation

The consolidated financial statements shall be presented by the parent based on the financial statements of the parent and its subsidiaries, and using other related information. When preparing consolidated financial statements, the parent shall consider the entire group as an

accounting entity, adopt uniform accounting policies and apply the requirements of Accounting Standard for Business Enterprises related to recognition, measurement and presentation. The consolidated financial statements shall reflect the overall financial position, operating results and cash flows of the group.

The accounting policy and accounting period of the subsidiaries within the consolidation scope shall be in accordance with those of the Company. If not, it is necessary to make the adjustment according to the Company's accounting policies and accounting period when preparing the consolidated financial statements.

For subsidiaries through acquisition that are now under common control, the financial statements are adjusted according to fair value of identifiable net assets on the acquisition date.

For subsidiaries through acquisition that are under common control, the assets, liabilities (as well as the goodwill arising from purchasing the subsidiary by the ultimate controller) are adjusted according to book value of net assets in the financial statements of the ultimate controller.

The owners' interests, profit or loss, and comprehensive income of the subsidiary attributable to the non-controlling shareholders shall be presented separately in the shareholders' equity of the consolidated balance sheet and under the item of net profit of the consolidated statement of comprehensive income and under the item of total comprehensive income. Where losses assumed by the minority exceed the minority's interests in the beginning equity of a subsidiary, the excess shall be charged against the minority's interests.

(1) Increase of new subsidiary and business

If the Company has a new subsidiary due to business combination under common control during a reporting period, it shall adjust the beginning balance in the consolidated statement of financial position when preparing consolidated statement of financial position. The revenue, expenses and profits of the subsidiaries from the acquisition date to the end of the reporting period are included in the Company's consolidated statement of comprehensive income. The cash flow of the subsidiaries from the acquisition date to the end of the reporting period is included in the Company's consolidated statement of cash flows. And meanwhile the Company shall adjust the relevant items of the comparative financial statements as if the reporting entity for the purpose of consolidation has been in existence since the date the ultimate controlling party first obtained control.

When the Company becomes capable of exercising control over an investee under common control due to additional investment or other reasons, Adjustment shall be made as if the reporting entity after the combination has been in existence since the date the ultimate controlling party first obtained control. The investment income recognized between date of previously obtaining equity investment and the date the acquiree and acquirer are under common control, which is later, and the combining date, other comprehensive income and other changes of net assets arising from the equity investment previously-held before obtaining the control the acquiree shall be adjusted against the prior retained earnings of the comparative financial statements and the current profit or loss respectively.

If it is now under common control, the Company shall not adjust the beginning balance in the consolidated statement of financial position when preparing consolidated statement of financial position. The revenue, expenses and profits of the subsidiaries from the acquisition date to the end of the reporting period are included in the parent company's consolidated statement of comprehensive income. The cash flow of the subsidiaries from the acquisition date to the end of the reporting period is included in the Company's consolidated statement of cash flows.

When the Company becomes capable of exercising control over an investee now under common control due to additional investment or other reasons, the acquirer shall remeasure its previously held equity interest in the acquiree to its fair value at the acquisition date. The difference between the fair value and the carrying amount shall be recognized as investment income for the period when the acquisition takes place. When the previously-held equity investment is accounted for under the equity method, any other comprehensive income previously recognized in relation to the acquiree's equity changes shall be transferred to profit or loss for the current period when the acquisition takes place. Other comprehensive income arising from remeasurement of defined benefit plan is excluded.

(2) Disposing subsidiary or business

1. General treatment

If the Company disposes a subsidiary during a reporting period, the revenue, expenses and profits of the subsidiary from the beginning of the reporting period to disposal date are included in the Company's consolidated statement of comprehensive income. The cash flow of the subsidiaries from the beginning of the reporting period to disposal date is included in the Company's consolidated statement of cash flows.

When the Company loses control over an investee due to partial disposal or other reasons, the acquirer shall remeasure the remaining equity interests in the acquiree to its fair value at the acquisition date. The difference, between sums of consideration received for disposal equity shares and fair value of the remaining shares, and sums of share of net assets of the subsidiary calculated continuously from the acquisition date or the combination date based on the previous shareholding proportion and goodwill, shall be recognized as investment income for the period when the Company loses control over acquiree. When the previously-held equity investment is accounted for under the equity method, any other comprehensive income previously recognized in relation to the acquiree's equity changes, and other equity changes rather than changes from net profit, other comprehensive income and profit distribution, shall be transferred to investment income for the current period when the Company loses control over acquiree. Other comprehensive income arising from remeasurement of defined benefit plan is excluded. When the Company loses control over a subsidiary due to the increase of capital from other investors and thus the shareholding ratio of the Company declines, accounting treatment shall be in accordance with the above-mentioned principles

2. Disposing the subsidiary by multiple transactions

Where the Company loses control of a subsidiary in multiple transactions in which it disposes of its subsidiary in stages, in determining whether to account for the multiple transactions as a single transaction, the Company shall consider all of the terms and conditions of the transactions and their economic effects. One or more of the following may indicate that the Company shall account for the multiple arrangements as a single transaction:

- (a) Arrangements are entered into at the same time or in contemplation of each other;
- (b) Arrangements work together to achieve an overall commercial effect;
- (c) The occurrence of one arrangement is dependent on the occurrence of at least one other arrangement; and
- (d) One arrangement considered on its own is not economically justified, but it is economically justified when considered together with other arrangements.

If each of the multiple transactions forms part of a bundled transaction which eventually results in loss of control of the subsidiary, these multiple transactions shall be accounted for as a single transaction. In the consolidated financial statements, the difference between the consideration received and the corresponding proportion of the subsidiary's net assets in each transaction prior to the loss of control shall be

recognized in other comprehensive income and transferred to the profit or loss when the Company eventually loses control of the subsidiary.

If each of the multiple transactions which eventually results in loss of control of the subsidiary do not form part of a bundled transaction, apply the treatment of disposing partial long-term equity investments in a subsidiary without loss of control prior to the loss of control. After the loss of control, apply the treatment of disposing the subsidiary in common cases.

(3) Acquiring the subsidiary's equity interest held by non-controlling shareholders

Where the Company has acquired a subsidiary's equity interest held by non-controlling shareholders, the difference between the increase in the cost of long-term investments as a result of acquisition of non-controlling interests and the share of net assets of the subsidiary calculated continuously from the acquisition date or the combination date based on the new shareholding proportion shall be adjusted to the capital reserve(capital premium or share premium) in the consolidated financial statements. If the balance of the capital reserve is not sufficient, any excess shall be adjusted against retained earnings.

(4) Disposing partial long-term equity investments in a subsidiary without loss of control

When the Company disposes of a portion of the long-term equity investments in a subsidiary without loss of control, the difference between the amount of the consideration received and the corresponding portion of the net assets of the subsidiary calculated continuously from the acquisition date or the combination date related to the disposal of the long-term equity investments shall be adjusted to the capital reserve (capital premium or share premium) in the consolidated financial statements. If the balance of the capital reserve is not sufficient, any excess shall be adjusted against retained earnings.

(7) Joint arrangement classification and accounting treatment

A joint arrangement is classified as either a joint operation or joint venture.

When the Company is joint operator of joint arrangement and has rights to the assets, and obligations for the liabilities, relating to the arrangement, it is classified as joint operation.

A joint operator shall recognize the following items in relation to its interest in a joint operation, and account for them in accordance with relevant accounting standards:

- (1) Its solely-held assets, and its share of any assets held jointly;
- (2) Its solely-assumed liabilities, and its share of any liabilities incurred jointly;
- (3) Its revenue from sales of its share of the output arising from the joint operation;
- (4) Its share of the revenue from the sale of the output by the joint operation; and

(5) Its solely-incurred expenses and its share of any expenses incurred jointly.

(8) Recognition of cash and cash equivalents

For the purpose of preparing the statement of cash flows, the term “cash” refers to the cash on hand and the unrestricted deposit. And the term “cash equivalents” refers to short-term (maturing within three months from acquisition) and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(9) Foreign currency transaction and translation of foreign currency financial statements

1. Foreign currency transaction

Foreign currency transactions are translated into RMB at the current rate at the day of transactions.

The foreign currency monetary items shall be translated at the spot exchange rate on the balance sheet date. The balance of exchange arising from the difference between the spot exchange rate on the balance sheet date and the spot exchange rate at the time of initial recognition or prior to the balance sheet date, except those arising from the raising of special foreign debt for the purchase or construction of capitalizable assets thus shall be capitalized according to the borrowing costs capitalization principle, shall be recorded into the profits and losses at the current period. The foreign currency non-monetary items measured at the historical cost shall still be translated at the spot exchange rate on the transaction date, of which the amount of functional currency shall not be changed. The foreign currency non-monetary items measured at the fair value shall still be translated at the spot exchange rate on the date of confirming the fair value and the balance of exchange arising from it shall be recorded into profits and losses at the current period of disposal or capital reserves.

2. Translation of foreign currency financial statements

The asset and liability items in the statement of financial position shall be translated at a spot exchange rate on the balance sheet date. Among the owner's equity items, except the ones as "undistributed profits", others shall be translated at the spot exchange rate at the time when they are incurred. The income and expense items in the statement of comprehensive income shall be translated at the spot exchange rate of the transaction date.

When disposing an overseas business, the Company shall shift the balance, which is presented under the items of the owner's equities in the statement of financial position and arises from the translation of foreign currency financial statements related to this overseas business, into the disposal profits and losses of the current period. If the overseas business is

disposed of partially, the Company shall calculate the balance arising from the translation of foreign currency statements of the part of disposal based on the disposal rate and shall shift them into the profits and losses of the current period.

(10) Financial instruments

Financial instruments include financial assets, financial liabilities and equity instruments

1. Classification of financial instruments

The classification of financial assets and financial liabilities at initial recognition are as follows: financial assets or financial liabilities designated at fair value through current profit and loss, including: trading financial investment, held-to-maturity investment, loans and receivables, available-for-sale investment and other financial liabilities.

2. Recognition and measurement of financial instruments

(1) The financial assets (liabilities) at fair value through profit or loss

The financial assets (financial liabilities) at fair value through profit or loss are recognized initially at fair value (minus cash dividends declared but not received or bond interest matured but not drawn yet). The relevant transaction cost is recognized in current profit and loss when occurred.

The cash dividends or interest are recognized as investment income when the Company receives such financial assets. At the balance sheet date, the Company recognizes the fair value changes in current profit and loss.

The Company recognizes the difference between initial recognition and fair value of the financial assets as investment income when disposing the financial assets and at the same time adjusts the fair value changes in current profit and loss.

(2) Held-to-maturity investment

The Held-to-maturity investments are recognized initially at fair value (minus bond interest matured but not drawn yet) plus any related transaction cost.

The held-to-maturity investments are measured at amortized cost using the effective interest rate. The interest income is recognized as investment income. The effective interest will be determined at the initial recognition and will not be changed in the holding period or within a shorter applicable period.

When disposing the held-to-maturity investment, the difference between the investing proceeds and the carrying value is recognized as investment income.

(3) Receivables

Receivables from selling products and rendering services or receivable of other company not including the receivables with quoted price in the active market (including: accounts receivable, other receivables, notes receivable, prepayments, long-term receivables) are measured at contract price; if the receivables is of financing nature, it shall be recognized at the present value initially.

When disposing the receivables, the difference between the proceeds and the carrying value is recognized in current profit and loss.

(4) Available-for-sale financial assets

Available-for-sale financial assets are initially recorded at the sum of fair values (deducting cash dividends that have been declared but not distributed and bond interests that have matured but not been drawn) and transaction costs when acquired.

The Company recognizes the interest or cash dividends as investment income. At each balance sheet date, available-for-sale financial assets are measured at fair value and the fair value changes are recognized in the capital reserve - other capital reserve.

The difference between the proceeds of the disposal and the carrying value shall be recognized as investment income. And the related fair value change in the shareholders' equity shall be transferred out, and recorded as investment income.

(5) Other financial liabilities

For other financial liabilities, they are initially recognized at fair value plus any directly attributable transaction costs. After the initial recognition, the other financial liabilities are measured at amortized cost.

3. Determination and measurement of financial assets transfer

Where the Company has transferred nearly all of the risks and rewards related to the ownership of the financial asset to the transferee, it shall stop recognizing the financial asset. If it retained nearly all of the risks and rewards related to the ownership of the financial asset, it shall not stop recognizing the financial asset.

To judge whether the transfer of a financial asset can satisfy the conditions as prescribed in these Standards for stopping the recognition of a financial asset, the Company shall follow the principle of the substance over form. Transfer of an entire financial asset can be divided into partial financial assets transfer and entire financial asset transfer. If the transfer of an entire financial asset satisfies the conditions for de-recognition, the difference between the amounts of the following 2 items shall be recorded in the profits and losses of the current period:

- (1) The book value of the transferred financial asset; and
- (2) The sum of consideration received from the transfer, and the accumulative amount of the changes of the fair value originally recorded in the owners' equities (in the event that the financial asset involved in the transfer is a financial asset Available-for-sale).

If the transfer of partial financial asset satisfies the conditions to derecognize, the entire book value of the transferred financial asset shall, between the portion whose recognition has been stopped and the portion whose recognition has not been stopped (under such circumstance, the service asset retained shall be deemed as a portion of financial asset whose recognition has not been stopped), be apportioned according to their respective relative fair value, and the difference between the amounts of the following 2 items shall be included into the profits and losses of the current period :

- (1) The book value of the portion whose recognition has been stopped; and
- (2) The sum of consideration of the portion whose recognition has been stopped, and the portion of the accumulative amount of the changes in the fair value originally recorded in the owner's equities which is corresponding to the portion whose recognition has been stopped (in the event that the financial asset involved in the transfer is a financial asset Available-for-sale).

If the transfer of financial assets does not satisfy the conditions to stop the recognition, it shall continue to be recognized as financial assets and the consideration received shall be recognized as financial liabilities.

4. Recognition of termination of financial liabilities

Only when the prevailing obligations of a financial liability are relieved in all or in part may the recognition of the financial liability be terminated in all or partly.

Where the Company (debtor) enters into an agreement with a creditor so as to substitute the existing financial liabilities by way of any new financial liability, and if the contractual stipulations regarding the new financial liability is substantially different from that regarding

the existing financial liability, it shall terminate the recognition of the existing financial liability, and shall at the same time recognize the new financial liability.

Where the Company makes substantial revisions to some or all of the contractual stipulations of the existing financial liability, it shall terminated the recognition of the existing financial liability or part of it, and at the same time recognize the financial liability after revising the contractual stipulations as a new financial liability.

Where the recognition of a financial liability is totally or partially terminated, the enterprise concerned shall include into the profits and losses of the current period the gap between the carrying amount which has been terminated from recognition and the considerations it has paid (including the non-cash assets it has transferred out and the new financial liabilities it has assumed).

Where the Company buys back part of its financial liabilities, it shall distribute, on the date of repurchase, the carrying amount of the whole financial liabilities in light of the comparatively fair value of the part that continues to be recognized and the part whose recognition has already been terminated. The gap between the carrying amount which is distributed to the part whose recognition has terminated and the considerations it has paid (including the noncash assets it has transferred out and the new financial liabilities it has assumed) shall be recorded into the profits and losses of the current period.

5. Determination of the fair value

The fair values of the financial assets or financial liabilities measured at fair value shall be determined by reference to the quoted prices in the active market.

6. Impairment provision of the financial assets (not including accounts receivables)

The Company shall carry out impairment review for the financial assets at the balance sheet date except for the financial assets at fair value through profit or loss. Where there is any objective evidence proving that such financial asset has been impaired, an impairment provision shall be made.

(1) Impairment of available-for-sale financial assets

An impairment provision shall be made where the fair value of the held-to-maturity financial assets drops significantly at the balance sheet date or the trend of decrease is expected not to be temporary after taking various factors into consideration. The accumulative losses arising from the decrease of the fair value of the owners' equity which was directly included shall be transferred out and recorded as impairment loss.

Where any available-for-sale debt instruments is recognized as having suffered from any impairment loss, if there is any objective evidence proving that the value of the said debt instruments has been restored, and it is objectively related to the events that occur after such loss is recognized, the impairment-related losses as originally recognized shall be reversed and be recorded into the profits and losses of the current period.

Impairment losses incurred by investment transactions of available-for-sale equity instruments shall not be reversed through profits and losses.

The criteria for “serious” level of the decrease of fair value of available-for-sale financial instruments are as follows: the decrease of fair value for the equity investment with the active transaction in a market of good liquidity is normally 50%. The decrease of fair value of the equity investment without good market liquidity is normally 30%; the criteria for “non-temporary” decrease of fair value is continuous decrease over 12 months; the cost of investment is based on the purchase price.

(2) Impairment of held-to-maturity investment

The impairment of the held-to-maturity investment can be measured at reference to the measurement of the impairment of accounts receivables.

(11) Receivables

1. The recognition and provision for bad debts for the individually significant receivables

The recognition standard of bad debts provision for the individually significant receivables:

Individually significant receivables refer to accounts receivable over RMB10 million or other receivables over RMB 5 million.

The provision for bad debts for the individually significant receivables:

The impairment test shall be assessed individually for each individually significant receivable. If there is evidence indicating the receivables have been impaired, the difference between the present value of the future cash flows and the book value of receivables shall be recognized as bad debts provision and shall be recorded into the profits and losses at the current period.

2. The recognition and provision for bad debts for the receivables in portfolio

Criteria for Recognition of Portfolio

Portfolio

Insignificant amount of receivables and unadjusted individual receivables

Recognition and provision for bad debts for portfolio

Portfolio 1: Aging analysis method

Aging analysis method for bad debts provision

Aging	Bad debts ratio for accounts receivable (%)	Bad debts ratio for other receivables (%)
Within 1 year (inclusive)		
1-2 years (inclusive)	5.00	5.00
2-3 years (inclusive)	20.00	20.00
Over 3 years	100.00	100.00

3. Insignificant individual amounts of accounts receivable that recognize bad debts individually

(1) Reasons for individual recognition and provision of bad debts

Accounts receivable amount is proved to be unrecoverable with conclusive evidence.

(2) Method of bad debts recognition and provision

If conclusive evidence shows the possibility of recovering the amount is small, recognize bad debts individually as if the amount is unrecoverable.

(12) Inventory

1. Inventory classification

Inventories include material in transit, raw material, low-valued consumables, work in process, finished goods, materials for consigned processing, etc.

2. Valuation method for inventory dispatched

The weighted average method is used to confirm the actual cost of the inventories dispatched.

3. The basis for confirming the net realizable value of inventories and the methods to make provision for the inventories impairment loss

The net realizable value of inventories (finished products, stock commodity, material, etc.) held for direct selling in the daily business activity shall be calculated by deducting the estimated sale expense and relevant taxes from the estimated sale price of inventories.

The net realizable value of inventories for further processing in the daily business activity shall be calculated by deducting the estimated cost of completion, estimated sale expense and relevant taxes from the estimated sale price of inventories.

The net realizable value of inventories held for the execution of sales contracts or labor contracts shall be calculated on the ground of the contract price. If an enterprise holds more

inventories than the quantities subscribed in the sales contract, the net realizable value of the excessive part of the inventories shall be calculated on the ground of the general sales price.

The Company shall make provision for loss on decline in value of inventories on the ground of each item of inventories at the year end. For inventories with large quantity and relatively low unit prices, the provision for loss on decline in value of inventories shall be made on the ground of the categories of inventories. For the inventories related to the series of products manufactured and sold in the same area, and of which the final use or purpose is identical or similar thereto, and if it is difficult to measure them by separating them from other items, the provision for loss on decline in value of inventories shall be made on a combination basis.

Unless clear evidence shows that the market price is exceptionally fluctuating, the net realizable value of inventory is based on the market price at the balance sheet date.

The net realizable value of inventory at the year-end is based on the market price at the balance sheet date.

4. Inventory system

The Company uses perpetual inventory system.

5. Amortization of low-valued consumables and packing materials

- (1) Low-valued consumables shall be amortized in full amount on issuance.
- (2) Packing materials shall be amortized in full amount on issuance

(13) Assets classified as held for sale

The Company shall recognize components or non-current assets as held for sale when the following conditions are satisfied simultaneously:

- (1) This component can be sold immediately based only on usual terms of selling such components in current situation.
- (2) The Company has adopted a resolution on disposal of the component or non-current asset, and has been approved by the general meeting of shareholders or the corresponding authority if required to be approved by the shareholders by the regulation.
- (3) The Company has signed an irrevocable transfer agreement with the transferee.
- (4) The transfer will be completed within one year.

