



Bengang Steel Plates Co., Ltd.

Annual Report 2017

April, 2018

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 takes existing share capital 3,875,371,532.00 shares as the base, distributing cash dividends 0.5 Yuan per 10 shares (including tax), and distributing bonus dividends 0 to shareholders. The Company will not converse capital reserve to 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	
Address	No.16, Renmin Road, Pingshan District, Benxi City, Liaoning Province	
Tel	024-47828860	
Fax	024-47827004	
Email	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 (is 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

	2017	2016		Changed over last year	2015	
		Before Adjustment	After Adjustment	After Adjustment	Before Adjustment	After Adjustment
Operating income (RMB)	40,507,855,843.72	29,526,012,651.08	29,526,012,651.08	37.19%	29,253,638,605.80	29,253,638,605.80
Net profit attributable to the shareholders of the listed company (RMB)	1,600,110,229.77	781,274,829.32	781,296,452.51	104.80%	-3,293,624,545.17	-3,293,624,545.17
Net profit after deducting of non-recurring gain/loss attributable to the shareholders of listed company (RMB)	1,607,675,869.15	747,668,693.39	747,690,316.58	115.02%	-3,452,130,239.63	-3,452,130,239.63
Net Cash flow generated by business operation (RMB)	2,744,243,492.51	9,557,353,906.52	9,557,419,076.92	-71.29%	-2,305,005,968.10	-2,305,005,968.10
Basic earnings per share(RMB/Share)	0.510	0.249	0.249	104.82%	-1.050	-1.050
Diluted gains per share(RMB/Share) (RMB/Share)	0.510	0.249	0.249	104.82%	-1.050	-1.050
Weighted average net assets yield	11.84%	6.34%	6.34%	5.50%	-24.11%	-24.11%
	End of 2017	End of 2016		Changed over last year	End of 2015	
		Before Adjustment	After Adjustment	After Adjustment	Before Adjustment	After Adjustment
Gross assets (RMB)	62,998,143,513.02	54,155,710,718.91	54,197,775,889.31	16.24%	44,461,643,345.33	44,461,643,345.33
Net assets attributable to shareholders of the listed company (RMB)	14,315,588,729.00	12,715,354,551.15	12,757,376,174.34	12.21%	11,934,100,372.02	11,934,100,372.02

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	
	2017	2016	Ending balance	Beginning balance
According to Chinese accounting standards	1,600,110,229.77	781,296,452.51	14,315,588,729.00	12,757,376,174.34
Items and amounts adjusted according to IFRS: No difference				

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	11,132,407,692.65	9,604,079,211.09	9,640,672,901.66	10,130,696,038.32
Net profit attributable to the shareholders of the listed company	302,653,287.07	220,982,366.50	810,662,349.27	265,812,226.93
Net profit after deducting non-recurring gain/loss attributable to the shareholders of listed company	295,684,784.12	213,188,639.71	803,806,749.09	294,995,696.23
Net cash flows generated by operating activities	-3,422,732,831.24	-624,572,853.48	-58,127,586.39	6,849,676,763.62

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	2017	2016	2015	Notes
Gains and losses on disposal of non-current assets (including the write off part of the provision for impairment)	-65,886,612.10	-1,854,918.03	-2,918,523.73	
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)	39,086,900.00	36,089,000.00	136,992,233.61	
Profit or loss from investment or assets entrusted to others		1,715,742.47	7,226,589.08	
Gains and losses of debt restructuring	4,725,936.17	8,631,844.34	12,200,032.42	

Net profit of loss of the current period from beginning of the period to the combination date of subsidiaries generated from business combination under common control	24,668.65			
Other non-operating income and expenses other than above	14,538,002.49	663,844.36	5,644,831.10	
Less: impact of income tax	162,375.42	11,311,378.29	639,468.02	
impact of minority equity (after tax)	-107,840.83	327,998.92		
Total	-7,565,639.38	33,606,135.93	158,505,694.46	--

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

(a) During the reporting period, the company's main business activities include steel smelting, rolling processing, power generation, coal chemical industry, special steel profiles, railways, import and export trade, scientific research, and product sales. The introduction of world advanced equipment technology has enabled the implementation of equipment upgrades for the steel industry. The Company has built a fine steel base, formed more than 60 varieties, more than 7500 series of product specifications, high value-added and high-tech product ratio reached more than 80%, automotive surface panels, household appliances, oil pipeline steel, container board Shipboard and other leading products are widely used in automobiles, home appliances, petrochemicals, aerospace, machinery manufacturing, energy transportation, construction and decoration, and metal products, and are exported to more than 60 countries and regions.

During the reporting period, the company firmly seized the favorable opportunity of China's economic stability, limited steel production capacity, cracked down on "Grid Steel", and the steel market continues to pick up. It increased production, tapped potential, reduced consumption, advanced equipment, specifications and green Environmental protection has achieved remarkable results and achieved remarkable results. In order to welcome the Central Environmental Protection Inspector as an opportunity to adhere to both environmental protection management and environmental protection governance, and from the strengthening of the daily operation and management of environmental protection facilities to control, to achieve all kinds of pollutants controllable emissions and reduction emissions. In the whole year, 24 grades of products such as cold-rolled plates and galvanized plates were certified. Some of these series of products passed the global certification of Nissan Motors and General Motors, and basically fulfilled the full coverage of most joint-venture brands and auto brands.

The main performance drivers during the reporting period were: Steady progress The three system reforms centering on "four determinants" continued to optimize institutional setup and staffing. According to Bengang's implementation plan for strengthening and strengthening, we further defined the company's target measures for structural adjustment, green development and smart manufacturing. Focusing on the partial production and overhaul of some blast furnaces, a series of production-increasing and efficiency-enhancing transformation projects will be implemented to effectively guarantee the goal of raising production and increasing efficiency. The full-line cold rolling high-strength steel supporting railway was formally put into operation. The 566 square meters of sintering heat recovery power generation and grid-connected power generation were successful. The cold-rolling plant's color-coating line achieved heat load test on schedule and produced qualified color-coating panels, and continuously enhanced the company's core competitiveness.

No significant change occurred during the reporting period.

(b) During the reporting period, China's economy has shifted from a high-speed growth phase to a high-quality development phase, and it is now in the period of tackling the key to transforming the mode of development, optimizing the economic structure, and transforming the growth momentum. The supply-side structural reform is still the main line of China's economic development. The real economy is still the focus of development. The iron and steel industry is facing a rare historical opportunity to catch up. By seizing the historical opportunities, the company digs deeper into its potential, accurately judges the market, and achieves significant economic benefits. The company's comprehensive competitive strength has been continuously enhanced and its status has continued to be consolidated.

II. Major Changes in Main Assets

1. Major Changes in Main Assets

Main assets	Notes to major changes
Construction in progress	The balance at the 31 December 2017 is RMB 2,391,584.4 thousand and it has reduced by 61.49%, which is mainly caused by the part of Construction in progress transferred to fixes assets.

Cash at bank and on hand	The balance at the 31 December 2017 is RMB 17,043,713.40 thousand and it has increased by 31.23%, which is mainly caused by the increase of current profit, increase of loans and increase of cash reserves.
Notes receivable	The balance at the 31 December 2017 is RMB 3,846,433.70 thousand and it has increased by 89.42% compared with beginning balance, which is mainly caused by the increase of Notes receivable.
Prepayment	The balance at the 31 December 2017 is RMB 1,280,689.10 thousand and it has increased by 159.33%, which is mainly caused by the increase of prepayment for billet steel.
Other non-current assets	The balance at the 31 December 2017 is RMB 1,067,334.80 thousand, which is the investment to East North Special Steel Co., Ltd.

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

In order to comprehensively improve the level of technological innovation and increase profitability, the company closely focuses on the three major factors of variety, quality and cost, strengthens product adjustment and market development, enhances product quality stability and assurance capabilities, and promotes low-cost and green manufacturing technologies and tries to solve the key technical problems that restrict the development of enterprises.

National-level R&D platform “State-owned local joint engineering laboratories for advanced automotive steel development and application technology” has been steadily developed. At present, nearly 20 sets (sets) of equipment have been installed and commissioned. Through the construction of the platform, the company will further enhance its independent research and development capabilities and technological innovation capabilities, and build a technical public service platform for automotive panel testing, development and production, which will greatly promote the sustainable development of China's automobile industry, and at the same time promote regional economic development and social progress.

Focus on the direction of national science and technology innovation policies and industry guidelines, strengthen foreign technology exchanges and cooperation, and implement major science and technology projects. The expert team of academicians from Northeastern University and other colleges and universities was hired as the chief expert of the company to carry out product research and development, quality improvement, technological progress, and technological transformation consultation. A total of 40 new product developments were completed throughout the year, including 2000 MPa grade hot stamping super high strength steel, martensitic dual phase steel for wheel spokes, high grade acid corrosion resistant pipeline steel, cold rolled low alloy high strength steel, and other performance tests. All of them are qualified and realized bulk supply. Among them, the successful R&D and application of 2000MPa hot stamped steel has received extensive attention at home and abroad.

The company completed 24 grades of products such as cold-rolled plates and galvanized plates, and some of them passed the global certification of Nissan Motors and General Motors. The company has completed the certification of eight new automotive OEMs, including GM, GAC, SAIC, and FAW, and 348 parts and components, and basically achieved full coverage for most of the joint venture brands and independent brand automobile factory.

The company completed the identification work of provincial intellectual property superior enterprises. In the year, 71 patents were authorized by the State Bureau, including 6 inventions and 65 utility models; 15 patents were accepted by the State Patent Office, including 6 inventions and 9 utility models.

IV. Management Discussion and Analysis

I. General

During the reporting period, the country implemented the supply-side structural reform, the effect of eliminating excess and backward production capacity policy in the iron and steel industry was remarkable, the domestic steel market continued to present a volatile upward trend. All staff of the Company firmly grasped the market opportunities, focused on improving the quality of economic operations, took the enhancement of basic management level as the guarantee, aimed at ensuring production stability and increasing employees' basic income as the fundamental goal. Through solid and tireless efforts, the Company's benefits have been further enhanced. The main products of the year include 8.6788 million tons of pig iron which decreased by 10.45%, 8.8813 million tons of crude steel which decreased by 6.48%, 11.8999 million tons of hot-rolled plate which increased by 5.57%, 5.442 million tons of cold-rolled sheet which increased by 26.06%, and 0.724 million tons of special steel which increased by 5.92% compared to last period.

Looking back at the past year's production and operation process, we mainly completed the following work:

First, the Company insisted on benefiting from the market and production, gave full play to the leading role of sales work, focused on ensuring the contracts can be delivered on time, so as to achieve production economic operation, and to promote product structure adjustment and maximize efficiency.

Second, the Company insisted on benefiting from the technology and equipment, formed efficient technology innovation system, increased product research and development inputs, improved equipment functions, promoted the achievement of production and efficiency of the newly constructed projects, enhanced the Company's independent innovation and sustainable development capacity.

Third, the Company insisted on benefiting from costs and energy-saving, reduced costs from all respects, carried out save-up on costs and energy consumptions, implemented economic rationing and purchasing, reduced inventory and logistics costs, strengthened various basic management.

Four, the Company insisted on benefiting from safety and environmental protection, improved the management system and responsibility system, deepened the occupational health and safety management system and environmental protection management responsibility system, created a green and safe production and management environment.

Five, the Company insisted on benefiting from reform and management, promoted the Company's sustained and healthy development, improved the quality of economic operations, adhered to deepen reform, adhered to standardized operation, and adhered to management improvement.

Six, the Company insisted on strengthening the Party's leadership, gave full play to the Party's fighting fortress effect and Party members' pioneer exemplary role, gave full play to the organization's group advantage, concentrated the power of the staff, promoted the harmonious and healthy development of the Company.