(14) Long-term equity investment

1. Criteria of join control and significant influence

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities 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 not control or join control of those policies. If the Company could exert significant influence over the investee, the investee is the associate of the Company.

2. The initial cost of long-term equity investment from business acquisition

(1) Long-term equity investment from business acquisition

For a business combination involving enterprises under common control, if the consideration of the combination is satisfied by paying cash, transfer of non-cash assets or assumption of liabilities and issue of equity securities, the initial investment cost of the long-term equity investment shall be the absorbing party's share of the carrying amount of the owner's equity of the party being absorbed in the consolidated financial statements of the ultimate controlling party at combination date.

When an investor becomes capable of exercising control over an investee under common control due to additional investment or other reasons, the initial investment cost shall be the absorbing party's share of the carrying amount of the owner's equity of the party being absorbed in the consolidated financial statements of the ultimate controlling party at combination date.

The difference between the initial investment cost and the carrying amount of the previously-held equity investment, together with the additional investment cost for new shares at combination date, shall be adjusted to the capital reserve. If the balance of capital reserve is not sufficient, any excess shall be adjusted to retained earnings.

When an investor becomes capable of exercising control over an investee now under common control due to additional investment or other reasons, the investor shall change to the cost method and use the carrying amount of the cost method and use the carrying amount of the previously-held equity investment, together with the additional investment cost, as the initial investment cost under the cost method.

(2) The initial cost of the long-term equity investment other than from business acquisition

The initial cost of a long-term equity investment obtained by making payment in cash shall be the purchase cost which is actually paid.

The initial cost of a long-term equity investment obtained on the basis of issuing equity securities shall be the fair value of the equity securities issued.

The initial cost of a long-term equity investment of an investor shall be the value stipulated in the investment contract or agreement (minus cash dividend or profit declared but not paid) except the unfair value stipulated in the contract or agreement.

If the exchange of non-monetary assets is commercial in nature and the fair values of both the assets received and surrendered can be reliably measured, the fair value of the assets surrendered shall be used as the basis for determining the cost of the assets received, unless there is any exact evidence showing that the fair value of the assets received is more reliable. Where any non-monetary assets transaction does not meet the conditions as prescribed above, the carrying value and relevant payable taxes of the assets surrendered shall be the initial cost of the assets received.

The initial cost of a long-term equity investment obtained by debt restructuring shall be ascertained on the basis of fair values.

3. Subsequent measurement and profit or loss recognition

(1) Cost method

The Company adopts cost method for the long term investment in subsidiary company. Under the cost method, an investing enterprise shall, in accordance with the attributable share of the net profits or losses of the invested entity, recognize the investment profits or losses except the dividend declared but unpaid, which is included in the payment when acquiring the investment.

(2) Equity method

A long-term equity investment in an associate or a joint venture shall be accounted for using the equity method. Where the initial investment cost of a long-term equity investment exceeds an investor's interest in the fair values of an investee's identifiable net assets at the acquisition date, no adjustment shall be made to the initial investment cost. Where the initial cost is less than the investor's interest in the fair values of the investee's identifiable net assets at the acquisition date, the difference shall be credited to profit or loss for the current period, and the cost of the long-term equity investment shall be adjusted accordingly.

The Company shall recognize its share of the investee's net profits or losses, as well as its share of the investee's other comprehensive income, as investment income or losses and other comprehensive income, and adjust the carrying amount of the investment accordingly. The carrying amount of the investment shall be reduced by the portion of any profit distributions or cash dividends declared by the investee that is attributable to the investor. The investor's share of the investee's owners' equity changes, other than those arising from the investee's net profit or loss, other comprehensive income or profit distribution, and the carrying amount of the long-term equity investment shall be adjusted accordingly.

The investor shall recognize its share of the investee's net profits or losses after making appropriate adjustments based on the fair values of the investee's identifiable net assets at the acquisition date.

The unrealized profits or losses resulting from transactions between the investor and its associate or joint venture shall be eliminated in proportion to the investor's equity interest in the investee, based on which investment income or losses shall be recognized. Any losses resulting from transactions between the investor and investee which are attributable to asset impairment shall be recognized in full.

If the transaction of investment or sale of assets among the Company and associate and joint venture and the assets is a business, it shall apply the treatment mentioned in Note 2 (5) "The accounting treatment for Business combination under/now under common control" and Note 2 (6) "Consolidation of Financial Statements".

When the Company recognizes the losses of invested enterprise, it shall follow the following sequence: First of all, offset the book value of long term equity investment. If the book value of long term equity is insufficient to dilute, the investing enterprise shall recognize the net losses of the invested enterprise until the book value of the long-term equity investment and other long-term rights and interests which substantially form the net investment made to the invested entity are reduced to zero. If the company still has the obligation to undertake extra losses per contract, and then estimated liabilities shall be recognized into current profit and loss accordingly to the estimated obligation.

(3) Disposal of long-term equity investment

On disposal of a long-term equity investment, the difference between the proceeds actually received and the carrying amount shall be recognized in profit or loss for the current period.

When the previously-held equity investment is accounted for under the equity method, any other comprehensive income previously recognized shall be accounted for on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities.

Those owner's equity recognized other than the change of net profits or loss, other comprehensive income, profit distribution of the invested entity shall be transferred proportionally into profit or loss of current period, other comprehensive income arising from the remeasurement of defined benefit plan is excluded.

When an investor can no longer exercise joint control of or significant influence over an investee due to partial disposal of equity investment or other reasons, the remaining equity investment shall be accounted for in accordance with “Accounting Standard for Business Enterprises No. 22-Financial instruments: recognition and measurement”. The difference between the fair value and the carrying amount at the date of the loss of joint control or significant influence shall be charged to profit or loss for the current period. When the previously-held equity investment is accounted for under the equity method, any other comprehensive income previously recognized shall be accounted for on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities for the current period upon discontinuation of the equity method.

Those owner's equity recognized other than the change of net profits or loss, other comprehensive income, profit distribution of the invested entity shall be transferred into profit or loss of current period in full when the Company cease to adopt the equity method.

When the Company can no longer exercise control over an investee due to partial disposal of equity investment or other reasons, and with the retained interest, still has joint control of, or significant influence over, the investee, when preparing the individual financial statements, the investor shall change to the equity method and adjust the remaining equity investment as if the equity method had been applied from the date of the first acquisition. If the investor cannot exercise joint control of or significant influence over the investee after partial disposal of equity investment, the remaining equity investment shall be accounted for in accordance with “Accounting Standard for Business Enterprises No.22-Financial instruments: Recognition and Measurement”, and the difference between the fair value and carrying amount at the date of the loss of control shall be charged to profit or loss for the current period.

When the equity investment disposed is acquired through business combination due to additional investment or other reasons, in stand-alone financial statement, the remaining equity investment shall adopt cost method or equity method, any other comprehensive income and other owner's interests previously recognized of the previously-held equity investment under the equity method shall be transferred proportionally.

For those remaining equity investment accounted for in accordance with "Accounting Standard for Business Enterprises No.22-Financial instruments: Recognition and Measurement" after disposal, other comprehensive income and other owner's interests previously recognized shall be transferred to profit or loss in full.

(15) Investment properties

The term "investment properties" refers to the real estate held for generating rent and/or capital appreciation. The investment properties include:

- (1) The land use right which has already been rented;
- (2) The land use right which is held and prepared for transfer after appreciation; and
- (3) The building which has already been rented (including buildings self-constructed or developed for rent after completion or buildings being built or developed for future rent).

The investment properties shall be measured at the cost model. For the investment properties measured at cost model and building for rent, the same depreciation policy shall be adopted as that of fixed assets; for land use right, the same amortization policy shall be adopted as that of intangible assets.

(16) Fixed assets

1. Recognition of Fixed assets

The term "fixed assets" refers to the tangible assets that simultaneously possess the features as follows:

- (1) They are held for the sake of producing commodities, rendering labor service, renting or business management; and
- (2) Their useful life is in excess of one fiscal year.

No fixed asset may be recognized unless it simultaneously meets the conditions as follows:

- (1) The economic benefits pertinent to the fixed asset are likely to flow into the enterprise; and
- (2) The cost of the fixed asset can be measured reliably.

2. Fixed assets depreciation

Fixed assets are depreciated under the straight line method. The depreciation rate is determined according to the category of assets, the useful life and the expected residual rate. If the components of the fixed assets have different useful lives or provide the economic benefits in a different way, then different depreciation rate or method shall be applied and the depreciation of the components shall be calculated separately.

Fixed assets acquired under financial leasing is depreciated over the useful life if it is reasonably certain that the ownership of the leased assets will be acquired upon expiry of lease, or over the shorter of lease term and useful life if it is not reasonably certain that the ownership of the leased assets will be acquired upon expiry of lease.

Details of classification, depreciation period, residual value rate and annual depreciation rate are as follows:

Classification	Depreciation Period	Residual Value Rate (%)	Depreciation Rate (%)
Plants and Buildings	8-40 years	0.00	2.50-12.50
Machinery	4-18 years	3.00	5.39-24.25
Transportation and other equipment	5-18 years	3.00	5.39-19.40

3. Recognition criteria for fixed asset leased in by financial leasing and its valuation

Where a lease satisfies one or more of the following criteria, it shall be recognized as a financial leasing:

- (1) The ownership of the leased asset is transferred to the lessee when the term of lease expires;
- (2) The lessee has the option to buy the leased asset at a price which is expected to be far lower than the fair value of the leased asset at the date when the option becomes exercisable;
- (3) The lease term covers the major part of the use life of the leased asset; and
- (4) The present value of the minimum lease payments on the lease beginning date amounts to substantially all of the fair value of the leased asset on the lease beginning date.

On the lease beginning date, the Company shall record the lower one of the fair value of the leased asset and the present value of the minimum lease payments on the lease beginning date as the initial book value, recognize the amount of the minimum lease payments as the initial book value of long-term account payable, and treat the difference between the recorded amount of the leased asset and the long-term account payable as unrecognized financing charges.

(17) Construction in progress

The cost of fixed assets transferred from a construction in progress includes all the necessary expenses incurred for bringing the asset to the expected conditions for use. Construction in progress is transferred to fixed asset when it has reached its working condition for its intended use. In case the final project accounts have not been completed or approved, the asset shall be transferred to fixed assets at an estimated value by considering project budget, cost or actual cost of the project and etc., and the depreciation of the said fixed assets shall be provided in accordance with the Company's accounting policy since it has reached its working condition for its intended use. After the project accounts have been approved, the estimated values shall be adjusted based on the actual cost, but those provided depreciation shall not be adjusted.

(18) Borrowing costs

1. Principle of the recognition of capitalized borrowing costs

The borrowing costs shall include interest on borrowings, amortization of discounts or premiums on borrowings, ancillary expenses, and exchange balance on foreign currency borrowings.

Where the borrowing costs incurred to an enterprise can be directly attributable to the acquisition and construction or production of assets eligible for capitalization, it shall be capitalized and recorded into the costs of relevant assets. Other borrowing costs shall be recognized as expenses on the basis of the actual amount incurred, and shall be recorded into the current profits and losses.

The term "assets eligible for capitalization" shall refer to the fixed assets, investment real estate, inventories and other assets, of which the acquisition and construction or production may take quite a long time to get ready for its intended use or for sale.

The borrowing costs shall not be capitalized unless they simultaneously meet the following requirements:

- (1) The asset disbursements have already incurred, which shall include cash, transferred non-cash assets or interest bearing debts paid for the acquisition and construction or production activities for preparing assets eligible for capitalization;
- (2) The borrowing costs has already incurred; and
- (3) The acquisition and construction or production activities which are necessary to prepare the asset for its intended use or sale have already started.

2. The capitalization period of borrowing costs

The capitalization period shall refer to the period from the commencement to the cessation of capitalization of the borrowing costs, excluding the period of suspension of capitalization of the borrowing costs.

When the qualified asset under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs shall be ceased.

Where each part of a qualified asset under acquisition and construction or production is completed separately and is ready for use, the capitalization of the borrowing costs in relation to this part of asset shall be ceased.

Where each part of an asset under acquisition and construction or production is completed separately and is ready for use or sale during the continuing construction of other parts, but it cannot be used or sold until the asset is entirely completed, the capitalization of the borrowing costs shall be ceased when the asset is completed entirely.

3. The suspension of capitalization of borrowing costs

Where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended. If the interruption is a necessary step for making the qualified asset under acquisition and construction or production ready for the intended use or sale, the capitalization of the borrowing costs shall continue. The borrowing costs incurred during such period shall be recognized as expenses, and shall be recorded into the profits and losses of the current period, till the acquisition and construction or production of the asset restarts.

4. Method of calculating the capitalization rate and capitalized amount of borrowing costs

For interest expense (minus the income of interests earned on the unused borrowing loans as a deposit in the bank or investment income earned on the loan as a temporary investment) and the ancillary expense incurred to a specifically borrowed loan, those incurred before a qualified asset under acquisition, construction or production is ready for the intended use or sale shall be capitalized at the incurred amount when they are incurred, and shall be recorded into the costs of the asset eligible for capitalization.

The Company shall calculate and determine the to-be-capitalized amount of interests on the general borrowing by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the general borrowing by the capitalization rate of

the general borrowing used. The capitalization rate shall be calculated and determined in light of the weighted average interest rate of the general borrowing.

Where there is any discount or premium, the amount of discounts or premiums that shall be amortized during each accounting period shall be determined by the effective interest rate method, and an adjustment shall be made to the amount of interests in each period.

(19) Intangible Assets

1. Measurement of Intangible Assets

(1) Initial measurement is based on cost upon acquisition

The cost of an intangible asset on acquisition include the purchase price, relevant taxes and other necessary disbursements which may be directly attributable to bringing the intangible asset to the conditions for the expected purpose. If the payment for an intangible asset is delayed beyond the normal credit conditions and it is of the financing nature, the cost of the intangible asset shall be determined on the basis of the present value of the purchase price.

For intangible assets obtained from debt restructuring as settlement of liabilities from debtors, initial recognition is based on its fair value, and the difference between the debt restructured and the fair value of the intangible assets are recognized in the current profit and loss.

For intangible assets obtained from non-monetary transactions with commercial substance, and the fair value of the assets obtained or surrendered can be reliably measured, the initial recognition of the asset obtained is based on the fair value of the asset surrendered, unless there is strong evidence that the fair value of the asset obtained is more reliable. For intangible assets obtained through non-monetary transactions which do not meet the above criteria, the initial recognition is based on the book value of the assets surrendered and the relevant taxes payable. No gain or loss will be recognized.

(2) Subsequent Measurement

The Company shall analyze and judge the beneficial period of intangible assets upon acquisition.

Intangible assets with finite beneficial period shall be amortized under the straight-line method during the period when the intangible asset can bring economic benefits to the enterprise. If it is unable to estimate the beneficial period of the intangible asset, it shall be regarded as an intangible asset with uncertain service life and shall not be amortized.

2. Estimated useful lives of intangible assets with limited useful lives

Item	Estimated useful life	Criteria
Land use right	50 years	Land use right certificate

The Company shall review the useful lives and amortization methods of intangible assets with limited useful lives at each year end.

Per review, the useful lives and amortization methods of intangible assets with limited useful lives at each year-end is the same with that of last year.

3. Determination of intangible assets with uncertain useful lives

As at the balance sheet date, the Company has no intangible assets with uncertain useful lives.

4. Classification criteria for internal research phase and development phase

The expenditures for its internal research and development projects of an enterprise shall be classified into research expenditures and development expenditures.

Research phase refers to the phase of creative and planned investigation to acquire and study to acquire and understand new scientific or technological knowledge.

Development phase refers to the phase during which the result of research phase or other knowledge is applied into certain projects or designs for the manufacturing of new or substantially improved material, device and product.

5. Criteria of capitalization of development expenditure

Expenditures during the development phase of internal research and development projects shall be recognized as intangible assets when they meet all the following criteria:

- (1) It is feasible technically to complete the intangible assets for use or sale;
- (2) The intention to complete and use or sell the intangible assets is present;
- (3) The method of which the intangible assets generate economic benefits shall be proved, including being able to prove that there is a potential market for the products manufactured by applying the intangible assets or there is a potential market for the intangible assets itself or the intangible assets will be used internally;
- (4) It is able to finish the development of the intangible assets, and able to use or sell the intangible assets, with the support of sufficient technologies, financial resources and other resources; and
- (5) The development expenditures of the intangible assets can be reliably measured.

The development expenditures for its internal research and development projects of the Company shall be recorded into the profit or loss for the current period if the above said conditions are not satisfied simultaneously. The research expenditures for its internal research and development projects of an enterprise shall be recorded into the profit or loss for the current period when incurred.

(20) Impairment of long-term assets

For long-term assets under the cost model such as fixed assets, construction in progress, intangible assets etc., the Company shall perform impairment tests at the period end if there is clear indication of impairment.

If the recoverable amounts of long-term assets are less than their carrying amounts, the carrying amounts of the assets shall be written down to their recoverable amounts. The write-downs are recognized as impairment losses and charged to current profit and loss. The recoverable amounts of long-term assets are the higher of their fair values less costs to sell and the present values of the future cash flows expected to be derived from the assets. The Company shall estimate its recoverable amount on an individual basis. Where it is difficult to do so, it shall determine the recoverable amount of the group assets on the basis of the asset group to which the asset belongs. The term "group assets" refers to a minimum combination of assets by which the cash flows could be generated independently

The goodwill shall be subject to an impairment test at least at the end of each year.

When the Company makes an impairment test of assets, it shall, as of the purchasing day, apportion the carrying value of the business reputation formed by merger of enterprises to the relevant asset groups by a reasonable method. Where it is difficult to do so, it shall be apportioned to the relevant combinations of asset groups.

When apportioning the carrying value of the business reputation to the relevant asset groups or combinations of asset groups, it shall be apportioned on the basis of the proportion of the fair value of each asset group or combination of asset groups to the total fair value of the relevant asset groups or combinations of asset groups. Where it is difficult to measure the fair value reliably, it shall be apportioned on the basis of the proportion of the carrying value of each asset group or combination of asset groups to the total carrying value of the relevant asset groups or combinations of asset groups.

When making an impairment test on the relevant asset groups or combination of asset groups containing business reputation, if any evidence shows that the impairment of asset groups or combinations of asset groups is possible, the Company shall first make an impairment test on

the asset groups or combinations of asset groups not containing business reputation, calculate the recoverable amount, compare it with the relevant carrying value and recognize the corresponding impairment loss. Then the Company shall make an impairment test of the asset groups or combinations of asset groups containing business reputation, and compare the carrying value of these asset groups or combinations of asset groups (including the carrying value of the business reputation apportioned thereto) with the recoverable amount. Where the recoverable amount of the relevant assets or combinations of the asset groups is lower than the carrying value thereof, it shall recognize the impairment loss of the business reputation.

Impairment losses on long-term assets shall not be reversed in subsequent accounting periods once recognized.

(21) Long-term deferred expense

The long-term deferred expense refers to the expenses incurred but shall be borne by current and subsequent accounting period, which is more than one year. The long-term deferred expense shall be amortized over its beneficiary period evenly

(22) Employee benefits

1. Accounting treatment for short employee benefit

The Company shall recognized , in the accounting period in which an employee provides service, actually occurred short-term employee benefits as a liability, with a corresponding charge to the profit or loss or cost of an asset for the current period.

Payments made by an enterprise of social security contributions for employees, payments of housing funds, and union running costs employee education costs provided in accordance with relevant requirements shall, in the accounting period in which employees provide services, be calculated according to prescribed bases and percentages in determining the amount of employee benefits.

The employee benefits which are non-monetary benefits shall be measured at fair value if it could be measured reliably.

2. Accounting treatment of post-employment benefits

(1) Defined contribution plan

The Company shall recognize, in the accounting period in which an employee provides service, pension fund and unemployment fund for employees as a liability according to the local government regulations. The amount shall be calculated according to local prescribed bases and percentages in determining the amount of employee benefits, with a corresponding charge to the profit or loss or cost of an asset for the current period.

(2) Defined benefit plan

None.