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

	2017		2016		Change over last year
	Amount	Proportion	Amount	Proportion	
Total operating income	40,507,855,843.72	100%	29,526,012,651.08	100%	37.19%
By industries					
Industry	40,507,855,843.72	100.00%	29,526,012,651.08	100.00%	37.19%
By products					
Steel plate	37,488,231,200.04	92.55%	27,509,431,558.50	93.17%	36.27%

Steel billet			1,083,458.75	0.00%	-100.00%
Others	3,019,624,643.68	7.45%	2,015,497,633.83	6.83%	49.82%
By regions					
Northeast	12,039,186,774.85	29.72%	8,437,683,126.99	28.58%	1.14%
North China	5,345,627,433.43	13.20%	3,714,568,181.20	12.58%	0.62%
East China	11,602,151,558.67	28.64%	8,610,068,280.87	29.16%	-0.52%
Northwest	65,574,747.86	0.16%	12,684,259.06	0.04%	0.12%
Southwest	121,903,398.49	0.30%	9,035,194.69	0.03%	0.27%
Central south	25,741,875.56	0.06%	20,890,552.83	0.07%	-0.01%
Export	11,307,670,054.86	27.91%	8,721,083,055.44	29.54%	-1.63%

(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	40,507,855,843.72	35,677,980,170.73	11.92%	37.19%	20.84%	1.11%
By products						
Steel plate	37,488,231,200.04	32,944,321,961.11	12.12%	36.27%	38.24%	-1.25%
Steel billet						
Others	3,019,624,643.68	2,733,658,209.62	9.47%	49.82%	48.08%	1.06%
By regions						
Northeast	12,039,186,774.85	10,688,392,959.67	11.22%	42.68%	44.08%	-0.86%
North China	5,345,627,433.43	4,704,862,136.73	11.99%	43.91%	46.78%	-2.64%
East China	11,602,151,558.67	10,216,674,867.80	11.94%	34.75%	37.72%	-2.57%
Northwest	65,574,747.86	58,323,013.55	11.06%	416.98%	427.36%	-1.75%
Southwest	121,903,398.49	107,372,174.10	11.92%	1,249.21%	1,262.04%	-0.83%
Central south	25,741,875.56	22,771,045.28	11.54%	23.22%	24.70%	-1.05%
Export	11,307,670,054.86	9,879,583,973.61	12.63%	29.66%	31.02%	0.81%

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	2017	2016	Change over last year
Steel rolling processing industry	Sales	ton	11,270,079.91	11,472,926.69	-1.77%
	Production	ton	11,336,966	11,406,457.32	-0.61%
	Inventory	ton	787,259.58	720,373.49	9.28%

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

Industry classification

Unit: Yuan

Industry classification	Item	2017		2016		Change over last year
		Amount	Proportion	Amount	Proportion	
Steel rolling processing industry	Raw material	16,827,458,304.55	47.16%	11,048,116,535.79	43.03%	52.31%
Steel rolling processing industry	Supplementary materials	1,702,911,706.70	4.77%	1,271,301,205.64	4.95%	33.95%
Steel rolling processing industry	Spare parts and tools	510,752,659.98	1.43%	378,211,917.00	1.47%	35.04%
Steel rolling processing industry	Fuel	9,604,880,159.74	26.92%	6,078,925,971.55	23.67%	58.00%
Steel rolling processing industry	Energy	2,459,372,335.20	6.89%	2,687,749,842.84	10.47%	-8.50%
Steel rolling processing industry	Salary and benefits	1,892,325,541.52	5.30%	1,663,003,962.99	6.48%	13.79%
Steel rolling processing industry	Depreciation	2,020,739,760.10	5.66%	1,847,129,545.38	7.19%	9.40%
Steel rolling processing industry	Others	726,024,503.52	2.03%	703,226,250.94	2.74%	3.24%
Steel rolling processing industry	Total	35,677,980,170.73	100.00%	25,677,665,232.12	100.00%	0.00%

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

☒ Yes ☐ No

During current period the Company acquired its holding subsidiary, a new subsidiary Company Baojin (Shenyang) Automotive New Material Technology CO., LTD.

(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)	6,385,778,891.15
Total sales amount of the top five customers accounted for the proportion of total annual sales	15.76%
The proportion of the total sales of the related parties in the top five customers	3.51%

Information of the top 5 customers

No	Name	Amount(Yuan)	Proportion
1	Xiamen Jianfa Metals Co., Ltd.	1,483,896,292.68	3.66%
2	Benxi Beiyong Steel & Iron (Group) Co., Ltd.	1,422,507,978.34	3.51%

3	Hangzhou Thermal (HK) Co., Ltd.	1,300,125,619.20	3.21%
4	Ningbo Huajie Trading Co., Ltd.	1,113,085,864.57	2.75%
5	Shanghai Minxingda International Trading Co., Ltd.	1,066,163,136.35	2.63%
Total	--	6,385,778,891.15	15.76%

Other information of principal customers

☐ Applicable ☒ Not applicable

Information of the Company's main suppliers

Total purchase amount of the top five suppliers (Yuan)	22,100,519,462.03
Total purchase amount of the top five suppliers accounted for the proportion of total purchase	61.94%
The proportion of the total purchase of the related parties in the top five suppliers	42.28%

Information of the top 5 suppliers

序号	Name	Amount(Yuan)	Proportion
1	Benxi Beiying Steel & Iron (Group) Co., Ltd.	12,060,223,407.24	33.80%
2	Heilongjiang Dragon Coal Group Co., Ltd.	3,217,134,323.30	9.02%
3	Benxi Steel & Iron (Group) Mining Co., Ltd.	3,023,604,499.23	8.47%
4	Liaoning Electric Power Co., Ltd. Benxi Electric Power Supply Company	2,304,222,949.44	6.46%
5	Shenyang Coking Coal Co., Ltd. Sales Branch	1,495,334,282.82	4.19%
合计	--	22,100,519,462.03	61.94%

Other information of principal suppliers

☐ Applicable ☒ Not applicable

3. Expenses

Unit: Yuan

	2017	2016	Change over last year	Notes to significant change
Selling and distribution expenses	1,184,294,573.92	903,232,507.02	31.12%	Increase of ocean freight in this period
General and administrative expenses	852,860,839.20	700,546,785.17	21.74%	
Financial expenses	535,642,520.07	967,614,992.29	-44.64%	Increase of exchange gains in this period

4. Research and Development Input

☒ Applicable ☐ Not applicable

The Company focused on three major elements variety, quality, and cost, implemented eight provincial-level major scientific and technological projects, and carried out 57 company-level key science and technology projects. These projects involved a wide range of areas, technical complexity, and strong correlation. Among them 32 items achieved obvious results, improved product quality stability, significantly reduced production costs. Another 25 projects will be carried out in the following year.

Information of research and development input by the company

	2017	2016	Change over last year
Number of Research and Development personnel	1,669	1,542	8.24%
Proportion of number of Research and Development personnel	8.59%	7.44%	1.15%

Amount of Research and Development Investment (In RMB)	1,390,403,000.00	1,437,398,000.00	-3.27%
Proportion of Research and Development investment to operating income	3.43%	4.87%	-1.44%
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	2017	2016	Change over last year
Subtotal of cash inflows from operating activities	39,077,319,940.56	28,871,763,722.95	35.35%
Subtotal of cash outflows from operating activities	36,333,076,448.05	19,314,344,646.03	88.11%
Net cash flows from operating activities	2,744,243,492.51	9,557,419,076.92	-71.29%
Subtotal of cash inflows from investing activities	427,294,593.14	467,307,421.09	-8.56%
Subtotal of cash outflows paid for investing activities	2,343,736,950.05	3,045,653,699.08	-23.05%
Net cash flows from investing activities	-1,916,442,356.91	-2,578,346,277.99	-25.67%
Subtotal of cash inflows from financing activities	29,075,698,099.54	22,958,374,791.74	26.65%
Subtotal of cash outflows from financing activities	29,785,971,645.05	22,469,812,521.87	32.56%
Net cash flows from financing activities	-710,273,545.51	488,562,269.87	-245.38%
Net increase in cash and cash equivalents	-7,062,880.14	7,711,856,886.09	-100.09%

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

☒ Applicable ☐ Not applicable

(1) Subtotal of cash inflows from operating activities increased by 35.35% compared to last year, mainly due to the increase in cash received from sale of goods or rendering of services.

(2) Subtotal of cash outflows from operating activities increased by 88.11% compared to last year, mainly due to the increase in cash paid for goods and services.

(3) Net cash flows from operating activities decreased by 71.29% compared to last year, mainly due to the fact that cash paid for goods and services is over cash received from sale of goods or rendering of services in this period.

(4) Subtotal of cash outflows from financing activities increased by 32.56% compared to last year, mainly due to the increase in cash repayments of borrowings.

(5) Net cash flows from financing activities decreased by 245.38% compared to last year, mainly due to the increase in cash repayments of borrowings.

(6) Net increase in cash and cash equivalents decreased by 100.09% compared to last year, mainly due to the decrease 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	4,052,996.54	0.21%	Investment income from financial products and financial assets available-for-sale	Yes
The profit and losses on the changes in fair value		0.00%		
Impairment of assets	103,538,184.34	5.40%	Inventory loss and bad debt loss	No
Non-operating income	19,335,019.49	1.01%		No
Non-operating expenses	70,238,377.22	3.67%		No

IV. Assets and Liabilities

1. Significant Change of Assets Components

Unit: Yuan

	End of 2017		End of 2016		Proportion change	Notes to significant change
	Amount	Proportion in the total assets (%)	Amount	Proportion in the total assets (%)		
Monetary fund	17,037,713,410.49	27.04%	12,982,977,188.24	23.95%	3.09%	
Accounts receivable	728,597,926.39	1.16%	623,865,427.25	1.15%	0.01%	
Inventories	11,209,898,096.16	17.79%	9,782,173,936.74	18.05%	-0.26%	
Investment property		0.00%		0.00%	0.00%	
Long-term equity investment	2,726,009.03	0.00%		0.00%	0.00%	
Fixed assets	23,852,067,166.10	37.86%	20,688,468,637.44	38.17%	-0.31%	
Construction in process	2,391,584,410.46	3.80%	6,210,673,674.11	11.46%	-7.66%	
Short-term loans	21,999,103,900.00	34.92%	18,762,472,779.48	34.62%	0.30%	
Long-term loans	2,444,185,630.28	3.88%	3,448,931,721.62	6.36%	-2.48%	

2. Assets and Liabilities Measured at Fair Value

☐ Applicable ☒ Not applicable

3. Restricted Assets by the End of the Period

Items	Ending balance	Reason
Monetary assets	4,720,136,890.31	Deposit for notes and L/C
Notes receivable	2,167,864,988.83	Pledged for acceptance bill
Bank short-term financing products	500,000,000.00	Not yet due

Total	7,388,001,879.14	
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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

There was no investment in securities during the reporting period.

(2) Investment in Derivatives

☐ Applicable ☒ Not applicable

There was no investment in derivatives during the reporting period.

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	4,390,590,542.86	1,991,164,140.86	7,442,109,333.08	49,491,529.32	37,153,450.95

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 2018 is the year in which the Party's Nineteenth Congress Spirit is implemented. It is a crucial year for success in building a well-to-do society and implementing the "Thirteenth Five-Year Plan". It is also a year of hard work for the Company to develop innovative concept, improve the quality of operations, and create high-quality listed company brand. The report of the Party's Nineteenth Congress pointed out that China's economy has shifted from a high-speed growth stage to a high-quality development stage, and it is now in the period of tackling the key to transforming the mode of development, optimizing the economic structure, and transforming the growth momentum. Based on this judgment, the supply-side structural reform is still the main line of China's economic development, and the real economy is still the focus of development. The iron and steel industry is facing a rare historical opportunity to catch up. Standing at the starting point of a new era of national and industry development, we have ample confidence to move toward the new journey.

2. The Company's development strategy

The overall working idea of economic operation in 2018 includes raising the great banner of Xi Jinping's socialist ideology with Chinese characteristics in the new era, implementing the spirit of the Party's Nineteenth Congress, following the development laws of the iron and steel industry, implementing the company's strategic decision-making, innovating the concept of development, improving the quality of operations and creating a high-quality listed company brand.

3. Business plan

The main objectives of production and operation are: 9.2 million tons of pig iron, 9.18 million tons of crude steel, 12.97 million tons of hot-rolled plates, 5.95 million tons of cold-rolled plates, and 0.7 million tons of special steel products, achieving a safety production ratio of zero to zero. The business plan does not constitute a company's performance commitment to investors. Investors should maintain sufficient risk awareness and should understand the difference between business plans and performance commitments.

To achieve the above goals, we must do the following:

- 1). Adhere to the basic concept of standardized operations, and promote the company's advancement into the management of outstanding listed companies.
- 2). Adhere to the principle of quality-oriented services, and create a high value-added production and manufacturing system for economic operation.
- 3). Adhere to the core goal of product profitability, actively expand sales channels, and increase sales contribution.
- 4). Adhere to the system construction of scientific and technological innovation and enhance the ability of independent innovation and sustainable development of enterprises.
- 5). Adhere to the development requirements of energy conservation and environmental protection, and build a safe, orderly and ecologically modernized modern enterprise.
- 6). Adhere to and strengthen the party's overall leadership, promote the harmonious and healthy development of the enterprise, and realize the employees' better vision.

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

The company will use its own funds and bank loans to meet the funds needed for production operations and technological transformation.

5. Potential risks

Operational risks: Due to overcapacity in the steel industry, low concentration, prominent product structural conflicts, severe homogenization competition, and high debt ratio, these situations still exist. There are many contradictions between supply and demand in the upstream, and the price of external coal and coke fluctuated at a high level for a long period of time. The factors

affecting the price of raw fuel increased, and the market risk increased, which may result in high procurement costs of raw materials. The total consumption of downstream steel products and the intensity of consumption tend to decline. The growth rate of the steel industry such as construction and household appliances is slow. Although the demand for steel products in the automobile and railway industries increases, it is difficult to stimulate the overall demand growth.