3. Accounting treatment of termination benefits

The Company which provides termination benefits to employees shall recognize an employee benefits liability for termination benefits, with a corresponding charge to the profit or loss for the current period, at the earlier of the following dates:

- (1) When the Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal
- (2) When the Company recognizes costs or expenses related to a restructuring that involves the payment of termination benefits

4. Accounting treatment of other long-term employee benefits payable

None.

(23) Estimated liabilities**1. Recognition Criteria of estimated liabilities**

The obligation pertinent to a Contingency (litigation, guarantees, loss contract, restructuring) shall be recognized as an estimated liabilities when the following conditions are satisfied simultaneously:

- (1) That obligation is a current obligation of the enterprise;
- (2) It is likely to cause any economic benefit to flow out of the enterprise as a result of performance of the obligation; and
- (3) The amount of the obligation can be measured in a reliable way.

2. Measurement of estimated liabilities

The estimated debts shall be initially measured in accordance with the best estimate of the necessary expenses for the performance of the current obligation.

To determine the best estimate, an enterprise shall take into full consideration of the risks, uncertainty, time value of money, and other factors pertinent to the Contingencies. If the time value of money is of great significance, the best estimate shall be determined after discounting the relevant future outflow of cash.

The best estimate shall be conducted in accordance with the following situations, respectively:

If there is a continuous range for the necessary expenses and if all the outcomes within this range are equally likely to occur, the best estimate shall be determined in accordance with the average estimate within the range, that is, the average of the upper and lower limit.

If there is not a sequent range for the necessary expenses and if the outcomes within this range are not equally likely to occur, the best estimate shall be determined as follows:

- (1) If the Contingencies concern a single item, it shall be determined in the light of the most likely outcome.
- (2) If the Contingencies concern two or more items, the best estimate shall be calculated and determined in accordance with all possible outcomes and the relevant probabilities.

When all or some of the expenses necessary for the liquidation of an estimated debts of an enterprise is expected to be compensated by a third party, the compensation shall be separately recognized as an asset only when it is virtually certain that the reimbursement will be obtained. The amount recognized for the reimbursement shall not exceed the book value of the estimated debts.

(24) Revenue

1. Recognition Criteria for the Revenue from sale of goods

(1) The general principle of revenue recognition and measurement

The Company has transferred to the buyer the significant risks and rewards of ownership of the goods; and retained neither continuing managerial involvement which usually relates to the ownership nor exerts effective control over the goods sold. The relevant amount of revenue can be measured reliably, the economic benefits related to the transaction will flow into the enterprise; and the relevant costs incurred or to be incurred can be measured reliably. Revenue from the sale of goods may be recognized.

(2) The specific criteria of revenue recognition and measurement

The amount of sale of goods is recognized according to the contract or agreement terms.

The Company mainly sells steel and other products. Domestic sales revenue is recognized when the following conditions are met: The Company has delivered the products to buyer under the contract, amount of product sales revenue is determinable, received or the certificate of the right to receive the amount has been obtained and the relevant economic benefits are likely to flow into the entity, and related costs can be measured reliably.

Export sales revenue is recognized when the following conditions are met: the Company has undertaken the Customs declaration and delivery has occurred under the contract, bill of lading has been obtained, amount of product sales revenue is determinable, received or the

certificate of the right to receive the amount has been obtained and the relevant economic benefits are likely to flow into the entity, and related costs can be measured reliably.

2. Recognition Criteria for the Revenue from alienating of Assets Use Rights

(1) The general principle

When it is probable that economic benefits in relation to the transaction will flow into the enterprise; and the amount of revenues can be measured reliably. The Company shall ascertain the amount of revenues from the transfer of Assets Use Right based on the following circumstances respectively:

- (1) Interest income shall be calculated based on the duration of which the Company's cash is used by others and the actual interest rate; or
- (2) Royalty revenue shall be calculated based on the period and method of charging as stipulated in the relevant contract or agreement.

(2) The evidence of recognition of Revenue from alienating of Assets Use Rights

- (1) The agreement alienating of Assets Use Rights of has been signed and provided to users; and
- (2) The timing for collecting the fee is due.

3. Recognition Criteria for the Revenue from Providing Labor Services and Construction Contracts under Percentage of Completion Method

Revenue from providing labor services are recognized under the percentage of completion method if the outcome of the labor service provision transaction can be reliably measured. Percentage completed is determined by measurement of work completed.

Total revenue from providing of labor services is determined based on the received or receivable amount stipulated in the contract or agreement, unless the received or receivable amount as stipulated in the contract or agreement is unfair. The Company shall, on the date of the balance sheet, ascertain the current revenue from providing labor services by multiplying the total amount of revenues from providing labor services with the percentage completion, less cumulative revenues recognized in the previous accounting periods. At the same time, the enterprise shall recognize current cost of labor services by multiplying the total estimated cost of providing of labor services with percentage completion less cumulative costs recognized in the previous accounting periods.

If the result of a transaction concerning the providing of labor services cannot be reliably measured at the balance sheet date, it shall be measured as follows:

(1) If the cost of labor services incurred is expected to be compensated, the revenue from the providing of labor services shall be recognized to the extent of the cost of labor services incurred, and the cost of labor services shall be recognized; or

(2) If the cost of labor services incurred is not expected to compensate, the cost incurred shall be recognized in the current profit and loss, and no revenue from the providing of labor services shall be recognized.

(25) Government Subsidies

1. Types of government subsidies

A government subsidy means the monetary or non-monetary assets obtained free of charge by the Company from the government. Government subsidies consist of the government subsidies pertinent to assets and government subsidies pertinent to income.

2. Recognition

If clear evidence shows that conditions for granting the finance support fund can be met and the finance support fund is supposed to be received, the amount of receivable can be recognized.

If no clear evidence shows that the Company is expected to receive finance support or the conditions for granting the finance support fund can be met, recognized the government subsidies when the conditions are met and the amount are received.

3. Accounting treatment

The government subsidies pertinent to fixed assets and intangible assets acquired and constructed shall be recognized as deferred income and equally recognized over the useful lives of the relevant assets as non-operating income.

The government subsidies pertinent to incomes to subsidize future expenses shall be recognized as deferred income and transferred to non-operating income in the period during which the expenses subsidized is recognized. Government subsidies to subsidize past expenses or losses shall be recognized in the statement of comprehensive income in the period during which the subsidy is received.

(26) Deferred tax assets and deferred tax liabilities

An enterprise shall recognize the deferred income tax liabilities arising from a deductible temporary difference to the extent of the amount of the taxable income which it is most likely to obtain and which can be deducted from the deductible temporary difference.

As for any deductible loss or tax deduction that can be carried forward to the next year, the corresponding deferred income tax assets shall be determined to the extent that the amount of future taxable income to be offset by the deductible loss or tax deduction to be likely obtained.

All taxable temporary differences shall be recognized as deferred tax liabilities with certain limited exceptions.

Exceptions when deferred tax assets and deferred tax liabilities are not recognized include: initial recognition of goodwill; initial recognition of an asset or liability in a transaction or event that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss)

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

(27) Leases

1. Accounting treatment of operating lease

(1) The rents paid for operating leases shall be recorded in the profits and losses of the current period by using the straight-line method over each period of the lease term. The initial direct costs paid by the Company shall be recorded into the profits and losses of the current period

If the lessor has shouldered any expense related to the lease which shall have been borne by the Company, the Company shall deduct these expenses from the total rental expense and the remaining rental expense shall be allocated to each period during the lease term

(2) The rents collected from operating leases shall be recorded in the profits and losses of the current period by using the straight-line method over each period of the whole lease term in which free lease period is included. The initial direct costs paid by the Company shall be recorded into the profits and losses of the current period. The initial direct costs shall be capitalized if it is material, and be allocated to each period as per the basis for rental revenue recognition.

If the Company has shouldered any expense related to the lease which shall have been borne by the lessee, the company shall deduct these expenses from the total rental revenue and the remaining rental revenue shall be allocated to each period during the lease term.

2. Accounting treatment of financial leasing

(1) Leased in asset

On the lease beginning date, a lessee shall record the lower one of the fair value of the leased asset and the present value of the minimum lease payments on the lease beginning date as the initial book value, recognize the amount of the minimum lease payments as the initial book value of long-term account payable, and treat the balance between the recorded amount of the leased asset and the long-term account payable as unrecognized financing charges.

The lessee shall adopt the effective interest rate method to calculate and recognize the financing charge in the current period. The unrecognized financing charge shall be amortized to each period during the lease term. Initial direct costs incurred by the Company shall be recorded in the value of the leased asset.

(2) Leased out asset

On the lease beginning date, a lessee shall record the balance between the sum of finance lease receivables plus unguaranteed residual value and the present value of the sum as unrealized financing income, and record rental as revenue when received for each period in the future

Initial direct costs incurred by the Company related to the leased asset shall be recorded in the initial measurement of the finance lease receivables, and reduce the amount of revenue recognized during the lease term.

(28) Discontinuing operation

Discontinuing operation is a component that has been disposed or classified as held for sale by the Company, and can be distinguished separately in operating and preparing financial statements when one of the following conditions is met:

- (1) The component stands for an independent main business or a major business area;
- (2) The component is a part of disposal plan of an independent main business or a major business area;
- (3) The component is a subsidiary which is acquired only for sale again.

(29) Significant accounting policies and change of accounting estimate

1. Significant changes in accounting policies

(1) Implementation of Provisions on the accounting treatment of value added tax.

On December 3, 2016, the Ministry of Finance issued Provisions on the accounting treatment of value added tax ([2016] no. 22), which applies to transactions from May 1, 2016. The main impacts of the implementation are as follows:

The contents and reasons of accounting policy changes	Financial statement items affected and amount
Adjust the "Business tax and surcharges" to "Tax and surcharges" in the income statement.	Tax and surcharges
The business activities of the occurrence of property tax, land use tax, vehicle and vessel use tax, stamp tax from May 1, 2016 is reclassified from "General and administrative expenses" to "Tax and surcharges". The tax occurred before May 1, 2016 shall not be adjusted. Comparative data stays unadjusted.	Tax and surcharges item have increased by RMB 65,261,381.86, while General and administrative expenses have decreased by RMB 65,261,381.86.
The debit balance of the sub-item under Tax payable such as VAT payable, VAT not paid, input VAT to be deducted, input VAT to be verified, VAT overpaid will be reclassified from Tax payable to other current assets or other non-current assets. Comparative data stays unadjusted.	The ending balance of other current assets has increased by RMB 86,134,653.84 and the tax payable has increased by RMB 86,134,653.84

2. Significant changes in accounting estimates

The company's accounting estimates have not changed during the reporting period.

4. Taxes**(1) Major type of taxes and corresponding tax rates**

Tax	Taxation Method	Tax Rate
Value-added Tax(VAT)	The balance of output VAT calculated based on product sales and taxable services revenue in accordance with the tax laws after subtracting the deductible input VAT of the period	17%, 11%, 6%
Business tax	Based on taxable operating revenue(from 1 May 2016, the Business tax has changed into VAT)	5%
City maintenance and construction tax	Based on VAT and business tax actually paid	7%, 5%
Educational surcharges	Based on VAT and business tax actually paid	3%, 2%
Enterprise income tax	Based on taxable profit	25%

(2) Tax Preference

None.

5. Notes to the consolidated financial statements

(1) Cash at bank and on hand

1. Cash at bank and on hand

Items	Ending balance	Beginning balance
Cash on hand	47,743.38	72,220.66
Cash at bank	12,238,841,745.29	4,612,384,032.13
Other monetary funds	693,022,529.17	528,024,257.18
Total	12,931,912,017.84	5,140,480,509.97

Notes: No funds are deposited abroad at the year-end.

The details of restricted monetary funds resulted from guarantee or pledge or freeze accounts are as follows:

Items	Ending balance	Beginning balance
Margin for bank acceptance bill	483,737,529.17	508,347,736.99
Guarantee for Yield Enhancement Products	174,600,000.00	
Deposits for purchase of foreign currency		19,350,000.00
Total	658,337,529.17	527,697,736.99

(2) Notes receivable

1. Notes receivable disclosed by category

Items	Ending balance	Beginning balance
Bank acceptance bill	2,003,701,859.70	2,446,693,577.16
Commercial acceptance bill	26,979,278.33	2,988,984.00
Total	2,030,681,138.03	2,449,682,561.16

2. The pledged acceptance bill at the year-end

Items	The pledged acceptance bill at the year-end
Bank acceptance bill	682,288,925.93
Total	682,288,925.93

3. The amount of Notes receivable endorsed over but not yet matured at the year-end.

Items	Derecognized ending balance	Underecognized ending balance
Bank acceptance bill	6,791,554,837.93	
Commercial acceptance bill		5,416,970.01
Total	6,791,554,837.93	5,416,970.01

4. No Notes receivable has been transferred into accounts receivable due to inability of drawer to meet acceptance bill at the year-end.

(3) Accounts receivable

1. Accounts receivable disclosed by category

Items	Ending balance				
	Carrying amount		Provision for bad debts		Book value
	Amount	Percentage (%)	Amount	Bad debts ratio (%)	
Individually significant and tested for impairment individually					
Accounts receivable tested for impairment by portfolio	829,837,954.48	100.00	205,972,527.23	24.82	623,865,427.25
Other insignificant items but tested for impairment individually					
Total	829,837,954.48	100.00	205,972,527.23	24.82	623,865,427.25

Items	Beginning balance				
	Carrying amount		Provision for bad debts		Book value
	Amount	Percentage (%)	Amount	Bad debts ratio (%)	
Individually significant and tested for impairment individually					
Accounts receivable tested for impairment by portfolio	642,517,001.01	100.00	153,932,376.29	23.96	488,584,624.72
Other insignificant items but tested for impairment individually					
Total	642,517,001.01	100.00	153,932,376.29	23.96	488,584,624.72

Accounts receivables tested for impairment by portfolio using the method of Aging analysis

Items	Ending balance		
	Carrying amount	Provision for bad debts	Bad debts ratio (%)
Within 1 year (inclusive)	432,858,214.27		
1-2 years (inclusive)	174,803,236.45	8,740,161.81	5.00
2-3 years (inclusive)	31,180,172.93	6,236,034.59	20.00
Over 3 years	190,996,330.83	190,996,330.83	100.00
Total	829,837,954.48	205,972,527.23	24.82

2. Information of provision, reversal or recovery of bad debts of current period.

The provision of bad debts of current period is RMB 52,040,150.94.

3. No accounts receivable has been written off this year.

4. Top five debtors at the year-end

Company	Amount	Ending balance	Provision for bad debts
		Percentage of total Accounts receivable (%)	
HuaChen Auto Group Holding Co., Ltd.	158,522,168.13	19.10	
Benxi Nanfen Xinhe Metallurgical Co., Ltd.	87,396,378.47	10.53	4,368,958.76
Benxi Steel & Iron (Group) Machinery Manufacture Co., Ltd.	58,688,479.41	7.07	6,978,534.14
Ningbo CIMC Logistics Equipment Co., Ltd.	49,157,039.02	5.92	
Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	43,138,986.20	5.20	2,160,167.07
Total	396,903,051.23	47.82	13,507,659.97

(4) Prepayments**1. Prepayments disclosed by aging**

Aging	Ending balance		Beginning balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year (inclusive)	452,700,499.16	91.67	423,542,198.08	74.32
1-2 years (inclusive)	31,080,628.03	6.29	139,209,276.37	24.43
2-3 years (inclusive)	8,279,599.88	1.68	7,100,476.24	1.25
Over 3 years	1,778,932.37	0.36		
Total	493,839,659.44	100.00	569,851,950.69	100.00

Notes: Significant prepayment with aging over 1 year is paid for commodity in advance and the settlement terms agreed in the contract are not due.

2. Top five prepaid companies at the year-end

Name of the company	Amount	Percentage (%)
Benxi Beiyang Steel & Iron (Group) Co., Ltd.	209,639,029.05	42.45
Shanxi Xishan Coal and Electricity Power Co., Ltd.	98,539,077.31	19.95
Shanxi Coking Coal Group Co., Ltd.	37,127,505.53	7.52
Yangquan Coal Industry Group Co., Ltd.	28,883,959.66	5.85
MCC (Wuhan) Co., Ltd.	14,880,000.00	3.01
Total	389,069,571.55	78.78

(5) Interest receivable**1. Interest receivable disclosed by category**

Items	Ending balance	Beginning balance
Fixed deposit interest	4,208,818.85	3,524,615.12
Total	4,208,818.85	3,524,615.12

(6) Other receivables**1. Other receivables disclosed by category**

Items	Ending balance				
	Carrying amount		Provision for bad debts		Book value
	Amount	Percentage (%)	Amount	Bad debts ratio (%)	
Individually significant and tested for impairment individually					
Accounts receivable tested for impairment by portfolio	183,443,116.06	99.06	67,273,143.57	36.67	116,169,972.49
Other insignificant items but tested for impairment individually	1,740,000.00	0.94			1,740,000.00
Total	185,183,116.06	100.00	67,273,143.57	36.33	117,909,972.49

Items	Beginning balance				
	Carrying amount		Provision for bad debts		Book value
	Amount	Percentage (%)	Amount	Bad debts ratio (%)	
Individually significant and tested for impairment individually					
Accounts receivable tested for impairment by portfolio	216,153,715.77	99.20	66,224,838.51	30.64	149,928,877.26
Other insignificant items but tested for impairment individually	1,740,000.00	0.80			1,740,000.00
Total	217,893,715.77	100.00	66,224,838.51	30.39	151,668,877.26

Other receivables tested for impairment by portfolio using the method of Aging analysis

Items	Ending balance		
	Carrying amount	Provision for bad debts	Bad debts ratio (%)
Within 1 year (inclusive)	103,116,802.98		
1-2 years (inclusive)	9,963,866.58	498,176.84	5.00
2-3 years (inclusive)	4,484,349.71	896,869.94	20.00
Over 3 years	65,878,096.79	65,878,096.79	100.00
Total	183,443,116.06	67,273,143.57	36.67

Other receivables individually insignificant but tested for impairment individually

Items	Carrying Amount	Provision for bad debts	Bad debts ratio (%)	Reason
Sinking Fund of Japanese yen from Finance Bureau of Benxi	1,740,000.00			Sinking fund
Total	1,740,000.00			

Notes: The Sinking Fund of Japanese yen from Finance Bureau of Benxi is the margin for JPY loans of which the aging is over 3 years and no bad debts provision has been made for it.

2. Information of provision, reversal or recovery of bad debts of current period.

The provision of bad debts of current period is RMB 1,048,305.06.

3. No other receivables have been written off this year.**4. Other receivables disclosed by nature**

Nature	Ending balance	Beginning balance
Accounts	165,494,806.44	151,337,358.60
Export tax rebate	4,990,848.26	32,772,729.71
Margin and deposit	3,329,519.00	3,571,060.87
Others	11,367,942.36	8,296,700.68
Input tax to be deducted		21,915,865.91
Total	185,183,116.06	217,893,715.77

5. Top five debtors at the year-end

Company	Nature or content	Amount	Aging	Percentage of total other receivables	Provision for bad debts
Benxi Steel Group International Trade Tenda Co., Ltd.	Accounts	12,953,078.23	Within 1 year, over 3 years	6.99	2,000.00
National Tax Bureau Bengang Branch	Export rebate	4,990,848.26	Within 1 year	2.70	
Huozhou Coal and Electricity Group Co., Ltd.	Accounts	4,341,257.18	Over 3 years	2.34	4,341,257.18
State Grid Liaoning Electricity Co., Ltd. Benxi Power Branch	Accounts	3,530,637.67	Within 1 year	1.91	
Benxi Steel Group Real Estate Development Co., Ltd.	Accounts	2,797,309.70	Within 3 years	1.51	173,991.52
Total		28,613,131.04		15.45	4,517,248.70

(7) Inventories**1. Inventories disclosed by category**

Items	Ending balance			Beginning balance		
	Carrying amount	Impairment	Book value	Carrying amount	Impairment	Book value
Raw material and main material	5,524,143,499.59	4,894,918.76	5,519,248,580.83	5,527,236,707.17	4,894,918.76	5,522,341,788.41
Work in process and self-made semi-finished product	1,565,629,213.06	52,905,684.06	1,512,723,529.00	1,011,630,448.37	192,850,188.37	818,780,260.00
Finished products	2,755,527,232.24	5,325,405.33	2,750,201,826.91	2,566,825,937.84	306,213,543.83	2,260,612,394.01
Total	9,845,299,944.89	63,126,008.15	9,782,173,936.74	9,105,693,093.38	503,958,650.96	8,601,734,442.42

Notes: No inventories are used as mortgage or guarantee at the year-end.