Responsive measures: Continuously promote the optimization of product structure, continuously increase the market share of strategic products in the domestic market, improve quality and efficiency; optimize the supply structure and improve management capabilities. Pay attention to the shipments, consumptions, and inventory changes of major raw materials, maintain reasonable inventory, reduce inventory capitalization, increase contract and supplier management, and ensure that the original fuel procurement work is efficient, stable, and reliable. We will take advantage of the centralized procurement scale, carry out strategic cooperation, and reduce procurement costs. At the same time, strengthen market information management, aim at price fluctuations, timely make market prejudgment and corresponding adjustments, further adjust product structure, continuously expand sales of high value-added products, increase the proportion of advantageous products, strengthen customer service, enhance customer satisfaction, solve difficulties for customers, and continuously improve profitability

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

Reception date	Reception type	Reception object type	Index of the basic condition the survey
2017.07.20	On-the-spot investigation	Institution	Understand the production and operation of the Company
Reception times			1
Number of institutions			1
Number of individuals			0
Number of other objects			0
Whether undisclosed major information was disclosed		No	

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 2017

As audited by BDO China Shu Lun Pan Certified Public Accountants LLP., the net profit attributable to the parent company of the year 2017 was RMB 1,600,110,229.77. After adding the retained profit of RMB -496,947,619.42 at the beginning of the year, the balance of undistributed profit was RMB 1,103,162,610.35.

Profits distribution plan of 2017: The company will take existing share capital 3,875,371,532 shares as the base, distributing cash dividends RMB 0.5 per 10 shares (including tax) to shareholders. The company plans to distribute RMB193,768,576.60 dividends of ordinary shares, and the remaining RMB 909,394,033.75 will be carried over to next year's undistributed profits. This proposal will be subject to approval of the Shareholders' Annual Meeting of 2017.

2. Profit distribution plan 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 the beginning of the year, the balance of undistributed profit was RMB -496,969,242.61.

Profits distribution plan of 2016: due to a loss in 2016, according to the relevant Chinese regulations and laws and the Company's Articles of Association, the company would not withdraw surplus reserves. The company planned not to distribute cash dividend or bonus shares, and not to convert capital reserve into share capital.

3. 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 RMB -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 planned not to distribute cash dividend or bonus shares, and not to convert capital reserve into share capital.

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
2017	193,768,576.60	1,600,110,229.77	12.11%		
2016	0.00	781,296,452.51	0.00%		
2015	0.00	-3,293,624,545.17	0.00%		

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

Dividend distributed per 10 shares (share)	0
Cash dividend per 10 shares (RMB) (including tax)	0.50
The number of capital reserve conversion per 10 shares (share)	0
Share capital base of the distribution plan (share)	0
Total amount of cash dividends (Yuan) (including tax)	0
Distributable profits	1,103,162,610.35
The proportion of cash dividends to total profit distribution	1
The distribution of cash dividends	
Others	
Detailed description profit distribution or capital reserve conversion proposal	
As audited by BDO China Shu Lun Pan Certified Public Accountants LLP., the net profit attributable to the parent company of the year 2017 was RMB 1,600,110,229.77. After adding the retained profit of RMB -496,947,619.42 at the beginning of the year, the balance of undistributed profit was RMB 1,103,162,610.35.	
Profits distribution plan of 2017: The company will take existing share capital 3,875,371,532 shares as the base, distributing cash dividends ¥0.5 per 10 shares (including tax) to shareholders. The company plans to distribute ¥193,768,576.60 dividends of ordinary shares, and the remaining ¥909,394,033.75 will be carried over to next year's undistributed profits. This proposal will be subject to approval of the Shareholders' Annual Meeting of 2017.	

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

There was no change in accounting policies, accounting estimates and accounting methods during the reporting period.

VII. 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

In current period, the company acquired a subsidiary holding by the parent company and added as a subsidiary company, Bengang Baojin (Shenyang) Auto New Material Technology Co., Ltd.

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	10
Name of CPAs from the domestic accountant's firm	Wu Xue, Zhang Huice
Service life of domestic accountants' providing audit service	3
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 RMB 600 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 d)	Proportion of similar transactions	The approved trading limit of transactions (in 10 thousand d)	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	24,248.68	0.68%	35,000	No	Execute according to the agreement	No	2018.04.20	
Benxi Steel & Iron (Group) Co., Ltd.	Parent Company	Purchase of goods and services	Land lease fee	On agreement	Related agreement price	5,469.14	0.15%		No	Execute according to the agreement	No	2018.04.20	
Bengang Cold-rolled Stainless Steel Dandong Co., Ltd.	Same controller	Purchase of goods and services	Products	On agreement	Related agreement price	5.03	0.00%	500	No	Execute according to the agreement	Yes	2018.04.20	
Benxi Steel & Iron (Group) Co., Ltd.	Same controller	Purchase of goods and services	Labor cost	On agreement	Related agreement price	2,659.17	0.07%		No	Execute according to the agreement	No	2018.04.20	

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
Iron (Group) Mining Co., Ltd.	er	goods and services		nt	agreement price					ng to the agreement			
Benxi Steel & Iron (Group) Mining Co., Ltd.	Same controller	Purchase of goods and services	Raw material and supplementary material	On agreement	Related agreement price	299,526.85	8.40%	400,000	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	174.43	0.00%		No	Execute according to the agreement	Yes	2018.04.20	
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	17,396.46	0.49%	20,000	No	Execute according to the agreement	No	2018.04.20	
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	168.26	0.00%	1,000	No	Execute according to the agreement	No	2018.04.20	
Benxi Steel & Iron (Group) Steel & Iron Process and Logistics Co., Ltd.	Same controller	Purchase of goods and services	Products	On agreement	Related agreement price		0.00%		No	Execute according to the agreement	No	2018.04.20	
Benxi Steel & Iron (Group) Real-estate Development Co., Ltd.	Same controller	Purchase of goods and services	Raw materials	On agreement	Related agreement price	8,215.57	0.23%	12,000	No	Execute according to the agreement	Yes	2018.04.20	

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) Machinery Manufacture Co., Ltd.	Same controller	Purchase of goods and services	Spare parts	On agreement	Related agreement price	13,745.15	0.39%	30,000	No	Execute according to the agreement	Yes	2018.04.20	
Benxi Steel & Iron (Group) Machinery Manufacture Co., Ltd.	Same controller	Purchase of goods and services	Repair services	On agreement	Related agreement price	2,252.82	0.06%		No	Execute according to the agreement	No	2018.04.20	
Benxi Steel & Iron (Group) Construction Co., Ltd.	Same controller	Purchase of goods and services	Spare parts	On agreement	Related agreement price	526.58	0.01%		No	Execute according to the agreement	No	2018.04.20	
Benxi Steel & Iron (Group) Construction Co., Ltd.	Same controller	Purchase of goods and services	Project fee	On agreement	Related agreement price	7,854.97	0.22%		No	Execute according to the agreement	No	2018.04.20	
Benxi Steel & Iron (Group) Construction Co., Ltd.	Same controller	Purchase of goods and services	Repair services	On agreement	Related agreement price	8,397.27	0.24%	70,000	No	Execute according to the agreement	No	2018.04.20	
Benxi Steel & Iron (Group) Construction Co., Ltd.	Same controller	Purchase of goods and services	Raw material and supplementary material	On agreement	Related agreement price	83.75	0.00%		No	Execute according to the agreement	No	2018.04.20	
Benxi Steel & Iron (Group) Construction Co., Ltd.	Same controller	Purchase of goods and services	Freight	On agreement	Related agreement price	708.03	0.02%		No	Execute according to the agreement	No	2018.04.20	

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	Spare parts	On agreement	Related agreement price		0.00%		No	Execute according to the agreement	No	2018.04.20	
Benxi Steel & Iron (Group) Construction Co., Ltd.	Same controller	Purchase of goods and services	Raw material and supplementary material	On agreement	Related agreement price	25,210.95	0.71%	45,000	No	Execute according to the agreement	No	2018.04.20	
Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	Same controller	Purchase of goods and services	Repair services	On agreement	Related agreement price	1,608.42	0.05%		No	Execute according to the agreement	No	2018.04.20	
Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	Same controller	Purchase of goods and services	Freight	On agreement	Related agreement price	540.76	0.02%		No	Execute according to the agreement	No	2018.04.20	
Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	Same controller	Purchase of goods and services	Project fee	On agreement	Related agreement price	244.17	0.01%		No	Execute according to the agreement	No	2018.04.20	
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	651.23	0.02%		No	Execute according to the agreement	No	2018.04.20	
Benxi Steel & Iron (Group) Construction and Repairing	Same controller	Purchase of goods and services	Project fee	On agreement	Related agreement price	5,058.49	0.14%	25,000	No	Execute according to the agreement	No	2018.04.20	

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
Co., Ltd.													
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	12,129.28	0.34%		No	Execute according to the agreement	No	2018.04.20	
Bengang Electronics and Gas Co., Ltd.	Same controller	Purchase of goods and services	Raw material and supplementary material	On agreement	Related agreement price	14,201.43	0.40%	21,000	No	Execute according to the agreement	No	2018.04.20	
Bengang Electronics and Gas Co., Ltd.	Same controller	Purchase of goods and services	Project fee	On agreement	Related agreement price		0.00%		No	Execute according to the agreement	No	2018.04.20	
Bengang Electronics and Gas Co., Ltd.	Same controller	Purchase of goods and services	Repair services	On agreement	Related agreement price	1,824.57	0.05%		No	Execute according to the agreement	No	2018.04.20	
Benxi High-tech Drilling Tools Manufacture Co., Ltd.	Same controller	Purchase of goods and services	Spare parts	On agreement	Related agreement price	104.3	0.00%	800	No	Execute according to the agreement	No	2018.04.20	
Benxi New Career Development Co., Ltd.	Same controller	Purchase of goods and services	Labor protection fee	On agreement	Related agreement price	533.84	0.01%		No	Execute according to the agreement	No	2018.04.20	
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	692.7	0.02%	2,000	No	Execute according to the agreement	No	2018.04.20	
Liaoning Metallurgy Technician College	Same controller	Purchase of goods and services	Training fees	On agreement	Related agreement price		0.00%		No	Execute according to the agreement	No	2018.04.20	

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
Liaoning Metallurgy Technician College	Same controller	Purchase of goods and services	Spare parts	On agreement	Related agreement price	1,504.98	0.04%	3,000	No	Execute according to the agreement	No	2018.04.20	
Liaoning Metallurgy Technician College	Same controller	Purchase of goods and services	Project fee	On agreement	Related agreement price	159.82	0.00%		No	Execute according to the agreement	No	2018.04.20	
Liaoning Metallurgy Technician College	Same controller	Purchase of goods and services	Repair services	On agreement	Related agreement price	259.04	0.01%	1,500	No	Execute according to the agreement	No	2018.04.20	
Bengang Group International Economic and Trading Co., Ltd.	Same controller	Purchase of goods and services	Agency fee	On agreement	Related agreement price	7,905.47	0.22%		No	Execute according to the agreement	No	2018.04.20	
Bengang Group International Economic and Trading Co., Ltd.	Same controller	Purchase of goods and services	Port surcharges	On agreement	Related agreement price	16,376.02	0.46%	36,000	No	Execute according to the agreement	No	2018.04.20	
Benxi Steel & Iron (Group) Information and Automatic Tech Co., Ltd.	Same controller	Purchase of goods and services	Spare parts	On agreement	Related agreement price	1,521.69	0.04%		No	Execute according to the agreement	No	2018.04.20	
Benxi Steel & Iron (Group) Information and Automatic Tech Co., Ltd.	Same controller	Purchase of goods and services	Project fee	On agreement	Related agreement price	2,024.87	0.06%	8,000	No	Execute according to the agreement	No	2018.04.20	
Benxi	Same	Purchase	Repair	On	Related	968.96	0.03%		No	Execute	No	2018.04	

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
Steel & Iron (Group) Information and Automatic Tech Co., Ltd.	controller	purchase of goods and services	services	agreement	agreed price					according to the agreement		.20	
Benxi Steel & Iron (Group) Thermal Power Development Co., Ltd.	Same controller	Purchase of goods and services	Heating costs	On agreement	Related agreement price	176.63	0.00%	2,000	No	Execute according to the agreement	No	2018.04.20	
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	3.67	0.00%		No	Execute according to the agreement	No	2018.04.20	
Benxi Steel & Iron (Group) Designing Institute	Same controller	Purchase of goods and services	Design fees	On agreement	Related agreement price	385.79	0.01%	3,000	No	Execute according to the agreement	No	2018.04.20	
Benxi Beiyong Steel & Iron (Group) Co., Ltd.	Same controller	Purchase of goods and services	Raw material and supplementary material	On agreement	Related agreement price	1,131,947.10	31.73%		No	Execute according to the agreement	No	2018.04.20	
Benxi Beiyong Steel & Iron (Group) Co., Ltd.	Same controller	Purchase of goods and services	Energy & Power	On agreement	Related agreement price	64,877.65	1.82%		No	Execute according to the agreement	No	2018.04.20	
Benxi Beiyong Steel & Iron (Group) Co., Ltd.	Same controller	Purchase of goods and services	Freight	On agreement	Related agreement price	781.29	0.02%	1,350,000	No	Execute according to the agreement	No	2018.04.20	
Benxi Beiyong Steel &	Same controller	Purchase of goods	Labor cost	On agreement	Related agreement price	7,460.80	0.21%		No	Execute according to	No	2018.04.20	

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
Iron (Group) Co., Ltd.		and services			ment price					the agreement			
Benxi Beiyong Steel & Iron (Group) Co., Ltd.	Same controller	Purchase of goods and services	Spare parts	On agreement	Related agreement price	955.5	0.03%		No	Execute according to the agreement	No	2018.04.20	
Liaoning Hengtong Metallurgical Equipment Manufacture Co., Ltd.	Same controller	Purchase of goods and services	Raw material and spare parts	On agreement	Related agreement price	9,117.95	0.26%	18,000	No	Execute according to the agreement	No	2018.04.20	
Liaoning Hengtai Heavy Machinery Co., Ltd.	Same controller	Purchase of goods and services	Raw material and spare parts	On agreement	Related agreement price	802.73	0.02%		No	Execute according to the agreement	No	2018.04.20	
Liaoning Hengtai Heavy Machinery Co., Ltd.	Same controller	Purchase of goods and services	Repair and labor cost	On agreement	Related agreement price	1,437.18	0.04%	7,000	No	Execute according to the agreement	No	2018.04.20	
Bengang Group Co., Ltd.	Controller	Purchase of goods and services	Property management fee	On agreement	Related agreement price	84.55	0.00%	800	No	Execute according to the agreement	No	2018.04.20	
Bengang Electronics and Gas Co., Ltd.	Same controller	Sales of goods and services	Energy & Power	On agreement	Related agreement price	88.05	0.00%	500	No	Execute according to the agreement	No	2018.04.20	
Benxi Beiyong Steel & Iron (Group) Co., Ltd.	Same controller	Sales of goods and services	Raw material & supplementary materials & spare parts	On agreement	Related agreement price	107,584.27	2.66%		No	Execute according to the agreement	No	2018.04.20	
Benxi Beiyong Steel &	Same controller	Sales of goods and	Products	On agreement	Related agree	1,475.15	0.04%	150,000	No	Execute according to	Yes	2018.04.20	

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
Iron (Group) Co., Ltd.		services			ment price					the agreement			
Benxi Beiyang Steel & Iron (Group) Co., Ltd.	Same controller	Sales of goods and services	Energy & Power	On agreement	Related agreement price	33,191.37	0.82%		No	Execute according to the agreement	No	2018.04.20	
Benxi Steel & Iron (Group) Real-estate Development Co., Ltd.	Same controller	Sales of goods and services	Energy & Power	On agreement	Related agreement price	20.88	0.00%	800	No	Execute according to the agreement	No	2018.04.20	
Benxi Steel & Iron (Group) Real-estate Development Co., Ltd.	Same controller	Sales of goods and services	Energy & Power	On agreement	Related agreement price		0.00%		No	Execute according to the agreement	No	2018.04.20	
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	74.66	0.00%	10,000	No	Execute according to the agreement	No	2018.04.20	
Benxi Steel & Iron (Group) Steel & Iron Process and Logistics Co., Ltd.	Same controller	Sales of goods and services	Products	On agreement	Related agreement price	29.25	0.00%		No	Execute according to the agreement	Yes	2018.04.20	
Benxi Steel & Iron (Group) Machinery Manufact	Same controller	Sales of goods and services	Products	On agreement	Related agreement price	1,065.99	0.03%		No	Execute according to the agreement	Yes	2018.04.20	

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
ure Co., Ltd.													
Benxi Steel & Iron (Group) Machinery Manufacture Co., Ltd.	Same controller	Sales of goods and services	Energy & Power	On agreement	Related agreement price	1,606.10	0.04%	18,000	No	Execute according to the agreement	No	2018.04.20	
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	87.96	0.00%		No	Execute according to the agreement	No	2018.04.20	
Benxi Steel & Iron (Group) Construction Co., Ltd.	Same controller	Sales of goods and services	Energy & Power	On agreement	Related agreement price	156.41	0.00%		No	Execute according to the agreement	No	2018.04.20	
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	1,026.54	0.03%	30,000	No	Execute according to the agreement	No	2018.04.20	
Benxi Steel & Iron (Group) Mining Co., Ltd.	Same controller	Sales of goods and services	Energy & Power	On agreement	Related agreement price	71,317.95	1.76%		No	Execute according to the agreement	No	2018.04.20	
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	9,874.06	0.24%	100,000	No	Execute according to the agreement	No	2018.04.20	
Benxi Steel & Iron (Group)	Same controller	Sales of goods and services	Freight revenue	On agreement	Related agreement	804.19	0.02%		No	Execute according to the	No	2018.04.20	

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
Mining Co., Ltd.					price					agreement			
Benxi Steel & Iron (Group) Mining Co., Ltd.	Same controller	Sales of goods and services	Products	On agreement	Related agreement price	1,013.41	0.03%		No	Execute according to the agreement	Yes	2018.04.20	
Benxi Steel & Iron (Group) Thermal Power Development Co., Ltd.	Same controller	Sales of goods and services	Energy & Power	On agreement	Related agreement price	2,913.18	0.07%		No	Execute according to the agreement	No	2018.04.20	
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	2,264.70	0.06%	15,000	No	Execute according to the agreement	No	2018.04.20	
Benxi Steel & Iron (Group) Thermal Power Development Co., Ltd.	Same controller	Sales of goods and services	Freight revenue	On agreement	Related agreement price	28.34	0.00%		No	Execute according to the agreement	No	2018.04.20	
Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	Same controller	Sales of goods and services	Energy & Power	On agreement	Related agreement price	814.35	0.02%	25,000	No	Execute according to the agreement	No	2018.04.20	
Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	Same controller	Sales of goods and services	Products	On agreement	Related agreement price		0.00%		No	Execute according to the agreement	Yes	2018.04.20	
Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	Same controller	Sales of goods	Raw material	On agreement	Related agreement price	6,337.01	0.16%		No	Execute according to the agreement	No	2018.04.20	

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
Iron (Group) Industrial Development Co., Ltd.	er	and services	& supplementary materials & spare parts	nt	agreement price					ng to the agreement			
Benxi Steel & Iron (Group) Information and Automatic Tech Co., Ltd.	Same controller	Sales of goods and services	Energy & Power	On agreement	Related agreement price	16.89	0.00%	100	No	Execute according to the agreement	No	2018.04.20	
Benxi Steel & Iron (Group) Construction and Repairing Co., Ltd.	Same controller	Sales of goods and services	Energy & Power	On agreement	Related agreement price	136.39	0.00%	1,200	No	Execute according to the agreement	No	2018.04.20	
Benxi Steel & Iron (Group) Construction and Repairing Co., Ltd.	Same controller	Sales of goods and services	Raw material & supplementary materials & spare parts	On agreement	Related agreement price		0.00%		No	Execute according to the agreement	No	2018.04.20	
Benxi Steel & Iron (Group) Metallurgy Residues Co., Ltd.	Same controller	Sales of goods and services	Energy & Power	On agreement	Related agreement price	448.98	0.01%		No	Execute according to the agreement	No	2018.04.20	
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	12,068.73	0.30%	12,000	No	Execute according to the agreement	No	2018.04.20	
Benxi Steel & Iron (Group) Metallurgy Residues	Same controller	Sales of goods and services	Freight revenue	On agreement	Related agreement price		0.00%		No	Execute according to the agreement	No	2018.04.20	

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
Co., Ltd.													
Benxi Steel & Iron (Group) Metallurgy Residues Co., Ltd.	Same controller	Sales of goods and services	Products	On agreement	Related agreement price		0.00%		No	Execute according to the agreement	Yes	2018.04.20	
Benxi Steel & Iron (Group) Co., Ltd.	Parent Company	Sales of goods and services	Energy & Power	On agreement	Related agreement price	314.5	0.01%		No	Execute according to the agreement	No	2018.04.20	
Benxi Steel & Iron (Group) Co., Ltd.	Parent Company	Sales of goods and services	Raw material & supplementary materials & spare parts	On agreement	Related agreement price	736.31	0.02%	12,000	No	Execute according to the agreement	No	2018.04.20	
Benxi New Career Development Co., Ltd.	Same controller	Sales of goods and services	Energy & Power	On agreement	Related agreement price	48.09	0.00%	500	No	Execute according to the agreement	No	2018.04.20	
Benxi New Career Development Co., Ltd.	Same controller	Sales of goods and services	Raw material & supplementary materials & spare parts	On agreement	Related agreement price		0.00%		No	Execute according to the agreement	No	2018.04.20	
Dalian Boluole Steel Tube Co., Ltd.	Same controller	Sales of goods and services	Products	On agreement	Related agreement price	510.74	0.01%	1,000	No	Execute according to the agreement	Yes	2018.04.20	
Liaoning Bengang Steel & Iron Trading Co., Ltd.	Same controller	Sales of goods and services	Products	On agreement	Related agreement price	38.85	0.00%	5,000	No	Execute according to the agreement	Yes	2018.04.20	
Benxi Steel & Iron (Group)	Same controller	Sales of goods and services	Energy & Power	On agreement	Related agreement	10.33	0.00%	50	No	Execute according to the	No	2018.04.20	

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
General Hospital					price					agreement			
Benxi Steel & Iron (Group) Zhengtai Construction Materials Co., Ltd.	Same controller	Sales of goods and services	Energy & Power	On agreement	Related agreement price	0.18	0.00%	50	No	Execute according to the agreement	No	2018.04.20	
Liaoning Hengtong Metallurgical Equipment Manufacture Co., Ltd.	Same controller	Sales of goods and services	Energy & Power	On agreement	Related agreement price	1,156.65	0.03%		No	Execute according to the agreement	No	2018.04.20	
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	1,799.29	0.04%	12,000	No	Execute according to the agreement	No	2018.04.20	
Liaoning Hengtong Metallurgical Equipment Manufacture Co., Ltd.	Same controller	Sales of goods and services	Products	On agreement	Related agreement price	611.65	0.02%		No	Execute according to the agreement	Yes	2018.04.20	
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	7.16	0.00%	500	No	Execute according to the agreement	No	2018.04.20	
Bengang Cold-rolled Stainless Steel Dandong Co., Ltd.	Same controller	Sales of goods and services	Products	On agreement	Related agreement price		0.00%		No	Execute according to the agreement	No	2018.04.20	

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
Suzhou Bengang Industrial Co., Ltd.	Same controller	Sales of goods and services	Products	On agreement	Related agreement price	26,643.27	0.66%	36,000	No	Execute according to the agreement	Yes	2018.04.20	
Bengang Group Finance Co., Ltd.	Same controller	Sales of goods and services	Energy & Power	On agreement	Related agreement price	1.49	0.00%	800	No	Execute according to the agreement	No	2018.04.20	
Bengang Group Co., Ltd.	Controller	Sales of goods and services	Energy & Power	On agreement	Related agreement price	2.47	0.00%	500	No	Execute according to the agreement	No	2018.04.20	
Total				--	--	1,989,309.78	--	2,522,600.00	--	--	--	--	--
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 are any non-operating related credits and debts

☐ Yes ☒ No

There were 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

Type	Resource of entrusted funds	Entrusted funds amount	Unexpired balance	Overdue amount
Bank financial products	Temporary turnover capital	68,000	50,000	0
Total		68,000	50,000	0

The specific circumstances of high-risk entrusted financing with large individual amount or low security, poor liquidity, and no cost protection

☐ Applicable ☒ Not applicable

Entrusted financing appears to be unable to recover the principal or there may be other circumstances that may result in impairment

☐ Applicable ☒ Not applicable

(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 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.

2. Performing corporation social responsibility of targeted poverty alleviation

In the annual report of the company, there has been no accurate poverty alleviation work, and there is no follow-up accurate poverty alleviation plan.

3. Environmental protection-related conditions

Whether the listed company and its subsidiaries belong to the key pollutant discharge units announced by the environmental protection department.