2. Impairment of inventory

Category	Beginning balance	Increase		Decrease		Ending balance
		Provision	Others	Write-back or write-off	Others	
Raw material	4,894,918.76					4,894,918.76

and main materials				
Work in process and self-made semi-finished product	192,850,188.37	52,905,684.06	192,850,188.37	52,905,684.06
Finished products	306,213,543.83	5,325,405.33	306,213,543.83	5,325,405.33
Total	503,958,650.96	58,231,089.39	499,063,732.20	63,126,008.15

(8) Other current assets

Items	Ending balance	Beginning balance
Prepaid enterprise income tax	183,264,161.99	225,000,858.03
Input tax to be deducted	86,134,653.84	206,359,683.18
Bank Short-Term Financial Products	244,000,000.00	
Total	513,398,815.83	431,360,541.21

Notes: As at 31 December 2016, an amount of RMB 244,000,000.00 bank short-term financial products is pledged for opening letter of credit.

(9) Available-for-sale financial assets**1. Details of available-for-sale financial assets**

Items	Ending balance			Beginning balance		
	Carrying amount	Impairment	Book value	Carrying amount	Impairment	Book value
Available-for-sale debt instruments						
Available-for-sale equity instruments	29,271,278.63	14,414,693.00	14,856,585.63	20,271,278.63		20,271,278.63
Including:						
Measured at fair value						
Measured at cost	29,271,278.63	14,414,693.00	14,856,585.63	20,271,278.63		20,271,278.63
Total	29,271,278.63	14,414,693.00	14,856,585.63	20,271,278.63		20,271,278.63

2. Available-for-sale financial assets measured at cost

Company invested in	Carrying amount				Impairment				Percentage of share in the firm (%)	Cash dividend of the current period
	Beginning Balance	Increase	Decrease	Ending Balance	Beginning Balance	Increase	Decrease	Ending Balance		
Zhejiang Bengang Jingrui Steel Processing Co., Ltd.	1,967,605.63			1,967,605.63					20.00	303,310.97
Suzhou Bengang Industrial Co., Ltd.	3,888,980.00			3,888,980.00					20.10	
China Steel Shanghai Steel Processing Co., Ltd.	14,414,693.00			14,414,693.00		14,414,693.00		14,414,693.00	15.00	
Bengang Baojin (Shenyang) Auto New Material Technology Co., Ltd.		9,000,000.00		9,000,000.00					15.00	
Total	20,271,278.63	9,000,000.00		29,271,278.63		14,414,693.00		14,414,693.00		303,310.97

(10) Fixed assets**1. Details of fixed assets**

Items	Buildings	Machinery	Transportation equipment	Total
1. Total original value				
Beginning balance	10,575,548,527.75	37,145,242,250.50	836,816,572.35	48,557,607,350.60
Increase in current period	1,237,692,734.81	1,277,222,342.59	2,544,715.34	2,517,459,792.74
Including: Purchase	10,005,323.61	47,709,264.48	2,205,615.34	59,920,203.43
Transferred from construction in progress Merging	1,227,687,411.20	1,229,513,078.11	339,100.00	2,457,539,589.31
Others				
Decrease in current period	30,776,758.26	284,390,898.26	6,776,663.15	321,944,319.67
Including: Disposal	30,776,758.26	284,390,898.26	6,776,663.15	321,944,319.67
Others				
Ending balance	11,782,464,504.30	38,138,073,694.83	832,584,624.54	50,753,122,823.67
2. Total accumulated depreciation				
Beginning balance	4,699,483,576.90	23,257,690,103.38	543,419,803.08	28,500,593,483.36
Increase in current period	325,214,225.52	1,514,696,705.68	7,218,614.18	1,847,129,545.38
Including: Provision	325,214,225.52	1,514,696,705.68	7,218,614.18	1,847,129,545.38
Others				
Decrease in current period	22,699,536.45	275,273,950.49	6,256,218.08	304,229,705.02
Including: Disposal	22,699,536.45	275,273,950.49	6,256,218.08	304,229,705.02
Others				
Ending balance	5,001,998,265.97	24,497,112,858.57	544,382,199.18	30,043,493,323.72
3. Total impairment				
Beginning balance	8,208,087.85	2,551,052.65		10,759,140.50
Increase in current period		10,401,722.01		10,401,722.01
Including: Provision		10,401,722.01		10,401,722.01
Others				
Decrease in current period				

Items	Buildings	Machinery	Transportation equipment	Total
Including: Disposal				
Others				
Ending balance	8,208,087.85	12,952,774.66		21,160,862.51
4. Total net book value of Fixed assets				
Ending book value	6,772,258,150.48	13,628,008,061.60	288,202,425.36	20,688,468,637.44
Beginning book value	5,867,856,863.00	13,885,001,094.47	293,396,769.27	20,046,254,726.74

2. Fixed assets leased out by operating lease

Items	Book value
Buildings	24,419,461.97
Machinery	3,788,152.66
Total	28,207,614.63

3. Fixed assets without property rights certificates at the year-end

Items	Book value	Reason
Buildings	996,678,256.84	To be handled

(11) Construction in progress**1. Details of construction in progress**

Items	Ending balance			Beginning balance		
	Carrying amount	Impairment	Book value	Carrying amount	Impairment	Book value
High Strength Cold Rolling Steel Renovation Project	4,947,002,125.33		4,947,002,125.33	3,451,712,764.91		3,451,712,764.91
The Third Cold Rolling Work Hot-Dip Galvanizing Production Line Project	398,719,600.41		398,719,600.41	335,752,700.00		335,752,700.00
Energy Saving And Environmental Protection Reconstruction Of The Converter System And 180 Ton Dephosphorization Converter Project	160,819,316.39		160,819,316.39	153,224,111.93		153,224,111.93
The 360 Square Meter Sintering Machine				973,980,424.51		973,980,424.51
Hot Rolling Process Equipment Production Transformation				4,230,929.56		4,230,929.56
Manufacturing Department Energy Control Center	4,656,735.30		4,656,735.30	226,586,153.73		226,586,153.73
Information System Engineering	27,813,512.90		27,813,512.90	223,389,048.63		223,389,048.63
Ancillary Facilities Reconstruction Of The South Line Of Transportation Department				47,995,690.74		47,995,690.74
The Power Plant No.3 Workshop Reconstruction Project	427,626,724.92		427,626,724.92	105,385,827.26		105,385,827.26
Other Projects	244,035,658.86		244,035,658.86	124,366,642.00		124,366,642.00
Total	6,210,673,674.11		6,210,673,674.11	5,646,624,293.27		5,646,624,293.27

2. The change of major construction in progress

Project	Budget (In 10 Thousand Yuan)	Beginning Balance	Increase	Transfer to FA	Other decrease	Ending balance
High Strength Cold Rolling Steel Renovation Project	613,498.00	3,451,712,764.91	1,495,289,360.42			4,947,002,125.33
The Third Cold Rolling Work Hot-Dip Galvanizing Production Line Project	86,918.00	335,752,700.00	62,966,900.41			398,719,600.41
Energy Saving And Environmental Protection Reconstruction Of The Converter System And 180 Ton Dephosphorization Converter Project	177,864.40	153,224,111.93	7,595,204.46			160,819,316.39
The 360 Square Meter Sintering Machine	128,403.20	973,980,424.51	97,803,645.69	1,071,784,070.20		

Project	Budget (In 10 Thousand Yuan)	Beginning Balance	Increase	Transfer to FA	Other decrease	Ending balance
Hot Rolling Process Equipment Production Transformation	33,287.00	4,230,929.56		4,230,929.56		
Manufacturing Department Energy Control Center	29,450.00	226,586,153.73	20,936,397.28	242,865,815.71		4,656,735.30
Information System Engineering	42,725.00	223,389,048.63	2,991,762.15	198,567,297.88		27,813,512.90
Ancillary Facilities Reconstruction Of The South Line Of Transportation Department	5,598.00	47,995,690.74		47,577,664.74	418,026.00	
The Power Plant No.3 Workshop Reconstruction Project	61,072.00	105,385,827.26	322,240,897.66			427,626,724.92
Other Project		124,366,642.00	1,015,392,516.08	892,513,811.22	3,209,688.00	244,035,658.86
Total	1,178,815.60	5,646,624,293.27	3,025,216,684.15	2,457,539,589.31	3,627,714.00	6,210,673,674.11

Project	Input of Budget (%)	Progress (%)	Accumulated amount of capitalized interest	Including: capitalized interest of current period	Capitalization rate	Source of fund
High Strength Cold Rolling Steel Renovation Project	76	80	552,911,535.81	247,763,695.34	4.1	Self-raised fund & Loan
The Third Cold Rolling Work Hot-Dip Galvanizing Production Line Project	76	80				Self-raised fund
Energy Saving And Environmental Protection Reconstruction Of The Converter System And 180 Ton Dephosphorization Converter Project	85	90	127,847,567.31			Self-raised fund & Loan
The 360 Square Meter Sintering Machine	88	100	68,627,433.26	33,032,142.88	4.1	Self-raised fund & Loan
Hot Rolling Process Equipment Production Transformation	85	100				Self-raised fund
Manufacturing Department Energy Control Center	91	96	45,372,134.03	10,209,526.89	4.1	Self-raised fund & Loan
Information System Engineering	92	96	34,177,972.63			Self-raised fund & Loan
Ancillary Facilities Reconstruction Of The South Line Of Transportation Department	86	100	2,701,697.34			Self-raised fund & Loan
The Power Plant No. 3 Workshop Reconstruction Project	72	80	17,371,278.66	12,945,315.51	4.1	Self-raised fund & Loan
Other Project						Self-raised
Total			849,009,619.04	303,950,680.62		

(12) Construction materials**1. Construction materials**

Items	Beginning balance	Increase	Decrease	Ending balance
Special equipment	4,152,880.79	502,318,825.94	498,688,336.44	7,783,370.29
Total	4,152,880.79	502,318,825.94	498,688,336.44	7,783,370.29

(13) Intangible assets**1. Details of intangible assets**

Items	Land use right	Office software	Total
1. Total of original value			
Beginning balance	296,245,314.76	141,509.43	296,386,824.19
Increase		255,555.56	255,555.56
Including: Purchase		255,555.56	255,555.56
Decrease			
Including: Disposal			
Ending balance	296,245,314.76	397,064.99	296,642,379.75
2. Total of Accumulated Amortization			
Beginning balance	30,838,789.07	27,122.55	30,865,911.62
Increase	5,924,906.28	14,150.92	5,939,057.20
Including: Provision	5,924,906.28	14,150.92	5,939,057.20
Decrease			
Including: Disposal			
Ending balance	36,763,695.35	41,273.47	36,804,968.82
4. Total of Impairment			
Beginning balance			
Increase			
Including: Provision			
Decrease			
Including: Disposal			
Ending balance			
5. Total of Net value			
Ending book value	259,481,619.41	355,791.52	259,837,410.93
Beginning book value	265,406,525.69	114,386.88	265,520,912.57

(14) Deferred tax asset and deferred tax liability**1. Undeducted deferred tax asset**

Items	Ending balance		Beginning balance	
	Deductible temporary differences	Deferred tax asset	Deductible temporary differences	Deferred tax asset

(1) Temporary differences between Carrying amount and tax basis				
Impairment	368,635,605.55	92,158,901.41	734,875,006.26	183,718,751.57
Differences of depreciation and amortization	333,978,859.03	83,494,714.76	333,978,859.03	83,494,714.76
Welfare for early retirement	5,859,027.00	1,464,756.75	6,946,500.22	1,736,625.06
Unpaid employee salary	7,339,835.99	1,834,959.00	18,088,405.91	4,522,101.48
(2) Deductible operating losses	1,136,092,189.97	284,023,047.49	1,494,830,936.71	373,707,734.18
(3) Internal unrealized profit	52,499,498.52	13,124,874.63	-20,995,185.07	-5,248,796.27
Total	1,904,405,016.06	476,101,254.04	2,567,724,523.06	641,931,130.78

2. Unrecognized deferred tax assets

Items	Ending balance	Beginning balance
Deductible temporary differences	3,311,628.91	
Deductible losses	3,041,165,564.90	2,912,363,442.38
Total	3,044,477,193.81	2,912,363,442.38

3. The deductible loss of unrecognized deferred tax assets due in the following period

Items	Ending balance	Beginning balance	Notes
Year 2017	44,146,053.02	405,383,631.05	
Year 2018	61,226,455.38	267,988,139.50	
Year 2019	179,596,211.65	179,596,211.65	
Year 2020	2,745,964,056.85	2,059,395,460.18	
Year 2021	10,232,788.00		
Total	3,041,165,564.90	2,912,363,442.38	

Notes: The balance is subject to the verification and confirmation of the local tax bureau.

(15) Short-term loans

1. Short-term loans disclosed by category

Items	Ending balance	Beginning balance
Guaranteed loans	10,633,173,500.00	10,586,898,400.00
Credit loans	7,483,988,079.48	5,571,891,996.60
Mortgage loans		14,220,000.00
Pledge loans	645,311,200.00	1,966,875,200.00
Total	18,762,472,779.48	18,139,885,596.60

(16) Notes payable

1. Notes payable disclosed by category

Items	Ending balance	Beginning balance
Bank acceptance bill	1,712,218,775.03	2,110,511,950.79

Domestic letter of credit	4,659,955,122.10	
Total	6,372,173,897.13	2,110,511,950.79

(17) Accounts payable**1. Accounts payable disclosed by category**

Items	Ending balance	Beginning balance
Accounts payable for goods	4,399,863,760.66	4,045,710,114.68
Accounts payable for labor	78,583,112.68	47,556,941.28
Accounts payable for project and equipment	818,679,528.16	455,338,318.37
Repair expense	382,273,450.21	464,461,747.57
Others	844,809.81	2,833,542.57
Total	5,680,244,661.52	5,015,900,664.47

2. Significant accounts payable aging over one year

Items	Amount	Amount aging over one year	Reason
Benxi Steel & Iron (Group) Mining Co., Ltd.	875,832,744.08	66,440,173.78	Not yet settled
Bengang Group International Economic and Trading Co., Ltd.	1,332,351,145.92	48,736,070.33	Not yet settled
Jixi Huasheng Fengyuan Coal Preparation Co., Ltd.	46,005,916.07	46,005,916.07	Not yet settled
Benxi Nanfen Xinhe Metallurgical Co., Ltd.	39,634,041.29	39,634,041.29	Not yet settled
ACRE Coking And Refractory Engineering Consulting , MCC	24,666,763.99	24,666,763.99	Not yet settled
Total	2,318,490,611.35	225,482,965.46	

(18) Advance from customers**1. Advance from customers disclosed by category**

Items	Ending balance	Beginning balance
Advance for goods	3,679,477,129.80	1,815,443,452.05
Total	3,679,477,129.80	1,815,443,452.05

2. There is no significant advance from customers aging over one year.**(19) Employee benefits payable****1. Employee benefits payable**

Items	Beginning balance	Increase	Decrease	Ending balance
Short-term employee benefits	29,508,643.54	1,445,632,887.09	1,456,994,794.35	18,146,736.28
Post-employment benefits - defined contribution plans		233,643,394.98	233,585,664.56	57,730.42
Termination benefits	6,946,500.22	16,889.17	1,104,362.39	5,859,027.00

Items	Beginning balance	Increase	Decrease	Ending balance
Total	36,455,143.76	1,679,293,171.24	1,691,684,821.30	24,063,493.70

2. Short-term employee benefits

Items	Beginning balance	Increase	Decrease	Ending balance
(1) Salary, bonus, allowance and subsidy	20,290,491.47	1,167,836,607.53	1,179,231,518.64	8,895,580.36
(2) Employee welfare		26,730,994.68	26,730,994.68	
(3) Social Insurance	653,471.94	107,049,721.78	107,047,619.52	655,574.20
Including: Medical insurance		79,768,952.93	79,768,952.93	
Work injury insurance	653,471.94	27,267,511.00	27,265,408.74	655,574.20
Maternity insurance		13,257.85	13,257.85	
(4) Housing	6,849,633.00	114,968,050.20	114,966,970.20	6,850,713.00
(5) Union funds and staff education fee	1,712,437.87	28,528,122.90	28,495,692.05	1,744,868.72
(6) Short-term compensated absences				
(7) Short-term profit - sharing scheme				
(8) Others	2,609.26	519,390.00	521,999.26	
Total	29,508,643.54	1,445,632,887.09	1,456,994,794.35	18,146,736.28

3. Defined contribution plans

Items	Beginning balance	Increase	Decrease	Ending balance
Basic pension fund		222,758,975.50	222,702,871.10	56,104.40
Unemployment insurance		10,884,419.48	10,882,793.46	1,626.02
Total		233,643,394.98	233,585,664.56	57,730.42

(20) Current tax liabilities

Items	Ending balance	Beginning balance
Value-added tax	2,173,913.92	23,631,817.37
Enterprise income tax	13,019,967.76	6,788,181.39
City maintenance and construction tax	14,026,666.46	2,015,344.46
Educational surcharges	10,029,654.63	1,475,601.50
House property tax	2,970,971.37	10,211,765.05
Others	3,550,411.32	1,071,818.58
Total	45,771,585.46	45,194,528.35

(21) Interests payable

Items	Ending balance	Beginning Balance
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Corporate bond interests	70,109,821.13	70,113,698.63
Loan interests	5,005,444.53	844,988.33
Total	75,115,265.66	70,958,686.96

(22) Other payables**1. Other payables disclosed by nature**

Items	Ending balance	Beginning Balance
Deposit	2,719,618.51	3,280,020.39
Margin	130,550,329.63	128,048,589.14
Accounts	304,191,214.76	270,090,696.48
Others	22,548,050.88	43,315,398.89
Total	460,009,213.78	444,734,704.90

2. Significant other payables ageing over one year

Name	Ending balance	Amount aging over one year	Reason
Benxi Steel & Iron (Group) Co., Ltd.	153,946,251.96	134,708,601.09	Not yet settled
Bengang Group International Economic and Trading Co., Ltd.	22,209,584.96	10,632,701.94	Not yet settled
Total	176,155,836.92	145,341,303.03	

(23) Non-current liabilities due within one year**1. Breakdown of Non-current liabilities due within one year**

Items	Ending balance	Beginning balance
Long-term loans due within one year	227,669,535.66	944,004,649.14
Long-term payables due within one year	210,000,000.00	490,000,000.00
Total	437,669,535.66	1,434,004,649.14

2. Long-term loans due within one year

Items	Ending balance	Beginning balance
Guaranteed loans	226,789,535.66	781,754,649.14
Credit loans	880,000.00	162,250,000.00
Total	227,669,535.66	944,004,649.14

3. Long-term payables due within one year

Items	Ending balance	Beginning balance
Liaoning Hengyi Financial Leasing Co., Ltd.	210,000,000.00	490,000,000.00
Total	210,000,000.00	490,000,000.00

Notes: On 28 March 2016, the Company signed the “Financing leaseback after sales contract” with Liaoning Hengyi Financial Leasing Co., Ltd. (hereafter as Liaoning Hengyi)

The purchase price of the leased asset is RMB 210,000,000.00. Lease period is one year starting from 28 March 2016.

(24) Long-term loans

Long-term loans disclosed by category

Categories	Ending balance	Beginning balance
Guaranteed loans	3,440,691,721.62	995,919,974.09
Credit loans	8,240,000.00	10,000,000.00
Total	3,448,931,721.62	1,005,919,974.09

(25) Bonds payable

1. Details of bonds payable

Items	Ending balance	Beginning balance
Corporate bond	1,494,825,782.32	1,490,352,572.75
Total	1,494,825,782.32	1,490,352,572.75

2. Changes in bonds payable

Name	Par value	Date of issue	Bond maturity	Issue value
Bengang Steel Plate Co., Ltd. Corporate Bond of 2016 (Phase I)	1,500,000,000.00	5 February 2015	3 years	1,500,000,000.00

Name	Issuance in current period	Interest calculated by par value	Amortization of the Premiums and Discounts	Repayment in current period	Ending balance
Bengang Steel Plate Co., Ltd. Corporate Bond of 2016 (Phase I)		77,550,000.00	-4,473,209.57		1,494,825,782.32

Notes: On 5 February 2015, the Company publicly issued corporate bonds worth RMB 1.5 billion, each with a face value of RMB 100 at a total of 15 million bonds. The bond is issued at a price of RMB 100 each at par value. The term is 3 years. The interest rate is 5.17%. The date of value is 5 February 2016, and the interest payment date is February 5 of each year from 2016 to 2018. Interest is paid annually, and principal is paid when due.