Yes

Name	Main pollutants and specific pollutants	Discharge modes	The number of discharge hatch	The distribution of discharge hatch	Emission concentration	The emission standard	Total emission	Approved total emission	Surpass the emission standard
Bengang Steel Plates Co., Ltd.	COD	Continuous	1	Energy integral factory sewage treatment plant.	Sewage 21.6	Sewage 50	336	Unapproved by the government	None
Bengang Steel Plates Co., Ltd.	Particulate Matter	Continuous and intermittent	178	Raw material dumper, transfer station, mine pit, pre-mixing; ironmaking iron and steel field, furnace top, fuel, solvent, whole grain, ore coke tank, sintering head, tail; steelmaking water pretreatment, iron alloy feeding, North-South inverted irrigation stations,	Raw materials 14-23; Ironmaking 7-35; Steelmaking 7-27; Special steel 7-15; Power generation 5-10; Cold rolling; 6-18 hot rolling 6-15.	Raw materials 25; ironmaking 25-50; steelmaking 20-50; special steel 20; power generation 10-30; cold rolling 20; hot rolling 20.	34321.25	Unapproved by the government	None

				primary dust removal, secondary dust removal, refining and dust removal; special steel furnace, refining furnace, electro slag furnace; desulfurization and denitrification of power generation boilers; cold-rolled acid regeneration, pickling, tensioning, welding, leveling, Annealing, baking; hot rolling furnace.					
Bengang Steel Plates Co., Ltd.	SO ₂	Continuous and intermittent	64	Ironmaking sintering head; power generation boiler; cold rolling roasting, annealing; hot rolling furnace.	Sintering machine head 12-40; power generation 10-70; cold rolling 80-100; hot rolling 118-128.	Sintering head 200; power generation 100-200; cold rolling 150; hot rolling 150.	3912.25	Unapproved by the government	None
Bengang Steel Plates Co., Ltd.	Oxides of nitrogen	Continuous and intermittent	57	Ironmaking sintering head; power generation boiler; cold rolling roasting, annealing; hot rolling furnace.	Sintering head 100-230; power generation 50-140; cold rolling 69-172; hot rolling 105-124.	Sintering head 300; power generation 100-200; cold rolling 300; hot rolling 300.	11594.00	Unapproved by the government	None

Construction and operation of pollution prevention facility:

The company has a total of 178 sets of environmental pollution prevention and control facilities. In addition to the hot rolling mill 2300 production line, the rough-rolling finishing rolling plastic plate dust collector which is designed for the production of stainless steel, the rest of the facilities are put into use normally.

Environmental Impact Assessment and Other Environmental Protection Administrative Licensing of Construction Projects

- (1) Bengang Baojin (Shenyang) Auto New Material Technology Co., Ltd. processing and distribution project received approval from the environmental assessment: Shenyang East Environmental Protection Bureau Dadong Branch, Shen-Huan-Bao-Da-Dong-Shen-Zi [2017] 0040.
- (2) The No.7 blast furnace dry dust removal and TRT reconstruction project of the Plate Energy Plant received the approval of the environmental assessment: Ben-Huan-Jian-Biao-Zi [2017]08.

- (3) Newly-built fueling station construction project of the Storage and Transportation Center, obtained the acceptance of environmental protection approval: Ben-Huan-Yan [2017] No. 11
- (4) Plate-fired power plant high-pressure workshop coal-fired boiler desulfurization and denitrification project, obtained environmental protection acceptance approval: Ben-Huan-Yan [2017] 09
- (5) Newly built 566-sintering sinter machine for slabs - supporting waste heat utilization project for power plants, obtained approval for environmental protection acceptance: Ben-Huan-Yan [2017] No.15.

Emergency plan for emergency environmental incidents

The company and its subordinate 13 units are revised the emergency plans for emergency environmental incidents, and carried out related work such as risk assessment and investigation of emergency resources in accordance with the "Law of the People's Republic of China on Incident Responses", "Notice on Printing and Distributing the Guidelines for Risk Assessment of Enterprises' Environmental Emergencies (Trial)", and "Emergency Preparedness for Environmental Incidents of Enterprises and Institutions" Existing laws and regulations such as the Administrative Measures (Trial).

Environmental self-monitoring project.

In 2017, the company's pollution monitoring points were: 187 flue gas, 9 wastewater monitoring sites, and 5 noise points at the plant boundary. The monitoring schedule was divided into weeks, months, quarters and half-years to monitor and a total of 8622 data were reported.

Other environmental information that should be disclosed

None

Other environmental protection related information

Pursuant to the "Notice of the tenth clean production audit issued by the Liaoning Provincial Environmental Protection Department", four organizations, including sheet ironmaking plants, sheet steelmaking plants, sheet cold rolling mills, and Bengang Pohang Cold Rolling Plant were responsible for conducting cleaner production audits and completing audit evaluations.

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	65,786	Total shareholders at the end of the month from the date of disclosing the annual report	68,592	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	72.84%	2,284,411,202	-157,904,867		2,284,411,202	Pledged	1,483,095,133
							Frozen	45,000,000
VANGUARD EMERGING MARKETS STOCK INDEX FUND	Overseas legal person	0.26%	8,157,311			8,157,311		
Chen Jinhong	Domestic natural person	0.18%	5,707,500			5,707,500		
Liu Ruijun	Domestic natural person	0.16%	5,123,800			5,123,800		
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	Overseas legal person	0.15%	4,606,141			4,606,141		
Wu Zhanglin	Domestic natural person	0.13%	4,071,200			4,071,200		
Yu Xiaofan	Domestic natural person	0.13%	4,002,707			4,002,707		
FIRST TRUST EMERGING MARKETS SMALL CAP ALPHADEx FUND	Overseas legal person	0.13%	3,951,482			3,951,482		
Hong Kong Securities Clearing Company Limited	Overseas legal person	0.12%	3,898,387			3,898,387		
Bank of China Limited by Share Ltd - South quantitative growth stock investment fund	Others	0.11%	3,589,600			3,589,600		
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			Category of shares			

	the end of the reporting period	Category of shares	Quantity
Benxi Steel & Iron (Group) Co., Ltd.	2,284,411,202	Common shares in RMB	2,284,411,202
VANGUARD EMERGING MARKETS STOCK INDEX FUND	8,157,311	Foreign shares in domestic exchange	8,157,311
Chen Jinhong	5,707,500	Common shares in RMB	5,707,500
Liu Ruijun	5,123,800	Foreign shares in domestic exchange	5,123,800
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	4,606,141	Foreign shares in domestic exchange	4,606,141
Wu Zhanglin	4,071,200	Common shares in RMB	4,071,200
Yu Xiaofan	4,002,707	Foreign shares in domestic exchange	4,002,707
FIRST TRUST EMERGING MARKETS SMALL CAP ALPHADDEX FUND	3,951,482	Foreign shares in domestic exchange	3,951,482
Hong Kong Securities Clearing Company Limited	3,898,387	Common shares in RMB	3,898,387
Bank of China Limited by Share Ltd - South quantitative growth stock investment fund	3,589,600	Common shares in RMB	3,589,600
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	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. 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. 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.		
Shareholders among the top 10 participating in securities margin trading (if any) (see Note 4)	Benxi Steel & Iron (Group) Co., Ltd. holds 2,034,411,202 shares of the Company's stock through ordinary security account and holds 250,000,000 shares of the Company's stock through credit security account, totaling 2,284,411,202 shares. Wu Zhanglin. holds 4,071,200 shares of the Company's stock through credit security account.		

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 shareholder	Legal representative / person in charge	Date of incorporation	Organization Code	Principal business activities
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 participation by controlling shareholder in reporting period	None			

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

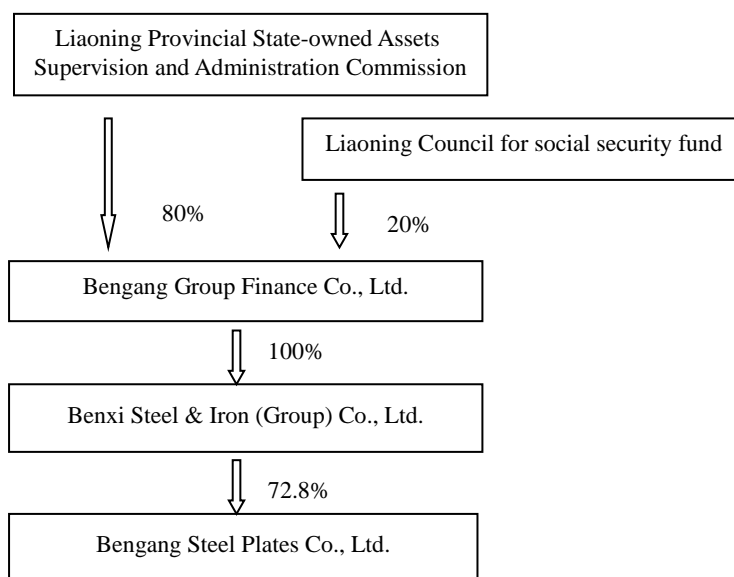
Name of the controlling shareholder	Legal representative / person in charge	Date of incorporation	Organization Code	Principal business activities
Bengang Group Co., Ltd.	Chen Jizhuang	November 25, 2010	912100005646255759	Asset management
Equity of other domestic/foreign listed company with share controlling and share participation by controlling shareholder in reporting period	None			

Change of actual controller during the reporting period

☐ Applicable ☒ Not applicable

There is no change of actual controller during the reporting period.

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-beg in	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	47	December 27, 2016	May 26, 2019					
Cao Aimin	Director, Chairman	In office	Male	51	October 26, 2009	May 26, 2019					
Han Ge	Director, General Manager	In office	Male	49	February 19, 2014	May 26, 2019					
Tang Chaosheng	Director	In office	Male	55	December 27, 2016	May 26, 2019					
Jin Yongli	Independent Director	In office	Male	60	May 17, 2013	May 26, 2019					
Zhong Tianli	Independent Director	In office	Female	62	May 20, 2014	May 26, 2019					
Zhao Xinan	Independent Director	In office	Male	58	May 21, 2015	May 26, 2019					
Dong Liju	Supervisor, Chairman of Supervisory Committee	In office	Female	54	February 19, 2014	May 26, 2019					
Han Mei	Supervisor	In office	Female	49	February 19, 2014	May 26, 2019					
Li Lin	Supervisor	In office	Female	50	February 19, 2014	May 26, 2019					
Li Zhengchun	Supervisor	In office	Male	45	April 1, 2015	May 26, 2019					
Zhang Yanlong	Supervisor	In office	Male	41	January 26, 2014	May 26, 2019					
Bao Mingwei	Deputy General Manager	In office	Male	55	December 28, 2012	May 26, 2019					
Wang Fengmin	Deputy General Manager	In office	Male	53	January 26, 2014	May 26, 2019					
Hu Guangyuan	Deputy General Manager	In office	Male	58	January 26, 2014	May 26, 2019					
Wang Shaoyu	Deputy General Manager, CFO	In office	Male	54	October 28, 2015	May 26, 2019					
Sun Yanbin	Secretary of the Board	In office	Male	36	August 3, 2015	May 26, 2019					
Zhang Jichen	Deputy General Manager	Resigned	Male	61	June 26, 2008	August 23, 2017					
Total	--	--	--	--	--	--					

II. Change in Directors, Supervisors and Senior Executives

√ Applicable ☐ Not applicable

Name	Position	Type of change	Date	Reason
Zhang Jichen	Deputy General Manager	Resigned	August 23, 2017	Age

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, 47, 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, 51, 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, 49, 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, 55, 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 Group 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, 60, 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, 62. 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, 58, 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, 54, 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, 49, 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, 50, 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, 45, 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, 41, 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:

Bao Mingwei, Male, 55, 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, 53, 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, 58, 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, 54, 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, 36, 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	47	In office		Yes
Cao Aimin	Director, Chairman	Male	51	In office		Yes
Han Ge	Director, General Manager	Male	49	In office	34.81	No
Tang Chaosheng	Director	Male	55	In office		Yes
Jin Yongli	Independent Director	Male	60	In office	5	No
Zhong Tianli	Independent Director	Female	62	In office	5	No
Zhao Xinan	Independent Director	Male	58	In office	5	No
Dong Liju	Supervisor, Chairman of Supervisory Committee	Female	54	In office		Yes
Han Mei	Supervisor	Female	49	In office		Yes
Li Lin	Supervisor	Female	50	In office	13.85	No
Li Zhengchun	Supervisor	Male	45	In office	12.85	No
Zhang Yanlong	Supervisor	Male	41	In office	12.21	No
Bao Mingwei	Deputy General Manager	Male	55	In office	25.82	No
Wang Fengmin	Deputy General Manager	Male	53	In office	25.52	No
Hu Guangyuan	Deputy General Manager	Male	58	In office	25.6	No
Wang Shaoyu	Deputy General Manager, CFO	Male	54	In office	25.47	No
Sun Yanbin	Secretary of the Board	Male	36	In office	10.58	No
Zhang Jichen	Deputy General Manager	Male	61	Resigned	15.61	No
Total	--	--	--	--	217.32	--

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	19,253
Population of in-service staff in main subsidiaries	588
Total population of in-service staff	19,841
Total population of staff receiving remuneration in the current	19,841

period	
Population of retired staff whose expense was borne by parent company and major subsidiary companies	21,949
Professional Composition	
Type of Professional Composition	Population
Production Staff	16,007
Sales Staff	210
Technician	1,388
Financial Staff	149
Administrative Staff	2,087
Total	19,841
Educational Degree	
Type of Educational Degree	Population
PhD.	12
Postgraduate	349
Undergraduate	3,508
Junior college	5,531
Others	10,441
Total	19,841

2. Remuneration Policies

In 2017, the company further strengthened payroll distribution management, raised the income level of employees, and carried out various work in a down-to-earth manner. The company raised the standard for the calculation and calculation of payrolls for seniority, increase the level of pay and income of employees, and constantly optimize the distribution relationship. Strengthen the management of remuneration distribution, clarify the responsibilities and the issuance process of special award management departments, and highlight the process control of performance-based wages. Re-evaluate the ERP salary management operation authority, define the privilege level, and improve the data security of the payroll management system. Continue to improve ERP payroll report management, data extraction and information upload operations, and improve the efficiency of pay management.

3. Training Plan

88 training programs were provided to 18449 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, 'Company policy' and 'Rules of Shareholders' General Meeting' 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
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Annual General Meeting of 2016	Annual General Meeting	78.56%	June 1, 2017	June 2, 2017	Announcement No.: 2017-025 http://www.cninfo.com.cn
The first provisional Shareholders' General Meeting in 2017	Provisional shareholders' General Meeting	73.73%	December 26, 2017	December 27, 2017	Announcement No.: 2017-051 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

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)	Number of general meetings to be attended
Jin Yongli	7	2	5	0	0	No	2
Zhong Tianli	7	2	5	0	0	No	2
Zhao Xinan	7	2	5	0	0	No	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 2017 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 2016, 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 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	April 20, 2018	
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	75.00%	
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 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	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: General errors caused by decision-making procedure; there are defects in the important business regulations and system serious

	accounting treatment of non-conventional or special deals; 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. 3. General deficiencies: the internal control deficiencies except those constitute the material deficiencies and the significant deficiencies.	drain of business personnel in key posts; the results of internal control evaluation, especially the important deficiencies have not been corrected; other circumstances that have comparably big negative impact on the company. 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.
Quantitative criteria	1. Material deficiencies: 1) misstatement \geq 5% of the total profits; 2) misstatement \geq 3% of the total assets; 3) misstatement \geq 1% of the total operating income; 4) misstatement \geq 1% 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 amount of the owner's equity.	1. Material deficiencies: 1) misstatement \geq 5% of the total profits; 2) misstatement \geq 3% of the total assets; 3) misstatement \geq 1% of the total operating income; 4) misstatement \geq 1% 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 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, 2017.	
Internal Control Audit Report Status	Disclosure
Disclosure date of audit report of internal control (full-text)	April 20, 2018
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

No

XI. Financial Report

AUDITORS' REPORT

PCPAR [2018]No.ZB

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

1、 Auditor's Opinion

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 2017, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its the consolidated statement of financial position and statement of financial position as at 31 December 2017, 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 in accordance with Accounting Standards for Business Enterprises.

2、 Basis for Opinion

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

3、 Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. Our audit procedures relating to these matters were designed in the context of our audit of the financial statement as a whole. Our opinion on the financial statements is not modified with respect to any of the key audit matters described below, and we do not express an opinion on these individual matters. We believe those key matters should discussed with governance.

Key matters	Response to the audit
1、 Provision for bad debts	
<p>Please refer to the Note (11) Bad debt provision of Accounts receivable under "3. Significant accounting policies and accounting estimates" and Note (3) Accounts receivable under "5. Notes to consolidated financial statements"</p> <p>On December 31, 2017, the carrying amount of Accounts receivable is RMB 982,207,611.54 and the bad debt is RMB 253,609,685.15.</p> <p>In determining the expected recoverable amount of accounts receivable, the management of the Company needs to assess the credit status of the relevant clients,</p>	<p>The audit process implemented for recoverability of Accounts receivable includes mainly:</p> <p>1. Understand, evaluate and test the management's corresponding account receivable aging analysis and identify the internal control in relation to account receivable's provision for bad debts.</p> <p>2. Review the management's consideration and objective evidence for the impairment test of accounts receivable, and pay close attention to whether the management has fully identified the items that have been impaired.</p> <p>3. Sample the accounts receivable tested for</p>

<p>including the availability and conditions of mortgages or pledge, and the actual collection .</p> <p>It involves significant accounting estimates and judgments when the management of the Company determines the recoverable amount of accounts receivable and the amount is significant. Therefore, we determine that the recoverability of accounts receivable is one key audit matter.</p>	<p>impairment individually, and review on the assumption and reasonableness of future cash flows estimation made by the management.</p> <p>4. For accounts receivable tested for impairment by portfolio , evaluate the reasonableness of the bad debt provision.</p> <p>5.Perform confirmation procedure, and check the confirmation results with the amount recorded by the management.</p> <p>6.Check the amount received after the reporting period and evaluate the reasonableness of provision for bad debts made by the management.</p>
2、Inventory impairment	
<p>Please refer to the Note (12) Inventory under “3. Significant accounting policies and accounting estimates” and (3) Inventory under “5. Notes to consolidated financial statements”.</p> <p>On December 31,2017,the carrying amount of inventory in consolidated statement is RMB 11,266,913,730.26, inventory impairment is RMB 57,015,634.10, the book value of inventory is RMB 11,209,898,096.16. Inventory is measured by lower of cost and net realizable value. The sufficiency of inventory impairment will exert a great impact on the financial statement.</p> <p>The net realizable value of inventory and commodities is determined by deducting the the estimated sales cost and the amount of related taxes and fees from the estimated selling price.</p> <p>It involves significant judgement when the management determines the estimated selling price of the inventory.</p> <p>On December 31, 2017, the carrying amount of inventory was significant and involves the estimation of net realizable value. Therefore, we identified it as a key audit matter.</p>	<p>The procedures carried out for the impairment of inventory include:</p> <p>1 Test and evaluate the effectiveness of internal control in relation to the impairment of inventory.</p> <p>2 .Supervise inventory taking and check the quantity, condition of inventory, especially slow-moving and aged inventory .</p> <p>3. Obtain the calculation of the impairment of inventory, Check any changes of the accrual of inventory impairment in this period and analyse the sufficiency of impairment.</p> <p>4.For the products with open market selling price, obtain the the open market price independently and compared with the estimated selling price; For the products without open market selling price, Compare the estimated price of the products with the latest actual selling price or selling price after the reporting period.</p> <p>5.Evaluate estimation of the sales expenses and related taxes and fees made by the management and compare with the historical data of the same kind of products and compare with the actual amount after the balance sheet date.</p>

4、 Other information

The management of the Company is responsible for the other information. The other information comprises information of the Company's annual report in 2017, but excludes the financial statements and our auditor's report.

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

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

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

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

The Company's management is responsible for preparing the financial statements in accordance with the requirements of Accounting Standards for Business Enterprises to achieve a fair presentation, and for 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.

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

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

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

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

As part of an audit in accordance with Chinese Certified Public Accountants Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management of the Company.
- (4) Conclude on the appropriateness of using the going concern assumption by the management of the Company, and conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements and bear all liability for the opinion. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit matters, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**BDO China Shu Lun Pan Certified
Public Accountants LLP**

**Chinese CPA:
(Engagement partner)**

Chinese CPA:

Shanghai, the People's Republic of China

18 April 2018

BENGANG STEEL PLATES CO., LTD.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

(Expressed in Renminbi unless otherwise indicated)

Asset	Notes	At the end of term	Beginning of term
Current assets			
Cash at bank and on hand	5 (1)	17,037,713,410.49	12,982,977,188.24
Settlement provisions			
Capital lent			
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable	5 (2)	3,846,433,700.87	2,030,681,138.03
Accounts receivable	5 (3)	728,597,926.39	623,865,427.25
Prepayments	5 (4)	1,280,689,094.33	493,839,659.44
Premium receivable			
Reinsurance accounts receivable			
Receivable deposit for reinsurance contract			
Interests receivable	5 (5)	18,448,520.50	4,208,818.85
Dividends receivable			
Other receivables	5 (6)	290,376,985.34	117,909,972.49
Redemptory financial assets for sale			
Inventories	5 (7)	11,209,898,096.16	9,782,173,936.74
Assets held for sale			
Non-current assets due within one year			
Other current assets	5 (8)	809,322,127.79	513,398,815.83
Total current assets		35,221,479,861.87	26,549,054,956.87
Non-current assets			
Loan and advances issued			
Available-for-sale financial assets	5 (9)	3,888,980.00	5,856,585.63
Held-to-maturity investment			
Long-term receivables			
Long-term equity investments	5 (10)	2,726,009.03	
Investment property			
Fixed assets	5 (11)	23,852,067,166.10	20,688,468,637.44
Construction in progress	5 (12)	2,391,584,410.46	6,210,673,674.11
Construction materials	5 (13)	4,558,919.60	7,783,370.29
Disposal of fixed assets			
Productive biological assets			
Oil and gas assets			

Asset	Notes	At the end of term	Beginning of term
Intangible assets	5 (14)	253,884,881.48	259,837,410.93
Development expenditure			
Goodwill			
Long-term deferred expenses			
Deferred tax assets	5 (15)	200,618,461.36	476,101,254.04
Other non-current assets	5 (16)	1,067,334,823.12	
Total non-current assets		27,776,663,651.15	27,648,720,932.44
Total assets		62,998,143,513.02	54,197,775,889.31

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 2017
(Expressed in Renminbi unless otherwise indicated)

Liabilities and equities	Notes	Ending balance	Beginning balance
Current Liabilities			
Short-term loans	5 (17)	21,999,103,900.00	18,762,472,779.48
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 (18)	11,494,589,827.27	6,372,173,897.13
Accounts payable	5 (19)	3,897,668,513.77	5,680,244,661.52
Advance from customers	5 (20)	3,308,567,598.05	3,679,477,129.80
Financial assets sold for repurchase			
Handling charges and commission payable			
Employee benefits payable	5 (21)	43,722,537.58	24,063,493.70
Current tax liabilities	5 (22)	87,807,128.50	45,806,231.81
Interests payable	5 (23)	84,139,288.02	75,115,265.66
Dividends payable			
Other payables	5 (24)	576,989,932.31	460,014,298.78
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 (25)	3,811,540,590.84	437,669,535.66
Other current liabilities	5 (26)	27,979,093.21	
Total current liabilities		45,332,108,409.55	35,537,037,293.54
Non-current liabilities			
Long-term loans	5 (27)	2,444,185,630.28	3,448,931,721.62
Bonds payable	5 (28)		1,494,825,782.32
Including: Preferred stock			
Perpetual bond			

Liabilities and equities	Notes	Ending balance	Beginning balance
Long-term payables			
Long-term employee benefits payable			
Special accounts payable			
Estimated liabilities			
Deferred income	5 (29)	372,785,000.00	410,399,000.00
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities		2,816,970,630.28	5,354,156,503.94
Total liabilities		48,149,079,039.83	40,891,193,797.48
Shareholders' equity:			
Share capital	5 (30)	3,136,000,000.00	3,136,000,000.00
Other equity instruments			
Including: Preferred stock			
Perpetual bond			
Capital reserves	5 (31)	9,114,845,542.05	9,156,845,542.05
Less: treasury shares			
Other comprehensive income			
Special reserves	5 (32)	475,046.75	372,721.86
Surplus reserves	5 (33)	961,105,529.85	961,105,529.85
General risk reserve			
Undistributed profits	5 (34)	1,103,162,610.35	-496,947,619.42
Total equity attributable to equity holders of the parent company		14,315,588,729.00	12,757,376,174.34
Non-controlling interests		533,475,744.19	549,205,917.49
Total shareholder's equity		14,849,064,473.19	13,306,582,091.83
Total of liabilities and owners' equity		62,998,143,513.02	54,197,775,889.31

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 2017

(Expressed in Renminbi unless otherwise indicated)

Assets	Notes	Ending balance	Beginning balance
Current assets			
Cash at bank and on hand		16,717,913,081.42	12,402,995,087.03
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable		3,515,361,992.96	1,870,384,367.64
Accounts receivable	14 (1)	482,181,593.45	455,070,302.00
Prepayments		1,280,354,579.87	487,869,713.72
Interests receivable		18,377,036.96	4,208,818.85
Dividends receivable			
Other receivables	14 (2)	376,863,448.72	210,089,804.88
Inventories		9,228,860,225.75	8,308,291,029.07

Assets	Notes	Ending balance	Beginning balance
Assets held for sale			
Non-current assets due within one year			
Other current assets		682,211,823.73	431,675,085.33
Total current assets		32,302,123,782.86	24,170,584,208.52
Non-current assets			
Available-for-sale financial assets		3,888,980.00	12,888,980.00
Held-to-maturity investment			
Long-term receivables			
Long-term equity investment	14 (3)	1,756,981,902.16	1,700,981,902.16
Investment property			
Fixed assets		21,621,369,452.27	18,125,714,092.15
Construction in progress		2,383,533,130.37	6,196,524,880.06
Construction materials		4,134,133.28	4,134,139.52
Disposal of fixed assets			
Productive biological assets			
Oil and gas assets			
Intangible assets		152,082,315.24	155,388,452.53
Development expenditure			
Goodwill			
Long-term deferred expenses			
Deferred tax assets		100,189,921.33	378,696,605.02
Other non-current assets		1,037,735,849.00	
Total non-current assets		27,059,915,683.65	26,574,329,051.44
Total assets		59,362,039,466.51	50,744,913,259.96