The public issuance of corporate bonds is guaranteed by the Bengang Group Co. Ltd., who offered full unconditional irrevocable joint and several liability guarantees. Guarantees include the principal amount and the interest thereof, default fine, compensation for damage and expenses for enforcing the claim. Guarantee period lasts from the first day of issuance to 12 months after the maturity date.

(26) Deferred income

Items	Ending balance	Beginning balance
Government subsidy	410,399,000.00	413,188,000.00
Total	410,399,000.00	413,188,000.00

Projects of government subsidies:

Items	Notes	Beginning balance	Increase	Transfer to non-operating income	Other decrease	Ending balance	Related to assets or income
220t/h Boiler Desulfurization Project		800,000.00		800,000.00			Assets
MES Project Special Fund		6,880,000.00		1,720,000.00		5,160,000.00	Assets
Municipal Environment Pollution Renovation Project Special Fund		540,000.00		540,000.00			Assets
Second Batch of National Cleaned Manufacturing Demonstration Project Fund		1,600,000.00		800,000.00		800,000.00	Assets
Industrial Enterprise Energy Management Center Construction Demonstration Project		11,600,000.00				11,600,000.00	Assets
Environment Pollution Renovation Project		17,708,000.00		5,234,000.00		12,474,000.00	Assets
Environment Renovation Project and Regional Basin Environment Protection Project		1,680,000.00		500,000.00		1,180,000.00	Assets
Energy-saving Technological Reform Fiscal Reward Project		5,908,000.00		2,954,000.00		2,954,000.00	Assets
High Strength Cold Rolling Steel Renovation Project		250,000,000.00				250,000,000.00	Assets
The 2*265 Square Meter Sintering Machine Desulfurization Project of Blast Furnace Plant		1,000,000.00		1,000,000.00			Assets
The 2*265 Square Meter Sintering Machine Polluted Water Project of Blast Furnace Plant		3,380,000.00		3,380,000.00			Assets
The 360 Cubic Meter Sintering Machine Tail Electrostatic Precipitator Renovation Project of Blast Furnace Plant		60,000.00		60,000.00			Assets
Automobile High-class Electrolytic Zinc Steel Plate Production Line Project		41,040,000.00		8,208,000.00		32,832,000.00	Assets
Sintering Machine Residue Heat Usage and Desulfurization Project		16,816,000.00		4,204,000.00		12,612,000.00	Assets
Wastewater Treatment Plant Renovation Project		3,000,000.00		1,500,000.00		1,500,000.00	Assets

Items	Notes	Beginning balance	Increase	Transfer to non-operating income	Other decrease	Ending balance	Related to assets or income
Overseas R&D Team Introduction Special Fund		4,000,000.00				4,000,000.00	Income
7 130t Boilers Flue Gas Desulfurization Renovation Project of Power Plant		24,000,000.00				24,000,000.00	Assets
Treatment and Salt Extraction Project of Desulfurization Waste Liquid of Coke Plant		300,000.00		100,000.00		200,000.00	Assets
Overseas Advanced Technology Introduction Special Fund		13,536,000.00		884,000.00		12,652,000.00	Assets
Automobile Steel Sheet Engineering Laboratory Project		1,000,000.00				1,000,000.00	Assets
Third-generation High Strength Steels for Automobile R&D Project		2,900,000.00				2,900,000.00	Assets
The 360 Cubic Meter Sintering Machine Flue Gas Desulfurization Renovation Project of Blast Furnace Plant		800,000.00		200,000.00		600,000.00	Assets
Environment Protection Project Special Fund		4,640,000.00		1,160,000.00		3,480,000.00	Assets
Advanced Treatment of Carbon Fiber Wastewater Project of Coke Plant Dongfeng Area			9,500,000.00			9,500,000.00	Assets
Desulfurization and Denitration Projects for Coal-fired Boiler of Power Plant High-pressure Workshop			6,000,000.00			6,000,000.00	Assets
Power Plant No 3 workshop Heat and Power Cogeneration Renovation Project			10,000,000.00			10,000,000.00	Assets
Sintering Machine Energy Saving and Environmental Protection Project of Blast Furnace Plant			5,800,000.00	1,160,000.00		4,640,000.00	Assets
Air Quality Automatic Monitoring System			350,000.00	35,000.00		315,000.00	Assets
Total		413,188,000.00	31,650,000.00	34,439,000.00		410,399,000.00	/

(27) Share capital

Items	Beginning balance	Increase/decrease (+, -)				Ending balance
		Issuing of new share	Bonus shares	Transferred from reserves	Others Subtotal	
Capital shares	3,136,000,000.00					3,136,000,000.00

(28) Capital reserves

Items	Beginning balance	Increase	Decrease	Ending balance
Capital premium over par value	8,998,928,073.23			8,998,928,073.23
Other capital reserves	115,917,468.82			115,917,468.82
Total	9,114,845,542.05			9,114,845,542.05

(29) Special Reserves

Items	Beginning balance	Increase	Decrease	Ending balance
Safety production cost	393,372.05	39,766,855.73	39,787,505.92	372,721.86
Total	393,372.05	39,766,855.73	39,787,505.92	372,721.86

(30) Surplus Reserves

Items	Beginning balance	Increase	Decrease	Ending balance
Statutory surplus reserves	961,105,529.85			961,105,529.85
Total	961,105,529.85			961,105,529.85

(31) Undistributed Profits

Items	Amount	Distribution rate
Before adjustments: undistributed profits at last year-end	-1,278,244,071.93	2,172,180,473.24
Adjustments of the beginning distributed profits (increase + / decrease -)		
After adjustments: undistributed profit at this year-beginning	-1,278,244,071.93	2,172,180,473.24
Add: undistributed profit belonging to parent company	781,274,829.32	-3,293,624,545.17
Less : Statutory surplus reserves		
Discretionary reserves		
General risk reserves		
Common shares dividend payable		156,800,000.00
Common shares dividend transferred to paid-in capital		
Ending balance of undistributed profits	-496,969,242.61	-1,278,244,071.93

(32) Operating income and operating cost**1. Details of operating income and operating cost**

Items	2016		2015	
	Revenue	Cost	Revenue	Cost
Principal business	27,855,007,850.33	24,211,213,258.03	27,452,962,527.12	28,154,149,434.65
Other business	1,671,004,800.75	1,466,451,974.09	1,800,676,078.68	1,657,745,582.20
Total	29,526,012,651.08	25,677,665,232.12	29,253,638,605.80	29,811,895,016.85

(33) Tax and surcharges

Items	2016	2015
Housing Property tax	14,991,980.60	
Business tax	583,745.52	274,427.66
City maintenance and construction tax	47,275,478.72	29,657,164.15
Educational surcharge	34,425,829.14	21,638,030.06
Land use right tax	3,902,155.50	
Others	46,367,245.76	
Total	147,546,435.24	51,569,621.87

Notes: Others are mainly Stamp duty and Vehicle and Vessel tax.

(34) Selling and distribution expenses

Items	2016	2015
Freight	614,483,275.86	609,808,842.96
Port surcharges	181,534,004.18	199,336,639.67
Agency fee	57,044,559.83	54,293,066.93
Package fee	4,648,213.21	17,287,739.31
Salary and benefits	21,384,974.76	20,904,851.21
Others	24,137,479.18	17,479,359.29
Total	903,232,507.02	919,110,499.37

(35) General and administrative expenses

Items	2016	2015
Salary and benefits	223,607,159.57	233,971,706.69
Repair expense	164,806,710.59	150,013,456.13
Taxes	28,688,548.09	92,514,576.97
Land use right fee	55,602,952.40	57,426,000.00
Depreciation	30,426,572.18	24,380,562.83
Social insurance premium	41,761,746.79	45,336,211.03
Pollution discharge fee	57,503,493.13	28,607,476.00
Water resources fee	17,076,438.04	17,001,160.00
Housing fund	9,488,777.00	10,146,420.00
Heating fee	8,863,236.53	6,809,717.20

Entertainment expense	3,302,524.50	4,226,627.81
Amortization of intangible assets	4,248,197.92	4,248,197.90
Freight	1,248,948.52	2,762,637.66
Lease expense	1,576,662.04	1,822,459.28
Others	52,343,122.87	54,666,090.38
Total	700,545,090.17	733,933,299.88

(36) Financial expenses

Items	2016	2015
Interest expenditure	725,207,081.31	693,469,408.37
Less: Interest income	29,972,291.28	34,026,570.83
Exchange loss	243,638,550.39	376,746,455.44
Others	28,805,432.27	27,128,162.49
Total	967,678,772.69	1,063,317,455.47

(37) Assets impairment loss

Items	2016	2015
Loss for bad debts	53,088,456.00	15,212,716.04
Impairment of inventories	58,231,089.39	499,063,732.20
Impairment of available-for-sale assets	14,414,693.00	
Impairment of Fixed assets	10,401,722.01	
Total	136,135,960.40	514,276,448.24

(38) Income on investment**Details of income on investment**

Items	2016	2015
Income on available-for-sale assets during the period	303,310.97	
Income on bank short-term financial products	1,715,742.47	7,226,589.08
Total	2,019,053.44	7,226,589.08

(39) Non-operating income

Items	2016	2015	The amount recognized in non-operating profit
Non-current assets disposal income	11,801,616.20	21,206,096.82	11,801,616.20
Including: Fixed assets disposal income	11,801,616.20	21,206,096.82	11,801,616.20
Intangible assets disposal income			
Debt restructuring gain	8,631,844.34	12,200,032.42	8,631,844.34
Non-monetary assets exchange income			
Donations received			

Items	2016	2015	The amount recognized in non-operating profit
Government subsidies	36,089,000.00	136,992,233.61	36,089,000.00
Fines and the penalty income	314,353.33	661,135.12	314,353.33
Others	1,234,615.46	4,994,858.60	1,234,615.46
Total	58,071,429.33	176,054,356.57	58,071,429.33

Details of government subsidies recorded into current profits and loss

Items	2016	2015	Related to assets or income	Notes
Transfer from deferred income	34,439,000.00	25,036,000.00	Assets	
Overseas R&D Team Introduction Special Fund		500,000.00	Income	
Reward of Elimination of Outdated Industrial Capacity		19,500,000.00	Income	
Environment Protection Special Subsidy		91,456,233.61	Income	
Financial support fund			Income	
Tax refund	650,000.00		Income	
Enterprise development fund	1,000,000.00	500,000.00	Income	
Total	36,089,000.00	136,992,233.61		

(40) Non-operating expense

Items	2016	2015	The amount recognized in non-operating profit
Non-current assets disposal loss	13,656,534.23	24,124,620.55	13,656,534.23
Including: Fixed assets disposal loss	13,656,534.23	24,124,620.55	13,656,534.23
Intangible assets disposal loss			
Fines and overdue payment		11,162.62	
Others	885,124.43		885,124.43
Total	14,541,658.66	24,135,783.17	14,541,658.66

(41) Income tax expense

1. Income tax expense

Items	2016	2015
Income tax payable for the current year	47,448,194.16	20,046,449.20
Adjustment of deferred income tax	165,829,876.74	-460,436,665.36
Total	213,278,070.90	-440,390,216.16

2. Accounting profit and income tax expense adjustment process

Items	2016
Total profit	1,038,757,477.55

Income tax expense calculate according to the official or applable tax rate	259,689,369.39
Effect of different tax rates applied by subsidiaries	
Effect of adjustment of the income tax expense of prior period	550,517.51
Effect of non-taxable income	
Effect of undeductable costs, expenses or losses	-28,823,719.30
Effect of use of deductible losses of unrecognized deferred tax asset of prior period	-53,768,229.64
Effect of deductible temporary differences or deductible losses of unrecognized deferred tax asset of current period	35,630,132.94
Income tax expenses	213,278,070.90

(42) Notes of statement of cash flows**1. Cash received related to other operating activities**

Items	2016	2015
Withdraw of current accounts, advance for another	369,658,346.29	205,201,226.09
Interest income	29,972,291.28	34,026,570.83
Special subsidy income	32,650,000.00	122,656,233.61
Non-operating income	775,265.69	633,960.32
Others	8,500.00	30,870.87
Total	433,064,403.26	362,548,861.72

2. Cash paid related to other operating activities

Items	2016	2015
Current accounts, advance for another	419,237,454.51	230,339,040.56
Administrative expenses	64,905,432.72	60,477,057.28
Sales expenses	132,862,957.98	56,331,692.81
Bank charges	1,925,187.57	3,807,258.40
Others	287,293.34	343,932.37
Total	619,218,326.12	351,298,981.42

3. Cash received related to other financing activities

Items	2016	2015
Loan deposits		310,000,000.00
Financial leasing	210,000,000.00	490,000,000.00
Margin for acceptance bill, letter of guarantee and letter of credit	13,457,494.90	
Total	223,457,494.90	800,000,000.00

4. Cash paid related to other financing activities

Items	2016	2015
Margin for acceptance bill, letter of guarantee and letter of credit	145,843,565.68	371,791,357.66

Items	2016	2015
Financing service charges and handling fees	37,383,921.15	27,605,690.09
Total	183,227,486.83	399,397,047.75

(43) Supplementary details of statement of cash flows**1. Supplementary details for statement of cash flows**

Items	2016	2015
1. A reconciliation of net profit to cash flows from operating activities:		
Net profit	825,479,406.65	-3,240,928,357.24
Add: Asset impairment losses	136,135,960.40	514,276,448.24
Depreciation of fixed assets and so on	1,847,129,545.38	1,824,882,394.51
Amortization of intangible assets	5,939,057.20	5,939,057.18
Amortization of long-term prepayment		
Losses proceeds from disposal of PPE, intangible assets and other long-term assets (Earnings marked“—”)	1,854,918.03	2,918,523.73
Scrapped losses from fixed assets		
Fair value losses (Earnings marked“—”)		
Financial expenses (Earnings marked“—”)	968,845,631.70	1,070,215,863.81
Investment losses (Earnings marked“—”)	-2,019,053.44	-7,226,589.08
Deferred tax assets reduction (Addition marked“—”)	165,829,876.74	-460,436,665.36
Deferred tax liabilities increased (Reduction marked“—”)		
Reduction of inventory (Addition marked“—”)	-739,606,851.51	1,998,873,344.78
Operating receivable items reduction (Addition marked“—”)	340,403,360.62	395,827,676.24
Operating payable items increase (Less marked“—”)	6,007,362,054.75	-4,409,347,664.91
Others		
Net cash flows generated from operating activities	9,557,353,906.52	-2,305,005,968.10
2. Payments of investing and financing activities not involving cash:		
Liabilities transferred to capital		
Convertible bonds due within one year		
Fixed assets financed by leasing		
3. The net increase in cash and cash equivalents:		
Ending balance of the monetary funds	12,273,574,488.67	4,612,782,772.98
Less: Beginning balance of the monetary funds	4,612,782,772.98	9,327,034,030.07
Add: Ending balance of cash equivalents		
Less: Opening balance of cash equivalents		
The net increase in cash and cash equivalents	7,660,791,715.69	-4,714,251,257.09

2. The structure of cash and cash equivalents

Items	Ending balance	Beginning balance
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Items	Ending balance	Beginning balance
1. Cash	12,273,574,488.67	4,612,782,772.98
Including: Cash on hand	47,743.38	72,220.66
Bank deposits available on demand	12,238,841,745.29	4,612,384,032.13
Other monetary funds available on demand	34,685,000.00	326,520.19
Central bank deposits available on demand		
Balances with other financial institutions		
Loans to other financial institutions		
2. Cash equivalents		
Including: Investment of securities due within 3 months		
3. Ending balance of cash and cash equivalents	12,273,574,488.67	4,612,782,772.98
Including: Cash and cash equivalents limited to use by the parent company of other subsidiary in the group		

(44) Assets of which ownership or right to use are restricted

Items	Ending balance	Reason
Monetary assets	658,337,529.17	Deposit for notes and L/C
Notes receivable	682,288,925.93	Pledged for acceptance bill
Bank short-term financing products	244,000,000.00	Pledged for letter of credit
Total	1,584,626,455.10	

(45) Foreign currency monetary items

Items	Ending balance in foreign currency	Exchange rate at the year-end	Ending balance translated to RMB
Cash at bank and on hand			
Including: HKD	1,009,028.70	0.8945	902,576.17
USD	551,659,244.37	6.9370	3,826,860,178.18
EUR	216,971,860.10	7.3068	1,585,369,987.36
Short-term loans			
Including: USD	865,500,000.00	6.9370	6,003,973,500.00
Non-current liabilities due within one year			
Including: USD	2,350,000.00	6.9370	16,301,950.00
EUR	20,309,369.99	7.3068	148,396,504.66
JPY	23,176,000.00	0.0596	1,381,081.02
Long-term loans			
Including: USD	330,000,000.00	6.9370	2,289,210,000.00
EUR	115,930,279.48	7.3068	847,079,366.10
JPY	254,936,000.00	0.0596	15,191,891.18

6. Change of the consolidation scope

There is no change of scope of consolidation this year.

7. Equity in other entities

(1) Equity in subsidiaries

1. Constitution of enterprise group

Name of the subsidiaries	Principal place of business	Registered address	Notes of business	Shareholding ratio		Acquiring method
				Direct	Indirect	
Xiamen Bengang Steel & Iron Sales Co., Ltd.	Xiamen	Xiamen	Sales	100.00		Business combination under common control
Wuxi Bengang Steel & Iron Sales Co., Ltd.	Wuxi	Wuxi	Sales	100.00		Business combination under common control
Tianjin Bengang Steel & Iron Trading Co., Ltd.	Tianjin	Tianjin	Sales	100.00		Business combination under common control
Nanjing Bengang Materials Sales Co., Ltd.	Nanjing	Nanjing	Sales	100.00		Business combination under common control
Yantai Bengang Steel & Iron Sales Co., Ltd.	Yantai	Yantai	Sales	100.00		Business combination under common control
Harbin Bengang Economic and Trading Co., Ltd.	Harbin	Harbin	Sales	100.00		Business combination under common control
Changchun Bengang Steel & Iron Sales Co., Ltd.	Changchun	Changchun	Sales	100.00		Business combination under common control
Guangzhou Bengang Steel & Iron Trading Co., Ltd.	Guangzhou	Guangzhou	Sales	100.00		Establishment
Shanghai Bengang Metallurgy Science and Technology Co., Ltd.	Shanghai	Shanghai	Sales	100.00		Establishment
Bengang Steel Plates Liaoyang Pellet Co., Ltd.	Liaoyang	Liaoyang	Manufacturing	100.00		Establishment
Dalian Benruitong Automobile Material Eechnology Co., Ltd.	Dalian	Dalian	Manufacturing	65.00		Establishment
Bengang Posco Cold-rolled Sheet Co., Ltd.	Benxi	Benxi	Manufacturing	75.00		Business combination under common control
Benxi Bengang Steel Sales Co., Ltd	Benxi	Benxi	Sales	100.00		Establishment
Shenyang Bengang Metallurgical Science and Technology Co., Ltd.	Shenyang	Shenyang	Sales	100.00		Establishment

2. Significant not wholly-owned subsidiaries

Name of the subsidiaries	Proportion of non-controlling interests (%)	Profits and losses attributing to non-controlling shareholders	Dividend declared to distribute to non-controlling shareholders	Ending balance of non-controlling interests
Bengang Posco Cold-rolled Sheet Co., Ltd.	25.00	46,762,576.20		522,513,323.75
Dalian Benruitong Automobile Material Technology Co., Ltd.	35.00	-2,557,998.87		26,688,777.88

3. Financial information of significant not wholly-owned subsidiaries

Name of the subsidiaries	Ending balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Bengang Posco Cold-rolled Sheet Co., Ltd.	2,110,629,548.42	2,306,996,743.92	4,417,626,292.34	2,327,572,997.38		2,327,572,997.38
Dalian Benruitong Automobile Material Technology Co., Ltd.	188,167,707.25	161,544,880.30	349,712,587.55	273,458,936.47		273,458,936.47

Name of the subsidiaries	Beginning balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Bengang Posco Cold-rolled Sheet Co., Ltd.	1,467,411,809.82	2,567,811,403.90	4,035,223,213.72	2,132,238,122.92		2,132,238,122.92
Dalian Benruitong Automobile Material Technology Co., Ltd.	191,638,815.72	168,790,370.49	360,429,186.21	276,866,966.92		276,866,966.92

2016				
Name of the subsidiaries	Operating income	Net profit	Total comprehensive income	Net cash flows from operating activities
Bengang Posco Cold-rolled Sheet Co., Ltd.	5,453,347,561.49	187,050,304.77	187,050,304.77	343,892,510.03
Dalian Benruitong Automobile Material Technology Co., Ltd.	181,395,062.60	-7,308,568.21	-7,308,568.21	-2,559,905.57

2015				
Name of the subsidiaries	Operating income	Net profit	Total comprehensive income	Net cash flows from operating activities
Bengang Posco Cold-rolled Sheet Co., Ltd.	5,242,586,237.97	229,913,579.94	229,913,579.94	1,135,756,087.02
Dalian Benruitong Automobile Material Technology Co., Ltd.	353,756,953.63	-13,663,448.71	-13,663,448.71	16,246,522.90

8. Risks associated with financial instruments

(1) Credit risk

Credit risk refers to a financial loss to a party due to failure to discharge an obligation by the counterparties. The Company is exposed to credit risk arising from customers' failure to discharge an obligation in sales on credit. In order to minimize the credit risk, the management of the Company is responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts.

In addition, the Company strictly approves the line of credit, and only sells on credit to important customers for newly-developed products. In the monitoring of credit risk of customers, the Company sorts customers into groups by their credit characteristics. Those customers which are rated as "high risk" will be put in the restricted client list. The Company can only sell to these customers on credit with additional approval; otherwise the Company must ask for a corresponding deposit in advance.

(2) Market risk

Market risk of financial instruments refers to fluctuations of fair value or future cash flows due to market price changes, including currency risk, interest rate risk, and other price risk.

1. Interest rate risk

Interest rate risk refers to fluctuations of fair value or future cash flows due to market rate changes. The Company's exposure to currency risk is primarily arising from variable-rate bank balances and variable-rate borrowings. Currently, the Company does not have a specific policy to manage its interest rate risk. The management will carefully choose financing methods, and combine fixed interest rate with variable interest rate, short-term obligations with long-term obligations. By using effective interest rate risk management methods, the Company closely monitors interest rate risk and will consider interest-rate swaps to acquire an expected structure of interest rates shall the need arise.

Although these measures may not ensure that the Company completely avoids the risk of paying at a risk higher than market risk, or that the cash flow risk relevant to interest income fluctuations is completely eliminated, in the opinion of the management, these measures could achieve a reasonable balance among these risks.

2. Currency risk

Currency risk refers to fluctuations of fair value or future cash flows due to exchange rate changes. The Company has been constantly working on the adjustment of the organizational framework of risk management and optimization of debt structures to lower the currency risk.

The currency risk facing the Company originates from the assets and liabilities measured by US dollars, Euro, Hongkong dollars and Japanese Yen. The ending balance of the assets and liabilities after converted in RMB is shown as below:

(In 10 Thousand Yuan)

Items	Ending balance				
	USD	Euro	HKD	Japanese Yen	Total
Assets	382,686.02	158,537.00	90.26		541,313.28
Liabilities	830,948.55	99,547.59		1,657.30	932,153.44

The table below shows the sensitivity analysis of RMB vs other currencies when RMB depreciated or appreciated by 5% over other currencies under the assumption that other variables remain the same. 5% is the sensitivity rate used by the management for internal report of currency risk and it represents the estimation of the management over the possible change of foreign currency. Sensitivity analysis only includes the monetary items measured by foreign currency unpaid and will be adjusted at the year-end by 5%. The positive figures reflect the increase of profit by 5% and the negative figures indicate the reduction of profit.

(In 10 Thousand Yuan)

Items	Ending balance				
	Impact on USD	Impact on Euro	Impact on HKD	Impact on Japanese Yen	Total
Appreciation by 5%	-16,809.84	2,212.10	3.38	-62.15	-14,656.51
Depreciation by 5%	16,809.84	-2,212.10	-3.38	62.15	14,656.51

(3) Liquidity risk

Liquidity risk refers to the risk of shortage of funds which occurs in fulfilling the obligation of settlement in a manner of delivering cash or other financial assets. The Company's policy is to maintain sufficient cash to meet maturing obligations. Liquidity risk is centralized controlled by the Company's finance department. Through the monitoring of unrestricted cash and cash equivalents, bank acceptance bills due in short time and the continues forecasting of cash flow in the next 12 months, the finance department ensures that the Company has sufficient cash to meet obligations in all predicted reasonable circumstances.

The following table details the Company's mature date of residual contract value of underivative financial liabilities to repay according to the contract terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

(In 10 Thousand Yuan)

Items	Ending balance				
	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
Trade and other payables	1,277,276.02	108.38	262.08	234.96	1,277,881.44
Loans and interests	1,906,525.75	242,211.05	46,576.60	56,105.53	2,251,418.93
Bonds payable	7,755.00	157,755.00			165,510.00
Total	3,191,556.77	400,074.43	46,838.68	56,340.49	3,694,810.37

9. Related party transactions

(1) Details of parent company

(In 100 Million Yuan)

Name of parent company	Place of Registry	Notes of Business	Registered capital	Share proportion (%)	Voting rights (%)
Benxi Steel (Group) Co., Ltd.	Benxi	Manufacturing	53.69	77.88	77.88

Note: The parent company of Benxi Steel (Group) Co., Ltd. is Bengang Group Co., Ltd.

The ultimate controlling party of the Company is the State-owned Assets Supervision and Administration Commission of Liaoning Province.

(2) Details of the subsidiaries

For details of subsidiaries of the Company please refer to Note 7 “Equity in other entities”.

(3) Details of other related parties

Name of Other related parties	Relationship
Bengang Group International Economic and Trading Co., Ltd.	Both belong to Bengang Group Co., Ltd.
Bengang Cold-rolled Stainless Steel Dandong Co., Ltd.	Same parent company
Benxi Beiying Steel & Iron (Group) Co., Ltd.	Both belong to Bengang Group Co., Ltd.
Bengang Electronics and Gas Co., Ltd.	Both belong to Benxi Steel and Iron (Group) Co., Ltd.
Benxi Steel & Iron (Group) Real-estate Development Co., Ltd.	Same parent company
Benxi Steel & Iron (Group) Steel & Iron Process and Logistics Co., Ltd.	Same parent company
Benxi Steel & Iron (Group) Machinery Manufacture Co., Ltd.	Same parent company
Benxi Steel & Iron (Group) Construction Co., Ltd.	Same parent company
Benxi Steel & Iron (Group) Mining Co., Ltd.	Same parent company
Benxi Steel & Iron (Group) Thermal Power Development Co., Ltd.	Same parent company
Benxi Steel & Iron (Group) Designing Institute	Same parent company
Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	Same parent company
Benxi Steel & Iron (Group) Information and Automatic Tech Co., Ltd.	Same parent company
Benxi Steel & Iron (Group) Construction and Repairing Co., Ltd.	Same parent company
Benxi Steel & Iron (Group) Metallurgy Residues Co., Ltd.	Same parent company
Benxi Steel & Iron (Group) Benxi Steel & Iron (Group)	Same parent company
Benxi Steel & Iron (Group) Zhengtai Construction Materials Co., Ltd.	Same parent company
Benxi High-tech Drilling Tools Manufacture Co., Ltd.	Both belong to Bengang Group Co., Ltd.
Benxi New Career Development Co., Ltd.	Same parent company
Dalian Boluole Steel Tube Co., Ltd.	Both belong to Benxi Steel and Iron (Group) Co., Ltd.
Guangzhou Free Trade Zone Bengang Sales Co., Ltd.	Both belong to Benxi Steel and Iron (Group) Co., Ltd.

Name of Other related parties	Relationship
Benxi Steel & Iron (Group) General Hospital	Both belong to Benxi Steel and Iron (Group) Co., Ltd.
Liaoning Bengang Steel & Iron Trading Co., Ltd.	Same parent company
Liaoning Hengtai Heavy Machinery Co., Ltd.	Same parent company
Liaoning Hengtong Metallurgical Equipment Manufacture Co., Ltd.	Same parent company
Liaoning Metallurgy Technician College	Same parent company
Liaoning Metallurgy Vocational Technical College	Same parent company
Suzhou Bengang Industrial Co., Ltd.	Shareholding company
Shanghai Bengang Steel & Iron Sales Co., Ltd.	Both belong to Benxi Steel and Iron (Group) Co., Ltd.
Benxi Steel & Iron (Group) Medical Services Department;	Both belong to Benxi Steel and Iron (Group) Co., Ltd.
Bengang Group Finance Co., Ltd.	Both belong to Bengang Group Co., Ltd.
Liaoning Hengyi Financial Leasing Co., Ltd.	Both belong to Bengang Group Co., Ltd.

(4) Related Party Transactions

1. Related party transactions of purchasing goods and services

Company as the purchaser

(In 10 Thousand Yuan)

Name	The content of related party transactions	2016	2015
Benxi Steel & Iron (Group) Co., Ltd.	Repair expense	22,377.59	15,699.59
Benxi Steel & Iron (Group) Co., Ltd.	Land lease fee	5,560.30	5,742.60
Bengang Cold-rolled Stainless Steel Dandong Co., Ltd.	Products	19.79	30.11
Benxi Steel & Iron (Group) Mining Co., Ltd.	Labor cost	2,202.94	2,206.62
Benxi Steel & Iron (Group) Mining Co., Ltd.	Raw material and supplementary material	275,948.02	352,968.68
Benxi Steel & Iron (Group) Mining Co., Ltd.	Freight	8.45	328.55
Benxi Steel & Iron (Group) Metallurgy Residues Co., Ltd.	Raw material and supplementary material	12,193.97	11,292.38

Name	The content of related party transactions	2016	2015
Benxi Steel & Iron (Group) Steel & Iron Process and Logistics Co., Ltd.	Processing fee	409.35	235.46
Benxi Steel & Iron (Group) Real-estate Development Co., Ltd.	Raw materials	7,343.63	6,841.89
Benxi Steel & Iron (Group) Machinery Manufacture Co., Ltd.	Spare parts	19,213.76	14,345.66
Benxi Steel & Iron (Group) Machinery Manufacture Co., Ltd.	Repair services	1,822.64	1,705.45
Benxi Steel & Iron (Group) Construction Co., Ltd.	Spare parts	24.29	1,702.93
Benxi Steel & Iron (Group) Construction Co., Ltd.	Project fee	17,318.35	33,274.63
Benxi Steel & Iron (Group) Construction Co., Ltd.	Repair services	11,396.14	8,995.74
Benxi Steel & Iron (Group) Construction Co., Ltd.	Raw material and supplementary material	1,195.60	996.28
Benxi Steel & Iron (Group) Construction Co., Ltd.	Freight	293.69	375.35
Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	Spare parts		4,081.96
Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	Raw material and supplementary material	21,849.65	19,458.13
Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	Repair services	1,003.80	1,135.96
Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	Freight	745.85	618.05
Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	Project fee	248.27	209.8
Benxi Steel & Iron (Group) Construction and Repairing Co., Ltd.	Raw material & supplementary materials & spare parts	782.34	1,276.74
Benxi Steel & Iron (Group) Construction and Repairing Co., Ltd.	Project fee	12,773.74	11,717.68
Benxi Steel & Iron (Group) Construction and Repairing Co., Ltd.	Repair expense	4,555.98	9,254.41
Bengang Electronics and Gas Co., Ltd.	Raw material and supplementary material	12,138.43	9,978.36
Bengang Electronics and Gas Co., Ltd.	Project fee	116.85	537.07
Bengang Electronics and Gas Co., Ltd.	Repair services	1,514.32	1,660.16
Benxi High-tech Drilling Tools Manufacture Co., Ltd.	Spare parts	46.97	100.96
Benxi New Career Development Co., Ltd.	Labor protection fee	743.00	849.12
Benxi New Career Development Co., Ltd.	Raw material and supplementary material and food	91.91	167.65
Liaoning Metallurgy Technician College	Training fee		82.48
Liaoning Metallurgy Technician College	Spare parts	948.48	1,692.09

Name	The content of related party transactions	2016	2015
Liaoning Metallurgy Technician College	Project fee	140.93	602.25
Liaoning Metallurgy Technician College	Repair services	219.08	241.04
Bengang Group International Economic and Trading Co., Ltd.	Agency fee	5,727.01	5,429.31
Bengang Group International Economic and Trading Co., Ltd.	Port surcharges	16,060.87	19,882.00
Benxi Steel & Iron (Group) Information and Automatic Tech Co., Ltd.	Spare parts	1,448.52	1,911.93
Benxi Steel & Iron (Group) Information and Automatic Tech Co., Ltd.	Project fee	1,055.39	3,007.58
Benxi Steel & Iron (Group) Information and Automatic Tech Co., Ltd.	Repair services	80.00	89.5
Benxi Steel & Iron (Group) Thermal Power Development Co., Ltd.	Heating costs	664.79	1,290.34
Benxi Steel & Iron (Group) Thermal Power Development Co., Ltd.	Raw material and supplementary material	13.35	9.18
Benxi Steel & Iron (Group) Designing Institute	Design fees	690.52	1,365.96
Benxi Beiyang Steel & Iron (Group) Co., Ltd.	Raw material and supplementary material	531,397.56	434,677.55
Benxi Beiyang Steel & Iron (Group) Co., Ltd.	Energy & Power	56,085.19	43,620.86
Benxi Beiyang Steel & Iron (Group) Co., Ltd.	Freight	572.61	702.77
Benxi Beiyang Steel & Iron (Group) Co., Ltd.	Labor cost	3,951.30	5,766.07
Benxi Beiyang Steel & Iron (Group) Co., Ltd.	Spare parts	910.42	1,644.18
Liaoning Hengtong Metallurgical Equipment Manufacture Co., Ltd.	Raw material and spare parts	10,121.19	10,315.47
Liaoning Hengtai Heavy Machinery Co., Ltd.	Raw material and spare parts	1,263.91	1,186.06
Liaoning Hengtai Heavy Machinery Co., Ltd.	Repair and labor cost	1,068.72	2,670.61
Bengang Group Co., Ltd.	Property management fee	84.55	84.55
Total		1,066,444.01	1,054,059.75

Company as the seller

(In 10 Thousand Yuan)

Name	The content of related party transactions	2016	2015
Bengang Electronics and Gas Co., Ltd.	Energy & Power	94.80	
Benxi Beiyang Steel & Iron (Group) Co., Ltd.	Raw material & supplementary materials & spare parts	11,910.03	16,948.08
Benxi Beiyang Steel & Iron (Group) Co., Ltd.	Products	765.30	779.67
Benxi Beiyang Steel & Iron (Group) Co., Ltd.	Energy & Power	23,879.65	6,787.24
Benxi Steel & Iron (Group) Real-estate Development Co., Ltd.	Energy & Power	61.72	115.79
Benxi Steel & Iron (Group) Steel & Iron Process and Logistics Co., Ltd.	Energy & Power	54.71	62.05
Benxi Steel & Iron (Group) Steel & Iron Process and Logistics Co., Ltd.	Products	7,329.61	47,928.33
Benxi Steel & Iron (Group) Machinery Manufacture Co., Ltd.	Products	1,120.45	582.41
Benxi Steel & Iron (Group) Machinery Manufacture Co., Ltd.	Energy & Power	1,554.19	1,890.33
Benxi Steel & Iron (Group) Machinery Manufacture Co., Ltd.	Raw material & supplementary materials & spare parts	136.05	555.35
Benxi Steel & Iron (Group) Construction Co., Ltd.	Energy & Power	392.78	457
Benxi Steel & Iron (Group) Construction Co., Ltd.	Raw material & supplementary materials & spare parts	2,756.04	12,409.23
Benxi Steel & Iron (Group) Mining Co., Ltd.	Energy & Power	74,573.08	71,950.34
Benxi Steel & Iron (Group) Mining Co., Ltd.	Raw material & supplementary materials & spare parts	7,117.49	12,307.32
Benxi Steel & Iron (Group) Mining Co., Ltd.	Freight revenue	858.68	850.95
Benxi Steel & Iron (Group) Mining Co., Ltd.	Products	781.85	662.63
Benxi Steel & Iron (Group) Thermal Power Development Co., Ltd.	Energy & Power	2,819.49	3,152.93
Benxi Steel & Iron (Group) Thermal Power Development Co., Ltd.	Raw material & supplementary materials & spare parts	2,599.61	2,646.73
Benxi Steel & Iron (Group) Thermal Power Development Co., Ltd.	Freight revenue	66.15	
Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	Energy & Power	823.58	928.48
Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	Products	22.30	53.12
Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	Raw material & supplementary materials & spare parts	11,640.04	9,601.42
Benxi Steel & Iron (Group) Information and Automatic Tech Co., Ltd.	Energy & Power	18.43	20.19
Benxi Steel & Iron (Group) Construction and Repairing Co., Ltd.	Energy & Power	97.49	102.17

Name	The content of related party transactions	2016	2015
Benxi Steel & Iron (Group) Construction and Repairing Co., Ltd.	Raw material & supplementary materials & spare parts	188.50	420.32
Benxi Steel & Iron (Group) Metallurgy Residues Co., Ltd.	Energy & Power	371.37	420.88
Benxi Steel & Iron (Group) Metallurgy Residues Co., Ltd.	Raw material & supplementary materials & spare parts	1,669.59	2,377.45
Benxi Steel & Iron (Group) Metallurgy Residues Co., Ltd.	Freight revenue	0.89	
Benxi Steel & Iron (Group) Metallurgy Residues Co., Ltd.	Products	217.33	678.9
Benxi Steel & Iron (Group) Co., Ltd.	Energy & Power	272.47	5,550.46
Benxi Steel & Iron (Group) Co., Ltd.	Raw material & supplementary materials & spare parts	923.88	896.16
Benxi New Career Development Co., Ltd.	Energy & Power	47.31	41.12
Dalian Boluole Steel Tube Co., Ltd.	Products	369.82	519.52
Liaoning Bengang Steel & Iron Trading Co., Ltd.	Products	6,564.11	58,766.02
Benxi Steel & Iron (Group) General Hospital	Energy & Power	9.00	13.4
Benxi Steel & Iron (Group) Zhengtai Construction Materials Co., Ltd.	Energy & Power	0.14	0.23
Liaoning Hengtong Metallurgical Equipment Manufacture Co., Ltd.	Energy & Power	1,565.92	1,518.16
Liaoning Hengtong Metallurgical Equipment Manufacture Co., Ltd.	Raw material & supplementary materials & spare parts	2,681.90	1,439.34
Liaoning Hengtong Metallurgical Equipment Manufacture Co., Ltd.	Products	226.76	359.13
Bengang Cold-rolled Stainless Steel Dandong Co., Ltd.	Raw material & supplementary materials & spare parts		52.57
Bengang Cold-rolled Stainless Steel Dandong Co., Ltd.	Products		121.71
Suzhou Bengang Industrial Co., Ltd.	Products	17,469.08	16,236.92
Bengang Group Finance Co., Ltd.	Energy & Power	1.58	1.48
Bengang Group Co., Ltd.	Energy & Power	8.30	11.9
Total		184,061.47	280,217.43

2. Lease information of related parties**Company as the lessor**

(In Yuan)

Lessee	Lease capital category	Lease income of 2016	Lease income of 2015
Benxi Steel & Iron (Group) Steel & Iron Process and Logistics Co., Ltd.	Plants and machinery	500,000.00	500,000.00
Benxi Steel & Iron (Group) Machinery Manufacture Co., Ltd.	Plants and machinery	489,611.73	

Company as the lessee

(In Yuan)

Lessor	Lease capital category	Lease charges of 2016	Lease charges of 2015	Notes
Benxi Steel & Iron (Group) Co., Ltd	2300 Hot rolling product line	243,576,194.11	243,576,194.11	1
Benxi Steel & Iron (Group) Co., Ltd	Land use right	55,602,952.40	57,426,000.00	2
Benxi Beiyang Steel & Iron (Group) Co., Ltd.	1780 Hot rolling product line	131,900,400.00	137,619,792.50	3

Notes:

1. The Company leases 2300 hot rolling product line from the Group. Lease period lasts from 1 January 2015 to 31 December 2017. Lease charges are negotiated between the lessor and the lessee based on the original cost, depreciation, and national taxation of the product line, with consideration of conditions of production and equipment performance.