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 2017
(Expressed in Renminbi unless otherwise indicated)

Liabilities and shareholders' equities	Notes	Ending balance	Beginning balance
Current liabilities			
Short-term loans		20,499,694,500.00	17,376,963,500.00
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable		10,866,669,546.93	5,768,523,196.16
Accounts payable		4,184,763,509.38	5,939,417,729.46
Advance from customers		3,217,423,443.14	3,671,944,099.35

Liabilities and shareholders' equities	Notes	Ending balance	Beginning balance
Employee benefits payable		42,380,713.02	22,386,057.59
Current tax liabilities		66,903,531.67	28,902,954.65
Interests payable		79,074,426.27	70,109,821.13
Dividends payable			
Other payables		343,211,639.65	289,522,026.53
Liabilities held for sale			
Non-current liabilities due within one year		3,811,540,590.84	437,669,535.66
Other current liabilities		27,979,093.21	
Total current liabilities		43,139,640,994.11	33,605,438,920.53
Non-current liabilities			
Long term loans		2,444,185,630.28	3,448,931,721.62
Bonds payable			1,494,825,782.32
Including: Preferred stock			
Perpetual bond			
Long-term payables			
Long-term employee benefits payable			
Special accounts payable			
Estimated liabilities			
Deferred income		372,785,000.00	410,399,000.00
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities		2,816,970,630.28	5,354,156,503.94
Total liabilities		45,956,611,624.39	38,959,595,424.47
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		276,727.96	230,735.89
Surplus reserves		961,105,529.85	961,105,529.85
Undistributed Profits		613,351,724.38	-1,006,712,290.18
Total shareholder's equity		13,405,427,842.12	11,785,317,835.49
Total liabilities and shareholder's equity		59,362,039,466.51	50,744,913,259.96

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 2017

(Expressed in Renminbi unless otherwise indicated)

Items	Notes	2017	2016
1. Total operating income		40,507,855,843.72	29,526,012,651.08
Including: Operating income	5 (35)	40,507,855,843.72	29,526,012,651.08
Interest income			
Premium earned			
Income from handling charges and commission			
2. Total operating cost		38,588,059,963.38	28,532,767,412.24
Including: Operating cost	5 (35)	35,677,980,170.73	25,677,665,232.12
Interest expense			
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 (36)	233,743,675.12	147,571,935.24
Selling and distribution expenses	5 (37)	1,184,294,573.92	903,232,507.02
General and administrative expenses	5 (38)	852,860,839.20	700,546,785.17
Financial expenses	5 (39)	535,642,520.07	967,614,992.29
Asset impairment loss	5 (40)	103,538,184.34	136,135,960.40
Add: Gains from change of fair value ("-" for loss)			
Income on investment ("-" for loss)	5 (41)	4,052,996.54	2,019,053.44
Including: Income from associates and joint ventures		758,403.40	
Exchange gains			
Assets disposal gains ("-" for loss)	5 (42)	4,280,684.29	11,801,616.20
Other income	5 (43)	39,086,900.00	
3. Operational profit ("-" for loss)		1,967,216,461.17	1,007,065,908.48
Add : Non-operational income	5 (44)	19,335,019.49	46,269,813.13
Less: Non-operating expenses	5 (45)	70,238,377.22	14,543,658.66
4. Total profit("-"for loss)		1,916,313,103.44	1,038,792,062.95
Less: Income tax expenses	5 (46)	306,922,395.71	213,287,217.25
5. Net profit		1,609,390,707.73	825,504,845.70
1.Classification by continuing operating			
1.Net profit from continuing operation		1,609,390,707.73	825,504,845.70
2.Net profit from discontinued operation			
2.Classification by ownership			
1. Net profit attributable to the owners of parent company		1,600,110,229.77	781,296,452.51
2. Net profit attributable to non-controlling shareholders		9,280,477.96	44,208,393.19
6.Other comprehensive income			
Other comprehensive income attributable to owners of the parent company after tax			
1.Other comprehensive income items that will not be reclassified into gains/losses in the subsequent accounting period			
1) .Re-measurement of defined benefit plans of changes in net debt or net assets			
2) Other comprehensive income under the equity method investee cannot be reclassified into profit or loss			
2.Other comprehensive income that will be reclassified into profit or loss.			
1) Other comprehensive income under the equity method investee can be reclassified into profit or loss			
2) Gains and losses from changes in fair value available for sale financial assets			
3) Held-to-maturity investments reclassified to gains and losses of available for sale financial assets			

Items	Notes	2017	2016
4) The effective portion of cash flow hedges and losses			
5) Translation differences in currency financial statements			
6) Other			
Other comprehensive income attributable to non-controlling shareholders' equity after tax			
7. Total comprehensive income		1,609,390,707.73	825,504,845.70
Total comprehensive income attributable to the owner of the parent company		1,600,110,229.77	781,296,452.51
Total comprehensive income attributable to non-controlling shareholders		9,280,477.96	44,208,393.19
8. Earnings per share			
1) Basic earnings per share		0.510	0.249
2) Diluted earnings per share		0.510	0.249

The business combination under common control occurred in the current period. The net profit of the combined party realized before combination is RMB 24,668.65, The net profit realized by the combined party in the previous period is RMB 25,439.05.

Legal Representative:

Chief Financial Officer:

Chief Accountant:

BENGANG STEEL PLATES CO., LTD.
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2017

(Expressed in Renminbi unless otherwise indicated)

Items	Notes	2017	2016
1. Operating income	14 (4)	41,239,125,343.24	29,364,395,482.30
Less: Operating cost	14(4)	37,080,706,204.98	26,083,359,198.14
Tax and surcharges		200,820,143.07	116,460,450.85
Selling and distribution expenses		769,196,392.70	670,821,345.25
General and administrative expenses		806,607,065.68	648,932,544.53
Financial expenses		476,274,625.93	904,933,228.73
Asset impairment loss		103,897,129.58	136,136,868.48
Add: Gains from the change in fair value ("-" for loss)			
Income on investment	14 (5)	105,369,227.90	15,429,070.92
Including: Income from associates and joint ventures			
Assets disposal gains ("-" for loss)		4,280,684.29	11,660,376.86
Other income		39,086,900.00	
2. Operating profit ("-" for loss)		1,950,360,593.49	830,841,294.10
Add: Non-operating income		18,377,401.15	43,934,364.24
Less: Non-operating expenses		70,167,296.39	13,656,534.23
3. Total profit before tax ("-" for total loss)		1,898,570,698.25	861,119,124.11
Less: Income tax expenses		278,506,683.69	183,375,413.40
4. Net profit ("-" for net loss)		1,620,064,014.56	677,743,710.71
1. Net profit from continuing operation ("-" for loss)		1,620,064,014.56	677,743,710.71
2. Net profit from discontinued operation ("-" for loss)			
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			

Items	Notes	2017	2016
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		1,620,064,014.56	677,743,710.71
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	2017	2016
1. Cash flow from operating activities			
Cash received from sale of goods or rendering of services		38,398,560,637.86	28,241,551,432.83
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		396,593,593.65	197,081,126.50
Other cash received relating to operating activities	5 (47)	282,165,709.05	433,131,163.62
Subtotal of cash inflows from operating activities		39,077,319,940.56	28,871,763,722.95
Cash paid for goods and services		33,511,750,779.63	16,785,161,764.39
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		1,818,262,493.84	1,732,720,138.71
Cash paid for all types of taxes		497,364,981.50	177,242,826.85
Other cash paid relating to operating activities	5 (47)	505,698,193.08	619,219,916.08
Subtotal of cash outflows from operating activities		36,333,076,448.05	19,314,344,646.03

Items	Notes	2017	2016
Net cash flows from operating activities		2,744,243,492.51	9,557,419,076.92
2. Cash flows from investing activities			
Cash received from return on investments		424,000,000.00	453,000,000.00
Cash received from distribution of dividends or profit		3,294,593.14	2,019,053.44
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			12,288,367.65
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		427,294,593.14	467,307,421.09
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		577,962,615.41	2,348,653,699.08
Cash paid for acquisition of investments		1,765,735,849.00	697,000,000.00
Net increase of mortgage loan			
Net cash received from subsidiary and other operating unit			
Other cash paid relating to investing activities	5 (47)	38,485.64	
Subtotal of cash outflows from investing activities		2,343,736,950.05	3,045,653,699.08
Net cash flows from investing activities		-1,916,442,356.91	-2,578,346,277.99
3. Cash flows from financing activities			
Proceeds from investment		9,000,000.00	42,000,000.00
Including: Proceeds from investment of non-controlling shareholders of subsidiary		9,000,000.00	42,000,000.00
Proceeds from borrowings		29,066,698,099.54	22,692,917,296.84
Cash received from bond issuance			
Other proceeds relating to financing activities	5 (47)		223,457,494.90
Subtotal of cash inflows from financing activities		29,075,698,099.54	22,958,374,791.74
Cash repayments of borrowings		24,367,516,288.90	21,347,292,445.53
Cash payments for distribution of dividends, profit or interest expenses		1,348,382,179.94	939,292,589.51
Including: Cash paid to non-controlling shareholders as dividend and profit by subsidiaries		34,024,878.25	
Other cash payments relating to financing activities	5 (47)	4,070,073,176.21	183,227,486.83
Subtotal of cash outflows from financing activities		29,785,971,645.05	22,469,812,521.87
Net cash flows from financing activities		-710,273,545.51	488,562,269.87
4. Effect of foreign exchange rate changes on cash and cash equivalents		-124,590,470.23	244,221,817.29
5. Net increase in cash and cash equivalents		-7,062,880.14	7,711,856,886.09
Add: Cash and cash equivalents at the beginning of the period		12,324,639,659.07	4,612,782,772.98
6. Cash and cash equivalents at the ending of the period		12,317,576,778.93	12,324,639,659.07

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 2017

(Expressed in Renminbi unless otherwise indicated)

Items	Note	2017	2016
1. Cash flow from operating activities			
Cash received from sale of goods or rendering of services		38,408,092,773.75	29,446,843,561.82
Tax rebate received		285,379,382.79	172,506,656.56
Other cash received relating to operating activities		256,722,673.91	125,792,149.08
Subtotal of cash inflows from operating activities		38,950,194,830.45	29,745,142,367.46

Items	Note	2017	2016
Cash paid for goods and services		33,504,491,064.85	18,729,162,875.25
Cash paid to and on behalf of employees		1,716,037,102.55	1,638,137,170.73
Cash paid for all types of taxes		391,088,388.18	19,559,029.42
Other cash paid relating to operating activities		480,784,596.96	131,675,505.02
Subtotal of cash outflows from operating activities		36,092,401,152.54	20,518,534,580.42
Net cash flows from operating activities		2,857,793,677.91	9,226,607,787.04
2. Cash flows from investing activities			
Cash received from return on investments		424,000,000.00	453,000,000.00
Cash received from distribution of dividends or profit		105,369,227.90	1,715,742.47
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			12,136,292.65
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		529,369,227.90	466,852,035.12
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		535,378,428.27	2,330,445,853.26
Cash paid for acquisition of investments		1,764,735,849.00	706,000,000.00
Net cash paid for acquisition of subsidiary & other operating unit			
Other cash paid relating to investing activities		38,485.64	
Subtotal of cash outflows paid for investing activities		2,300,152,762.91	3,036,445,853.26
Net cash flows from investing activities		-1,770,783,535.01	-2,569,593,818.14
3. Cash flows from financing activities			
Proceeds from investment			
Cash received from borrowings		27,099,099,299.54	21,124,677,912.68
Other proceeds relating to financing activities			
Other cash received relating to financing activities			210,000,000.00
Subtotal of cash inflows from financing activities		27,099,099,299.54	21,334,677,912.68
Cash repayments of borrowings		22,501,298,853.33	19,837,110,764.77
Cash payments for distribution of dividends, profit or interest		1,250,068,065.92	879,486,861.85
Other cash payments relating to financing activities		4,034,360,176.07	132,384,026.03
Subtotal of cash outflows from financing activities		27,785,727,095.32	20,848,981,652.65
Net cash flows from financing activities		-686,627,795.78	485,696,260.03
4. Effect of foreign exchange rate changes on cash and cash equivalents		-124,633,410.57	244,195,433.65
5. Net increase in cash and cash equivalents		275,748,936.55	7,386,905,662.58
Add: Cash and cash equivalents at the beginning of the period		11,876,536,613.66	4,489,630,951.08
6. Ending balance of cash and cash equivalents		12,152,285,550.21	11,876,536,613.66