2. The Company leases land use right from the Group. Lease period lasts from 15 April 2009. The leasing fee is determined by the area of the land which is 7,669,068.17 square meters. Average price is RMB 0.624 per Square meter per month; hence annual rent is RMB 57,426,000.00.

3. The Company leases 1780 hot rolling product line from Benxi Beiyang Steel & Iron (Group) Co., Ltd. The lease term lasts from 1 January 2014 to 31 December 2016. Lease charges are negotiated between the lessor and the lessee based on the original cost, depreciation, and national taxation of the product line, with consideration of conditions of production and equipment performance. The annual rent shall not exceed RMB 150,000,000.00.

3. Information of Guarantee among related parties

Company as the warrantee

(1) Guarantee of bank loans

(In Yuan)

Warrantor	Currency	Amount of guarantee in original currency	Starting date of Guarantee	Ending date of Guarantee	Has the guarantee been fulfilled
Bengang Group Co., Ltd.	RMB	200,000,000.00	2016/2/5	2017/1/11	No
Bengang Group Co., Ltd. and Benxi Steel & Iron (Group) Co., Ltd.	RMB	200,000,000.00	2016/11/10	2017/9/13	No
Bengang Group Co., Ltd. and Benxi Steel & Iron (Group) Co., Ltd.	RMB	100,000,000.00	2016/11/9	2017/8/23	No
Bengang Group Co., Ltd. and Benxi Steel & Iron (Group) Co., Ltd.	RMB	200,000,000.00	2016/11/9	2017/8/17	No
Bengang Group Co., Ltd. and Benxi Steel & Iron (Group) Co., Ltd.	RMB	150,000,000.00	2016/11/11	2017/10/19	No
Bengang Group Co., Ltd. and Benxi Steel & Iron (Group) Co., Ltd.	RMB	200,000,000.00	2016/11/11	2017/10/12	No
Bengang Group Co., Ltd. and Benxi Steel & Iron (Group) Co., Ltd.	RMB	200,000,000.00	2016/11/15	2017/11/8	No
Bengang Group Co., Ltd. and Benxi Steel & Iron (Group) Co., Ltd.	RMB	200,000,000.00	2016/11/16	2017/11/15	No
Bengang Group Co., Ltd. and Benxi Steel & Iron (Group) Co., Ltd.	RMB	200,000,000.00	2016/12/8	2017/12/7	No
Bengang Group Co., Ltd. and Benxi Steel & Iron (Group) Co., Ltd.	RMB	80,000,000.00	2016/12/6	2017/12/5	No
Bengang Group Co., Ltd. and Benxi Steel & Iron (Group) Co., Ltd.	RMB	200,000,000.00	2016/12/13	2017/12/12	No
Bengang Group Co., Ltd.	RMB	150,000,000.00	2016/1/26	2017/1/26	No
Bengang Group Co., Ltd.	RMB	110,000,000.00	2016/1/22	2017/1/22	No
Bengang Group Co., Ltd.	RMB	200,000,000.00	2016/5/20	2017/5/20	No
Bengang Group Co., Ltd.	RMB	140,000,000.00	2016/5/20	2017/5/20	No
Bengang Group Co., Ltd.	RMB	200,000,000.00	2016/5/31	2017/5/31	No
Bengang Group Co., Ltd.	RMB	160,000,000.00	2016/5/31	2017/5/31	No
Bengang Group Co., Ltd.	RMB	150,000,000.00	2016/7/22	2017/7/22	No
Bengang Group Co., Ltd.	RMB	150,000,000.00	2016/7/21	2017/7/21	No
Bengang Group Co., Ltd.	RMB	230,000,000.00	2016/8/12	2017/8/12	No
Bengang Group Co., Ltd.	RMB	490,000,000.00	2016/8/19	2017/8/18	No

Warrantor	Currency	Amount of guarantee in original currency	Starting date of Guarantee	Ending date of Guarantee	Has the guarantee been fulfilled
Bengang Group Co., Ltd.	RMB	180,000,000.00	2016/8/5	2017/8/5	No
Bengang Group Co., Ltd.	RMB	200,000,000.00	2016/8/12	2017/8/12	No
Bengang Group Co., Ltd.	RMB	170,000,000.00	2016/8/5	2017/8/5	No
Bengang Group Co., Ltd.	RMB	220,000,000.00	2016/8/5	2017/8/5	No
Bengang Group Co., Ltd.	RMB	250,000,000.00	2016/10/20	2017/10/20	No
Bengang Group Co., Ltd.	RMB	250,000,000.00	2016/10/20	2017/10/20	No
Bengang Group Co., Ltd.	RMB	100,000,000.00	2016/9/29	2017/8/1	No
Bengang Group Co., Ltd.	RMB	500,000,000.00	2016/12/30	2017/6/10	No
Bengang Group Co., Ltd.	RMB	120,000,000.00	2016/6/29	2017/6/28	No
Bengang Group Co., Ltd.	RMB	130,000,000.00	2016/6/29	2017/6/28	No
Benxi Steel & Iron (Group) Co., Ltd.	RMB	74,000,000.00	2016/9/28	2017/9/27	No
Bengang Group Co., Ltd.	USD	100,000,000.00	2016/8/19	2017/8/14	No
Benxi Steel & Iron (Group) Co., Ltd.	USD	90,000,000.00	2016/5/19	2017/5/18	No
Benxi Steel & Iron (Group) Co., Ltd.	USD	103,000,000.00	2016/9/30	2017/9/29	No
Benxi Steel & Iron (Group) Co., Ltd.	USD	150,000,000.00	2016/9/28	2017/9/27	No
Benxi Steel & Iron (Group) Co., Ltd.	USD	22,500,000.00	2016/12/23	2017/12/22	No
Bengang Group Co., Ltd.	USD	30,650,000.00	2016/12/27	2020/6/21	No
Bengang Group Co., Ltd.	USD	100,000,000.00	2016/8/30	2018/8/28	No
Bengang Group Co., Ltd.	USD	48,000,000.00	2016/7/14	2018/7/12	No
Bengang Group Co., Ltd.	USD	50,000,000.00	2016/6/21	2018/6/20	No
Bengang Group Co., Ltd.	USD	80,000,000.00	2016/5/30	2018/5/18	No
Bengang Group Co., Ltd.	USD	19,000,000.00	2016/4/28	2018/4/18	No
Bengang Group Co., Ltd.	EUR	266,527.73	2015/6/25	2025/9/30	No
Bengang Group Co., Ltd.	EUR	9,105,864.00	2015/8/20	2025/9/30	No
Bengang Group Co., Ltd.	EUR	1,194,375.00	2015/8/20	2019/9/30	No

Warrantor	Currency	Amount of guarantee in original currency	Starting date of Guarantee	Ending date of Guarantee	Has the guarantee been fulfilled
Bengang Group Co., Ltd.	EUR	6,162.48	2015/6/25	2026/4/30	No
Bengang Group Co., Ltd.	EUR	632,610.51	2015/6/25	2026/4/30	No
Bengang Group Co., Ltd.	EUR	4,069.11	2015/12/28	2026/4/30	No
Bengang Group Co., Ltd.	EUR	7,705,926.60	2015/12/28	2026/4/30	No
Bengang Group Co., Ltd.	EUR	3,246,756.57	2015/6/25	2020/4/30	No
Bengang Group Co., Ltd.	EUR	1,161,127.50	2015/12/28	2020/4/30	No
Bengang Group Co., Ltd.	EUR	558,235.35	2015/6/25	2025/6/30	No
Bengang Group Co., Ltd.	EUR	15,962,880.03	2015/6/25	2025/6/30	No
Bengang Group Co., Ltd.	EUR	490,022.77	2015/12/28	2025/6/30	No
Bengang Group Co., Ltd.	EUR	2,881,893.22	2015/6/25	2019/6/30	No
Bengang Group Co., Ltd.	EUR	2,062,602.61	2015/12/28	2019/6/30	No
Bengang Group Co., Ltd.	EUR	719,075.68	2015/6/25	2025/10/31	No
Bengang Group Co., Ltd.	EUR	11,418,432.03	2015/6/25	2025/10/31	No
Bengang Group Co., Ltd.	EUR	5,234,110.72	2015/12/28	2025/10/31	No
Bengang Group Co., Ltd.	EUR	4,623,227.33	2015/6/25	2019/10/31	No
Bengang Group Co., Ltd.	EUR	88,712.47	2015/12/28	2019/10/31	No
Bengang Group Co., Ltd.	EUR	609,296.41	2015/6/25	2025/8/31	No
Bengang Group Co., Ltd.	EUR	13,790,568.87	2015/6/25	2025/8/31	No
Bengang Group Co., Ltd.	EUR	289,280.00	2015/12/28	2025/8/31	No
Bengang Group Co., Ltd.	EUR	3,626,099.20	2015/6/25	2019/8/31	No
Bengang Group Co., Ltd.	EUR	478,347.26	2015/12/28	2019/8/31	No
Bengang Group Co., Ltd.	EUR	1,284,165.00	2015/12/28	2019/7/30	No
Bengang Group Co., Ltd.	EUR	684,498.75	2016/6/27	2020/4/30	No
Bengang Group Co., Ltd.	EUR	4,224,072.45	2016/6/27	2020/4/30	No
Bengang Group Co., Ltd.	EUR	3,210,941.28	2016/12/14	2026/4/30	No

Warrantor	Currency	Amount of guarantee in original currency	Starting date of Guarantee	Ending date of Guarantee	Has the guarantee been fulfilled
Bengang Group Co., Ltd.	EUR	61,028.58	2016/12/14	2020/4/30	No
Benxi Steel & Iron (Group) Co., Ltd.	JPY	231,760,000.00	1997/10/10	2027/9/10	No
Bengang Group Co., Ltd.; Benxi Steel & Iron (Group) Co., Ltd.	RMB	100,000,000.00	2016/3/30	2025/3/20	No
Bengang Group Co., Ltd.	RMB	100,000,000.00	2016/3/31	2018/3/31	No
Bengang Group Co., Ltd.	RMB	59,140,000.00	2015/3/26	2019/3/21	No
Bengang Group Co., Ltd.	RMB	100,000,000.00	2015/6/25	2021/9/21	No
Bengang Group Co., Ltd.	RMB	24,000,000.00	2015/12/9	2022/3/21	No
Bengang Group Co., Ltd.	RMB	72,150,000.00	2016/12/27	2020/6/21	No
Bengang Group Co., Ltd.	USD	2,350,000.00	2016/12/27	2020/6/21	No
Bengang Group Co., Ltd.	EUR	33,315.97	2015/6/25	2025/9/30	No
Bengang Group Co., Ltd.	EUR	1,138,233.00	2015/8/20	2025/9/30	No
Bengang Group Co., Ltd.	EUR	597,187.50	2015/8/20	2019/9/30	No
Bengang Group Co., Ltd.	EUR	75,149.76	2015/6/25	2026/4/30	No
Bengang Group Co., Ltd.	EUR	907,058.32	2015/12/28	2026/4/30	No
Bengang Group Co., Ltd.	EUR	1,298,702.63	2015/6/25	2020/4/30	No
Bengang Group Co., Ltd.	EUR	464,451.00	2015/12/28	2020/4/30	No
Bengang Group Co., Ltd.	EUR	74,431.38	2015/6/25	2025/6/30	No
Bengang Group Co., Ltd.	EUR	2,128,384.00	2015/6/25	2025/6/30	No
Bengang Group Co., Ltd.	EUR	65,336.37	2015/12/28	2025/6/30	No
Bengang Group Co., Ltd.	EUR	1,921,262.14	2015/6/25	2019/6/30	No
Bengang Group Co., Ltd.	EUR	1,375,068.40	2015/12/28	2019/6/30	No
Bengang Group Co., Ltd.	EUR	1,517,188.46	2015/6/25	2025/10/31	No
Bengang Group Co., Ltd.	EUR	654,263.84	2015/12/28	2025/10/31	No
Bengang Group Co., Ltd.	EUR	2,311,613.66	2015/6/25	2019/10/31	No
Bengang Group Co., Ltd.	EUR	44,356.25	2015/12/28	2019/10/31	No

Warrantor	Currency	Amount of guarantee in original currency	Starting date of Guarantee	Ending date of Guarantee	Has the guarantee been fulfilled
Bengang Group Co., Ltd.	EUR	1,799,983.16	2015/6/25	2025/8/31	No
Bengang Group Co., Ltd.	EUR	36,160.00	2015/12/28	2025/8/31	No
Bengang Group Co., Ltd.	EUR	1,813,049.60	2015/6/25	2019/8/31	No
Bengang Group Co., Ltd.	EUR	239,173.63	2015/12/28	2019/8/31	No
Bengang Group Co., Ltd.	EUR	642,082.50	2015/12/28	2019/7/30	No
Bengang Group Co., Ltd.	EUR	273,799.50	2016/6/27	2020/4/30	No
Bengang Group Co., Ltd.	EUR	496,949.70	2016/6/27	2020/4/30	No
Bengang Group Co., Ltd.	EUR	377,757.80	2016/12/14	2026/4/30	No
Bengang Group Co., Ltd.	EUR	24,411.42	2016/12/14	2020/4/30	No
Benxi Steel & Iron (Group) Co., Ltd.	JPY	23,176,000.00	1997/10/10	2027/9/10	No
Bengang Group Co., Ltd.	RMB	15,000,000.00	2014/12/29	2017/3/21	No
Bengang Group Co., Ltd.	RMB	27,860,000.00	2015/3/26	2019/3/21	No
Bengang Group Co., Ltd.	RMB	17,850,000.00	2016/12/27	2020/6/21	No
Bengang Group Co., Ltd.	RMB	140,000,000.00	2016/1/8	2017/1/8	No
Bengang Group Co., Ltd.	RMB	340,000,000.00	2016/8/25	2017/8/24	No
Bengang Group Co., Ltd.	RMB	220,000,000.00	2016/10/20	2017/10/20	No
Bengang Group Co., Ltd.	RMB	100,000,000.00	2016/2/5	2017/1/10	No
Bengang Group Co., Ltd. and Benxi Steel & Iron (Group) Co., Ltd.	RMB	200,000,000.00	2016/7/29	2017/7/26	No
Bengang Group Co., Ltd. and Benxi Steel & Iron (Group) Co., Ltd.	RMB	200,000,000.00	2016/6/30	2017/6/29	No
Bengang Group Co., Ltd. Benxi Steel & Iron (Group) Co., Ltd.	RMB	100,000,000.00	2016/10/25	2017/10/23	No
Benxi Steel & Iron (Group) Co., Ltd.	RMB	180,000,000.00	2016/12/9	2017/6/7	No
Benxi Steel & Iron (Group) Co., Ltd.	RMB	264,000,000.00	2016/12/31	2017/6/7	No
Bengang Group Co., Ltd.	RMB	500,000,000.00	2016/11/10	2017/8/1	No

(2) Guarantee of bonds payable

The public issuance of corporate bonds is guaranteed by the Bengang Group Co. Ltd., who offered full unconditional irrevocable joint and several liability guarantees. Guarantees include the principal amount and the interest thereof, default fine, compensation for damage and expenses for enforcing the claim. Guarantee period lasts from the first day of issuance to 12 months after the maturity date.

(3) Guarantee of Letter of Guarantee

Up to 31 December 2016, the balance of Letter of Guarantee not yet matured is RMB 60,000,000.00, and the counter guarantor is Benxi Steel & Iron (Group) Co., Ltd. The guarantee period is from 16 May 2016 to 16 May 2017.

4. Remuneration of key management personnel

(In 10 Thousand Yuan)

Name	2016	2015
Remuneration of key management personnel	197.11	222.80

5. Other related party transactions**(1) Loan from and deposits in Bengang Group Finance Co., Ltd.**

(In 10 Thousand Yuan)

Item	Beginning balance	Increase	Decrease	Ending balance	Notes
Deposits	109,766.10	5,358,606.90	5,101,509.15	366,863.85	1
Loans	1,422.00		1,422.00		2

1. The interests of deposits in Bengang Group Finance Co., Ltd. is RMB 5,459.00 thousand in 2016. As at 31 December 2016, interest due from Bengang Group Finance Co., Ltd is RMB 771.00 thousand. As at 31 December 2016, deposits in Bengang Group Finance Co., Ltd. by the Company includes an amount of RMB 0.2 billion margin for bank acceptance bill which is restricted.

2. The subsidiary of the Company Dalian Benruitong Automobile Material Technology Co., Ltd. borrowed RMB 142.2 thousand from Bengang Group Finance Co., Ltd. In 2016, interest of borrowing is RMB 745.7 thousand, and as at 31 December 2016, the principal and interest is all paid and closed.

(2) Bengang Group Finance Co., Ltd. offered the Company an amount of RMB 2.5 billion unsecured credit line this year. As at 31 December 2016, the amount of the Company's acceptance of the bill opened from Bengang Group Finance Co., Ltd. is RMB 300 million.

(3) Loans from and deposits in Benxi Steel and Iron (Group) Co., Ltd.

(In 10 Thousand Yuan)

Item	Beginning balance	Increase	Decrease	Ending balance
Loans	8,445.20	8550.97	8,445.20	8550.97

Details of outstanding loans as at 31 December 2016

(In Yuan)

Related parties	Lease form	Lease amount	Start date	Due date
Benxi Steel and Iron (Group) Co., Ltd.	Entrusted loan through Bengang Group Finance Co., Ltd.	19,320,300.00	2016/5/20	2017/5/19
Benxi Steel and Iron (Group) Co., Ltd.	Entrusted loan through Bengang Group Finance Co., Ltd.	11,369,400.00	2016/6/23	2017/6/22
Benxi Steel and Iron (Group) Co., Ltd.	Entrusted loan through Bengang Group Finance Co., Ltd.	32,700,000.00	2016/10/24	2017/10/23
Benxi Steel and Iron (Group) Co., Ltd.	Entrusted loan through Bengang Group Finance Co., Ltd.	22,120,000.00	2016/11/11	2017/11/10
Total		85,509,700.00		

Notes: In 2016, the interest accrued is RMB 4,874,593.56, and as at 31 December 2016, the interest not paid is RMB 198,694.53.

(5) Receivables and payables of the related parties

1. Receivables of the Company

(In RMB 10 thousand)

Items Name	Name	Ending balance		Beginning balance	
		Carrying amount	Provision for bad debts	Carrying amount	Provision for bad debts
Accounts receivable					
	Benxi Beiyong Steel & Iron (Group) Co., Ltd.	1,839.22		10,713.37	
	Bengang Electronics and Gas Co., Ltd.	254.41	19.12	258.50	19.15
	Benxi Steel & Iron (Group) Machinery Manufacture Co., Ltd.	5,868.85	697.85	5,469.82	155.38
	Benxi Steel & Iron (Group) Construction Co., Ltd.	2,759.18	1,695.38	1,426.24	516.73
	Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	4,313.90	216.02	4,622.18	49.38
	Benxi New Career Development Co., Ltd.	602.15	449.35	567.77	387.90
	Benxi Steel & Iron (Group) Thermal Power Development Co., Ltd.	706.55		786.12	
	Benxi Steel & Iron (Group) Steel & Iron Process and Logistics Co., Ltd.	49.96		50.00	

Items Name	Name	Ending balance		Beginning balance	
		Carrying amount	Provision for bad debts	Carrying amount	Provision for bad debts
	Bengang Cold-rolled Stainless Steel Dandong Co., Ltd.	20.55	1.03	20.55	
	Liaoning Hengtong Metallurgical Equipment Manufacture Co., Ltd.	977.77		775.69	
	Bengang Group International Economic and Trading Co., Ltd.	1,901.47			
Subtotal		19,294.01	3,078.75	24,690.24	1,128.54
Prepayments					
	Benxi Beiyang Steel & Iron (Group) Co., Ltd.	20,963.90		18,333.76	
	Benxi Steel & Iron (Group) Machinery Manufacture Co., Ltd.	967.60		886.57	
	Bengang Cold-rolled Stainless Steel Dandong Co., Ltd.	4.73			
Subtotal		21,936.23		19,220.33	
Other receivables					
	Benxi Steel & Iron (Group) Real-estate Development Co., Ltd.	279.73	17.40	210.30	2.47
	Liaoning Metallurgy Technician College	15.63	15.63	15.63	7.28
	Benxi Steel & Iron (Group) Machinery Manufacture Co., Ltd.	65.80	0.01	14.81	
	Benxi Steel & Iron (Group) Construction Co., Ltd.	121.90	88.50	108.94	86.35
	Bengang Group International Economic and Trading Co., Ltd.	1,295.31	0.20	1,400.70	
	Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	48.23	32.68	128.52	28.69
	Benxi Steel & Iron (Group) Zhengtai Construction Materials Co., Ltd.	19.85	14.01	19.98	2.92
	Benxi Steel & Iron (Group) Medical Co., Ltd.	90.50	61.13	91.99	46.44
Subtotal		1,936.95	229.56	1,990.87	174.15

2、 Payables of the Company

Items	Name	Ending balance	Beginning balance
Notes payable			

Items	Name	Ending balance	Beginning balance
	Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	2,819.23	2,005.80
	Benxi Steel & Iron (Group) Machinery Manufacture Co., Ltd.	3,182.47	474.39
	Bengang Electronics and Gas Co., Ltd.	30.75	
	Benxi Steel & Iron (Group) Construction and Repairing Co., Ltd.	204.16	138.16
	Liaoning Metallurgy Technician College	620.40	151.77
	Benxi Steel & Iron (Group) Mining Co., Ltd.	56,874.04	18,684.48
	Benxi Steel & Iron (Group) Construction Co., Ltd.	196.36	15.25
	Benxi Steel & Iron (Group) Information and Automatic Tech Co., Ltd.	64.63	32.38
	Benxi Beiyang Steel & Iron (Group) Co., Ltd.		16,728.82
	Liaoning Hengtong Metallurgical Equipment Manufacture Co., Ltd.	5,711.80	77.74
	Liaoning Metallurgy Technician College	41.04	22.13
	Liaoning Hengtai Heavy Machinery Co., Ltd.	66.43	36.58
	Benxi Steel & Iron (Group) Metallurgy Residues Co., Ltd.	146.18	
Subtotal		69,957.49	38,367.50
Accounts payable			
	Bengang Electronics and Gas Co., Ltd.	1,436.38	823.35
	Benxi Steel & Iron (Group) Real-estate Development Co., Ltd.	348.18	146.44
	Bengang Group International Economic and Trading Co., Ltd.	133,235.11	71,916.23
	Benxi Steel & Iron (Group) Machinery Manufacture Co., Ltd.	15,359.57	9,010.16
	Benxi Steel & Iron (Group) Construction Co., Ltd.	12,263.90	15,522.33
	Benxi Steel & Iron (Group) Mining Co., Ltd.	87,583.27	67,523.29
	Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	8,966.16	9,652.77
	Benxi New Career Development Co., Ltd.	1,011.15	1,254.32
	Benxi Steel & Iron (Group) Construction and Repairing Co., Ltd.	11,297.09	10,386.36
	Benxi Steel & Iron (Group) Designing Institute	442.85	1,448.41

Items	Name	Ending balance	Beginning balance
	Benxi Steel & Iron (Group) Metallurgy Residues Co., Ltd.	6,783.85	2,871.65
	Benxi Steel & Iron (Group) Medical Co., Ltd.	2.04	2.04
	Benxi Steel & Iron (Group) Information and Automatic Tech Co., Ltd.	4,085.80	6,055.14
	Benxi High-tech Drilling Tools Manufacture Co., Ltd.	54.51	95.44
	Liaoning Metallurgy Technician College	1,304.29	1,286.47
	Liaoning Bengang Steel & Iron Trading Co., Ltd.		5,300.00
	Benxi Steel & Iron (Group) Thermal Power Development Co., Ltd.	10.84	27.43
	Benxi Steel & Iron (Group) Zhengtai Construction Materials Co., Ltd.	35.20	39.60
	Liaoning Hengtong Metallurgical Equipment Manufacture Co., Ltd.	2,834.53	112.26
	Liaoning Metallurgy Technician College	306.41	394.85
	Bengang Cold-rolled Stainless Steel Dandong Co., Ltd.	60.73	19.79
	Liaoning Hengtai Heavy Machinery Co., Ltd.	1,615.38	2,838.06
	Benxi Steel & Iron (Group) Engineering Construction Supervision Co., Ltd.	5.00	
	Bengang Group Co., Ltd.	0.47	
Subtotal		289,042.71	206,726.39
Advance from customers			
	Benxi Steel & Iron (Group) Machinery Manufacture Co., Ltd.	68.32	26.87
	Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	205.45	153.41
	Benxi Steel & Iron (Group) Metallurgy Residues Co., Ltd.	156.73	0.17
	Benxi Steel & Iron (Group) Steel & Iron Process and Logistics Co., Ltd.	741.81	6,263.12
	Dalian Boluole Steel Tube Co., Ltd.	137.79	
	Liaoning Bengang Steel & Iron Trading Co., Ltd.	8,765.59	3,179.84
	Liaoning Hengtong Metallurgical Equipment Manufacture Co., Ltd.	64.09	9.43
	Liaoning Hengtai Heavy Machinery Co., Ltd.		18.47
	Bengang Group International Economic and Trading Co., Ltd.	6.90	1,782.42

Items	Name	Ending balance	Beginning balance
	Suzhou Bengang Industrial Co., Ltd.	1,884.97	1,098.50
Subtotal		12,031.65	12,532.23
Other payables			
	Benxi Steel & Iron (Group) Real-estate Development Co., Ltd.	231.17	231.17
	Bengang Group International Economic and Trading Co., Ltd.	2,220.96	1,016.52
	Benxi Steel & Iron (Group) Machinery Manufacture Co., Ltd.	7.28	7.08
	Benxi Steel & Iron (Group) Construction Co., Ltd.	527.97	482.44
	Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	179.69	141.92
	Benxi New Career Development Co., Ltd.	106.22	81.70
	Benxi Steel & Iron (Group) Metallurgy Residues Co., Ltd.	35.00	100.00
	Benxi Steel & Iron (Group) Medical Co., Ltd.		1.21
	Benxi Steel & Iron (Group) Information and Automatic Tech Co., Ltd.	10.70	10.50
	Benxi Steel & Iron (Group) Steel & Iron Process and Logistics Co., Ltd.	134.97	597.23
	Benxi Steel & Iron (Group) Co., Ltd.	15,394.63	17,954.00
	Benxi Steel & Iron (Group) Thermal Power Development Co., Ltd.	112.77	237.31
	Guangzhou Free Trade Zone Bengang Sales Co., Ltd.	267.44	267.44
	Benxi Steel & Iron (Group) Engineering Construction Supervision Co., Ltd.	45.38	
	Liaoning Hengyi Financial Leasing Co., Ltd.	53.99	
	Liaoning Metallurgy Technician College	0.30	
Subtotal		19,328.47	21,128.52
Non-current liabilities due within one year			
	Liaoning Hengyi Financial Leasing Co., Ltd.	21,000.00	49,000.00
Subtotal		21,000.00	49,000.00

10. Commitments and Contingencies

(1) Commitments

1. Lease contracts in progress or to be performed and their financial impacts

(1) For the land leased from the Company to the Group, price is RMB 0.624 per Square meter per month, and the area of the land is 7,669,068.17 square meters; hence annual rent is RMB 57.426 million.

(2) For the 2300 hot rolling product line leased from the Group to the Company, lease period lasts from 1 January 2015 to 31 December 2017. Lease charges are negotiated between the lessor and the lessee based on the original cost, depreciation, and national taxation of the product line, with consideration of conditions of production and equipment performance.

(3) For the 1780 hot rolling product line leased from Benxi Beiying Steel & Iron (Group) Co., Ltd. to the Company, the lease period lasts from 1 January 2014 to 31 December 2016. Lease charges are negotiated between the lessor and the lessee based on the original cost, depreciation, and national taxation of the product line, with consideration of conditions of production and equipment performance. The annual rent shall not exceed RMB 150,000,000.00. At the expiration of the original lease agreement at 31 December 2016, both parties have signed a renewal agreement, and the lease period lasts from 1 January 2017 to 31 December 2019.

For details of above leasing conditions please refer to Note 9 (4) 2.

2. Up to 31 December 2016, the balance of Letter of Guarantee not yet matured is RMB 60,000,000.00, and the counter guarantor is Benxi Steel & Iron (Group) Co., Ltd.

(2) Contingencies

At the balance sheet date, no significant contingencies need to be disclosed.

11. Subsequent events

(1) Profit distribution after the reporting period

According to “The Company’s 2016 Plan of annual profit distribution and capital reserve to be converted into share capital” approved on the 6th meeting of the 7th board of directors, no profit is available for distribution due to loss in 2016, and therefore no profits will be distributed; no capital reserve will be converted into share capital in 2016. The above plan is to be approved by shareholders meeting

(2) Significant notes to post reporting period events

None.

12. Other significant events**(1) Segment information**

Since the Company's main product is steel with other products accounting for only a small proportion, and the main production base is located in Liaoning area, segmented reporting is not applicable.

(2) Financial lease

For prioritizing the capital structure and exploring financing channel, on 20 April 2015, the Company signed the "Financial lease cooperation framework" with Liaoning Hengyi Financial Leasing Co., Ltd. with the amount of financial lease not exceeding RMB 5,000 million. The Company obtains the fund through sales and lease back financial lease with interest rate not above the benchmark interest rate of loan over the same period published by the People's bank of China and the interest rate will be adjusted with the changes of benchmark interest rate of loan published by the People's bank of China over the lease term. The term of financial lease shall not exceed 36 months

On 28 December 2016, the Company signed the "Financing lease back after sales contract" (Contract No. 2016HYZL0006-ZL-01). The purchase price of the leased asset is RMB 210,000,000.00. Lease period is one year starting from 28 March 2016. Lease rate was 4.35% when signing the contract.

(3) On 27 December 2016, as the 1st extraordinary Shareholders' general meeting approves "the proposal of the non-public offering of A shares program of the Company (December 2016 revised edition)", the Company considers to undertake the non-public offering shares to particular investors and thus raise capital of RMB 4 billion. The Company raises funds mainly for the purpose of high strength cold rolling steel renovation project, the third cold rolling work hot-dip galvanizing production line project, and repaying bank loans. Legal procedures are being reviewed for approval

(4) As at 31 December 2016, the controlling shareholder Benxi Steel & Iron (Group) Co., Ltd. held a total number of 924,000,000 shares pledged, accounting for 29.46% of the total number of shares of the Company. As of the date of audit report, the controlling shareholder Benxi Steel & Iron (Group) Co., Ltd. held a total number of 1,221,000,000 shares pledged, accounting for 38.93% of the total number of shares of the Company.

13. Notes to the financial statements of parent company

(1) Accounts receivable

1. Accounts receivable disclosed by category

Items	Ending balance				Book value
	Carrying amount		Provision for bad debts		
	Amount	Percentage (%)	Amount	Bad debts ratio (%)	
Individually significant and tested for impairment individually					
Accounts receivable tested for impairment by portfolio	658,679,865.43	100.00	203,609,563.43	30.91	455,070,302.00
Other insignificant items but tested for impairment individually					
Total	658,679,865.43	100.00	203,609,563.43	30.91	455,070,302.00

Items	Beginning balance				Book value
	Carrying amount		Provision for bad debts		
	Amount	Percentage (%)	Amount	Bad debts ratio (%)	
Individually significant and tested for impairment individually					
Accounts receivable tested for impairment by portfolio	600,793,311.03	100.00	151,599,889.01	25.23	449,193,422.02
Other insignificant items but tested for impairment individually					
Total	600,793,311.03	100.00	151,599,889.01	25.23	449,193,422.02

Accounts receivable tested for impairment by portfolio

Items	Ending balance		
	Carrying amount	Provision for bad debts	Bad debts ratio (%)
Within 1 year (inclusive)	264,063,089.02		
1-2 years (inclusive)	174,803,236.45	8,740,161.81	5.00
2-3 years (inclusive)	31,180,172.93	6,236,034.59	20.00
Over 3 years	188,633,367.03	188,633,367.03	100.00
Total	658,679,865.43	203,609,563.43	30.91

2. Information of provision, reversal or recovery of bad debts of current period.

The provision of bad debts of current period is RMB 52,009,674.42.

3. No accounts receivable has been written off this year.

4. Top five debtors at the year-end

Company	Amount	Ending balance	
		Percentage of total accounts receivable (%)	Provision for bad debts
Benxi Nanfen Xinhe Metallurgical Co., Ltd.	87,396,378.47	13.27	4,368,958.76
Benxi Steel & Iron (Group) Machinery Manufacture Co., Ltd.,	58,688,479.41	8.91	6,978,534.14
Ningbo CIMC Logistics and Equipment Co., Ltd.	49,157,039.02	7.46	
Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	43,138,986.20	6.55	2,160,167.07
China Petroleum Steel Pipe Co., Ltd.	32,873,213.55	4.99	29,616,623.65
Total	271,254,096.65	41.18	43,124,283.62

(2) Other receivables

1. Other receivables disclosed by category

Items	Ending balance				Book value
	Carrying amount		Provision for bad debts		
	Amount	Percentage (%)	Amount	Bad debts ratio (%)	
Individually significant and tested for impairment individually					
Accounts receivable tested for impairment by portfolio	271,534,044.90	99.36	63,184,240.02	23.27	208,349,804.88
Other insignificant items but tested for impairment individually	1,740,000.00	0.64			1,740,000.00
Total	273,274,044.90	100	63,184,240.02	23.12	210,089,804.88

Items	Beginning balance				Book value
	Carrying amount		Provision for bad debts		
	Amount	Percentage (%)	Amount	Bad debts ratio (%)	
Individually significant and tested for impairment individually					
Accounts receivable tested for impairment by portfolio	289,792,710.30	99.40	62,104,550.36	21.43	227,688,159.94
Other insignificant items but tested for impairment individually	1,740,000.00	0.60			1,740,000.00
Total	291,532,710.30	100.00	62,104,550.36	21.30	229,428,159.94

Other receivables tested for impairment by portfolio using the method of Aging analysis

Items	Ending balance		
	Carrying amount	Provision for bad debts	Bad debts ratio (%)
Within 1 year (inclusive)	195,339,605.98		

Items	Ending balance		
	Carrying amount	Provision for bad debts	Bad debts ratio (%)
1-2 years (inclusive)	9,920,551.26	496,027.57	5.00
2-3 years (inclusive)	4,482,094.01	896,418.80	20.00
Over 3 years	61,791,793.65	61,791,793.65	100.00
Total	271,534,044.90	63,184,240.02	23.27

Other receivables individually insignificant but tested for impairment individually

Items	Carrying Amount	Provision for bad debts	Bad debts ratio (%)	Reason
Sinking Fund of Japanese yen from Finance Bureau of Benxi	1,740,000.00			Sinking fund
Total	1,740,000.00			

Notes: The Sinking Fund of Japanese yen from Finance Bureau of Benxi is the margin for JPY loans of which the aging is over 3 years and no bad debts provision has been made for it.

2. Information of provision, reversal or recovery of bad debts of current period.

Reversal of bad debts for other receivable in current period is RMB 1,079,689.66.

3. No other receivables have been written off this year.

4. Other receivables disclosed by Notes

Notes	Ending balance	Beginning balance
Accounts	259,660,295.88	255,674,062.26
Export tax rebate	4,990,848.26	30,841,071.89
Others	8,622,900.76	5,017,576.15
Total	273,274,044.90	291,532,710.30

5. Top five debtors at the year-end

Company	Notes or content	Amount	Aging	Percentage of total other receivables	Provision for bad debts
National Tax Bureau Bengang Branch	Accounts	4,990,848.26	Within 1 year	1.83	
Huozhou Coal and Electricity Group Co., Ltd.	Accounts	4,341,257.18	Over 3 years	1.59	4,341,257.18
State Grid Liaoning Power Supply Co., Ltd. Benxi Branch	Accounts	3,530,637.67	Within 1 year	1.29	
Benxi Steel (Group) Real Estate development Co., Ltd.	Accounts	2,797,309.70	Within 3 years	1.02	173,991.52
Liaoning Huawei Coal Preparation Co., Ltd.	Accounts	2,261,360.00	Over 3 years	0.83	2,261,360.00

Total	17,921,412.81	6.56	6,776,608.70
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(3) Long-term equity investment

Items	Ending balance			Beginning balance		
	Carrying amount	Impairment	Book value	Carrying amount	Impairment	Book value
Subsidiaries	1,700,981,902.16		1,700,981,902.16	1,700,981,902.16		1,700,981,902.16
Total	1,700,981,902.16		1,700,981,902.16	1,700,981,902.16		1,700,981,902.16

Details of investment in subsidiaries

Name of entity	Beginning balance	Increase	Decrease	Ending balance	Impairment of current period	Ending balance of impairment
Guangzhou Bengang Steel & Iron Trading Co., Ltd.	1,000,000.00			1,000,000.00		
Shanghai Bengang Metallurgy Science and Technology Co., Ltd.	19,200,000.00			19,200,000.00		
Bengang Steel Plates Liaoyang Pellet Co., Ltd.	529,899,801.38			529,899,801.38		
Dalian Benruitong Automobile Material Technology Co., Ltd.	65,000,000.00			65,000,000.00		
Bengang Posco Cold-rolled Sheet Co., Ltd.	1,019,781,571.10			1,019,781,571.10		
Changchun Bengang Steel & Iron Sales Co., Ltd.	-1,355,124.64			-1,355,124.64		
Harbin Bengang Economic and Trading Co., Ltd.	423,398.23			423,398.23		
Nanjing Bengang Materials Sales Co., Ltd.	2,081,400.65			2,081,400.65		
Wuxi Bengang Steel & Iron Sales Co., Ltd.	936,718.57			936,718.57		
Xiamen Bengang Steel & Iron Sales Co., Ltd.	1,095,711.66			1,095,711.66		
Yantai Bengang Steel & Iron Sales Co., Ltd.	19,600,329.41			19,600,329.41		
Tianjin Bengang Steel & Iron Trading Co., Ltd.	33,318,095.80			33,318,095.80		
Benxi Bengang Steel Sales Co., Ltd.	5,000,000.00			5,000,000.00		
Shenyang Bengang Metallurgical Science and Technology Co., Ltd.	5,000,000.00			5,000,000.00		
Total	1,700,981,902.16			1,700,981,902.16		

(4) Operating income and operating cost

Items	2016		2015	
	Revenue	Cost	Revenue	Cost
Principal business	26,825,240,785.98	23,752,893,478.35	25,840,994,498.57	27,226,906,929.92
Other business	2,539,154,696.32	2,330,465,719.79	2,682,107,120.42	2,542,383,008.46
Total	29,364,395,482.30	26,083,359,198.14	28,523,101,618.99	29,769,289,938.38

(5) Income on investment

Items	2016	2015
Income from long-term equity investment (cost method)	13,713,328.45	
Income from bank short-term financial products	1,715,742.47	7,226,589.08
Total	15,429,070.92	7,226,589.08

14. Supplementary information

(1) Details of non-recurring profit and loss

Items	Amount	Notes
Profit or loss from disposal of non-current assets	-1,854,918.03	
Government subsidy attributable to profit and loss of current period (except such government subsidy closely related to the company's normal business operation, meeting the regulation of national policy and enjoyed constantly in certain quota or quantity according to a certain standard)	36,089,000.00	
Profit or loss from investment or assets entrusted to others	1,715,742.47	
Profit or loss from debt restructuring	8,631,844.34	
Other non-operating revenue and expenditure other than above items	663,844.36	
Impact of income tax	-11,311,378.29	
Impact of minority interests	-327,998.92	
Total	33,606,135.93	

(2) Net asset yield and earnings per share

Profit in the Reporting Period	Weighted average net assets yield (%)	Earnings per share (Yuan)	
		Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders	6.34	0.249	0.249
Net profit attributable to ordinary shareholders after deducting non-recurring profit and loss	6.07	0.238	0.238

Bengang Steel Plates Co., Ltd.

28 March 2017

XII. Documents Available for Inspection

1. Financial Statements signed and stamped by the legal representative, CFO, and accounting manager;
2. All of the original copies of documents and announcements that have been published on China Securities Journal, Securities Times, and Hong Kong Commercial Daily;
3. Original copy of the Auditors' Report under the seal of the CPA and signed by and under the seal of certified accountants.