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 2017
(Expressed in Renminbi unless otherwise indicated)

Items	2017												
	Owner's equity attributable to parent company											Non-contr olling interest	Total of owner's equity
	Share capital	Other equity instruments			Capital reserves	Less: Treas ury share s	Other compreh ensive income	Special reserves	Surplus reserves	Gene ral risk reser ve	Undistrib uted profit		
1. Ending balance of last year	3,136,000, 000.00				9,156,845, 542.05			372,721. 86	961,105,5 29.85		-496,947,6 19.42	549,205,9 17.49	13,306,582, 091.83
Add: Change of accounting policies													
Correc tion of errors for last period													
Busine ss consolidatio n under common control													
Others													
2. Beginning balance of current year	3,136,000, 000.00				9,156,845, 542.05			372,721. 86	961,105,5 29.85		-496,947,6 19.42	549,205,9 17.49	13,306,582, 091.83
3. Changes in current year ("-" for decrease)					-42,000,00 0.00			102,324. 89			1,600,110, 229.77	-15,730,17 3.30	1,542,482,3 81.36
1) Total comprehensi ve income											1,600,110, 229.77	9,280,477. 96	1,609,390,7 07.73
2) Capital increase and decrease by shareholders												9,000,000. 00	9,000,000.0 0
(1) Comm on share investe d by shareho lders													
(2) Capital input by the holder of other equity instrum ents													
(3) Share-b ased payme nt attribut able to owners' equity													
(4) Others												9,000,000. 00	9,000,000.0 0
3) Profit												-34,024,87	-34,024,878

Items	2017												
	Owner's equity attributable to parent company											Non-controlling interest	Total of owner's equity
	Share capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk reserve	Undistributed profit		
distribution												8.25	.25
(1) Appropriation to surplus reserves													
(2) Appropriation to general risk reserve													
(3) Profit distribution to shareholders												-34,024,878.25	-34,024,878.25
(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								102,324.89				14,226.99	116,551.88
(1)								40,325.1				14,226.99	40,339,395.

Items	2017												
	Owner's equity attributable to parent company											Non-controlling interest	Total of owner's equity
	Share capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	General risk reserve	Undistributed profit		
Provision of special reserves		Preference shares	Perpetual bond	Others				68.14					13
(2) Use of special reserves								40,222,843.25					40,222,843.25
6) Others					-42,000,000.00								-42,000,000.00
4. Ending balance of current year	3,136,000,000.00				9,114,845,542.05			475,046.75	961,105,529.85		1,103,162,610.35	533,475,744.19	14,849,064,473.19

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 2017
(Expressed in Renminbi unless otherwise indicated)

Items	2016												
	Owner's equity attributable to parent company										Non-contr olling interest	Total shareholde r's equity	
	Share capital	Other equity instruments			Capital reserves	Less: Treas ury share s	Other compreh ensive income	Special reserves	Surplus reserves	Gene ral risk reser ve			Undistrib uted profit
Prefer ence share s		Perpe tual bond	Oth ers										
1. Ending balance of last year	3,136,000, 000.00				9,114,845, 542.05			393,372. 05	961,105,5 29.85		1,278,244, 071.93	504,993,0 49.45	12,439,093, 421.47
Add: Change of accounting policies													
Correc tion of errors for last period													
Busine ss consolidatio n under common control													
Others													
2. Beginning balance of current year	3,136,000, 000.00				9,114,845, 542.05			393,372. 05	961,105,5 29.85		1,278,244, 071.93	504,993,0 49.45	12,439,093, 421.47
3. Changes in current year (“-” for decrease)					42,000,000 .00			-20,650. 19			781,296,45 2.51	44,212,86 8.04	867,488,67 0.36
1) Total comprehensi ve income											781,296,45 2.51	44,208,39 3.19	825,504,84 5.70
2) Capital increase and decrease by shareholders													
(1) Comm on share investe d by shareho lders													
(2) Capital input by the holder of other equity instrum ents													
(3) Share-b ased payme nt attribut													

Items	2016												
	Owner's equity attributable to parent company											Non-contr olling interest	Total shareholde r's equity
	Share capital	Other equity instruments			Capital reserves	Less: Treas ury share s	Other compreh ensive income	Special reserves	Surplus reserves	Gene ral risk reser ve	Undistrib uted profit		
able to shareho lders' equity													
(4) Others													
3) Profit distribution													
(1) Appro priatio n to surplu s reserv es													
(2) Appro priatio n to genera l risk reserv es													
(3) Profit distrib ution to shareh olders													
(4) Others													
4) Transfers within shareholders' equity													
(1) Capital reserve s transfer red into paid-in capital (or stock)													
(2) Surplus reserve s transfer red into paid-in capital (or stock)													
(3) Surplus reserve s to recover													

Items	2016												
	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		
loss													
(4) Others													
5) Special reserves								-20,650.19				4,474.85	-16,175.34
(1) Provision of special reserves								39,766,855.73				4,474.85	39,771,330.58
(2) Use of special reserves								39,787,505.92					39,787,505.92
6) Others					42,000,000.00								42,000,000.00
4. Ending balance of current year	3,136,000.00				9,156,845.54			372,721.86	961,105,529.85		-496,947,619.42	549,205,917.49	13,306,582,091.83

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

Legal Representative:

Chief Accountant

Chief Financial Officer:

BENGANG STEEL PLATES CO., LTD.
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2017
(Expressed in Renminbi unless otherwise indicated)

Items	2017										
	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			230,735.89	961,105,529.85	-1,006,712,290.18	11,785,317,835.49
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			230,735.89	961,105,529.85	-1,006,712,290.18	11,785,317,835.49
3. Changes in current year (“-” for decrease)								45,992.07		1,620,064,014.56	1,620,110,006.63
1) Total comprehensive income										1,620,064,014.56	1,620,064,014.56
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) Approp riation to surplus reserve s											
(2) Profit distribu tion to shareho lders											
(3) Others											
4) Transfers within shareholde rs' equity											
(1) Capital reserve s transfer red into paid-in capital (or stock)											
(2) Surplus reserve s transfer red into paid-in capital (or stock)											
(3) Surplus reserve s to recover loss											
(4) Others											
5) Special reserves								45,992.0 7			45,992.07
(1) Provision of special reserves								34,507,2 89.29			34,507,289. 29
(2) Use of special reserves								34,461,2 97.22			34,461,297. 22
6) Others											
4. Ending balance of current	3,136,000. 000.00				8,694,693, 859.93			276,727. 96	961,105.5 29.85	613,351,72 4.38	13,405,427, 842.12

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

Legal Representative:

Chief Accountant

Chief Financial Officer:

BENGANG STEEL PLATES CO., LTD.
STATEMENT OF CHANGES IN EQUITY (Continued)
For the year ended 31 December 2017
(Expressed in Renminbi unless otherwise indicated)

Items	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											

Items	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							
shareholders' equity											
(4) Others											
3) Profit distribution											
(1) Appropriation of 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								34,242,266.53			34,242,266.53

Items	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							
special reserves											
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 Account

Chief Financial Officer:

Bengang Steel Plates Co., Ltd.

Notes to the financial statements

For the year ended 31 December 2017

(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 18 April 2018.

(2) Consolidation scope

As at 31 December 2017, 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.
Chongqing Liaoben Steel & Iron Trading Co., Ltd.
Bengang Baojin (Shenyang) Automobile New Material Technology Co., Ltd.

For details of consolidation scope and change of the consolidation scope for the period, please refer to Note 6 "Change of the consolidation scope" and Note 7 "Equity in other entities".

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/not under common control**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.

Business combination not 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 fees for the business combination 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) Increasing new subsidiaries and businesses

If the Company has a new subsidiary due to business combination under common control during the 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 subsidiaries or businesses

1. General treatment

If the Company disposes a subsidiary during the 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 re-measure 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 re-measurement 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 subsidiaries 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 subsidiaries' 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 portion of equity investments in subsidiaries without losing 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) 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.

(8) 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.

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.

(9) 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. Recognition 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. Termination of recognition 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 part or all of the contractual stipulations of the existing financial liability, it shall terminate 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 Company shall include into the profits and

losses of the current period the difference 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 of the financial assets (liabilities)

If active markets for the financial instruments exist, the fair value shall be measured by quoted prices in the active markets. If active markets for the financial instruments do not exist, valuation techniques shall be applied for the measurement. The Company uses valuation techniques appropriate in the circumstances and for which sufficient data are available to measure fair value. The Company chooses relevant observable inputs for identical or similar assets or liabilities. Only when relevant observable inputs are unavailable or should the Company use unobservable inputs for the asset or liability.

6. Impairment provision of the financial assets (excluding 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 available-for-sale 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 "significant" decrease of fair value of available-for-sale equity instruments: the book value the equity investment is lower than 50% of the fair value;

The criteria for "non-temporary" decrease of fair value of available-for-sale equity instruments: available-for-sale equity instruments have been subject to material un-normal factors or the book value has been lower than the purchase price for over one year (including one year).

(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.

(10) Receivables

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

The recognition standard for the individually significant receivables:

Accounts receivable over RMB10 million or other receivables over RMB 5 million.

The provision method 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 that 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. Receivables that are assessed not to be impaired individually are subsequently assessed for impairment in portfolios.

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

The provision method for bad debts for the receivables in portfolio	
Criteria for portfolio	
Portfolio	Individual insignificant receivables and receivables that are individually assessed not to be impaired
Provision method for bad debts for portfolio	
Portfolio	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. Individually insignificant receivables of which bad debts are provisioned individually

(1) Reasons for individual provision of bad debts:

Individually insignificant receivables are individually assessed to be impaired.

(2) The provision method for bad debts

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.

(11) Inventory

1. Inventory classification

Inventories include material in transit, raw material, low-valued consumables, finished goods, work in process, 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 the Company 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

(12) Long-term equity investment

1. Criteria of joint 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. If the Company and other joint venture have joint control of the investee and have rights to the net assets of the investee, the investee is a joint venture of the Company.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint 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 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.

For a business combination not under common control, the initial investment cost of the long-term equity investment shall be the acquisition cost at the acquisition date. When an investor becomes capable of exercising control over an investee due to additional investment or other reasons, the initial investment cost under the cost method shall be the carrying amount of previously-held equity investment together with the additional investment cost.

(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.

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.

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 according to the Company's accounting principles and operating period based on the fair values of the investee's identifiable net assets at the acquisition date. During the holding period, if the investee makes consolidated financial statements, the Company shall calculate its share based on the investee's net profit, other comprehensive income and the amount of other owners' equity attribute to the investee in the consolidated financial statements.

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 3 (5) "The accounting treatment for Business combination under/now under common control" and Note 3 (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

When disposing 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 re-measurement 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 due to decrease of shareholding ratio because of additional investment by other investors, 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.

(13) Fixed assets

1. Recognition of Fixed assets

The term "fixed assets" refers to the tangible assets held for the sake of producing commodities, rendering labor service, renting or business management and of which 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.

(14) 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.

(15) 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.

Assets eligible for capitalization 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.

(16) 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 the 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.

(17) 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.

(18) 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

(19) 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 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: when the Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; or when the Company recognizes costs or expenses related to a restructuring that involves the payment of termination benefits

(20) 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.

(21) Revenue

(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 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.

(3) Recognition Criteria for the Revenue from alienating of Assets Use Rights

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.

(4) 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.

(22) 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.

The criteria and accounting treatment of government subsidies pertinent to assets.

Government subsidies related to assets are government subsidies whose primary condition is that an entity qualifying for them should purchase, construct or otherwise acquire long-term assets.

Recognition

Government subsidies related to assets shall be recognized by deducting the subsidies at the caring amount of the assets or recognized as deferred income. Subsidies that recognized as deferred income shall be recognized in profit or loss over the periods during the useful lives of the relevant assets.

Accounting treatment

Government subsidies related to assets shall be recognized by deducting the subsidies at the caring amount of the assets or recognized as deferred income. Subsidies that recognized as deferred income shall be recognized in profit or loss on a systematic basis over the periods during the useful lives of the relevant assets (Subsidies related to daily activities should be recorded in Other Income. Subsidies that unrelated to daily activities should be recorded in Non-operating Income).

The criteria and accounting treatment of government subsidies pertinent to income.

The government subsidy related to income refers to the government subsidy other than the government subsidy related to the asset.

Recognition

The government subsidies related to incomes to compensate future expenses, shall be recognized as deferred income and transferred to current profit or loss. Government subsidies to compensate expenses or losses already incurred shall be recognized in current profit and loss.

Accounting treatment

The government subsidies related to incomes to compensate future expenses, shall be recognized as deferred income and transferred to current profit or loss (Subsidies related to daily activities should be recorded in Other Income. Subsidies that unrelated to daily activities should be recorded in Non-operating Income) in the period during which the expenses compensation is recognized, or deduct relevant cost or loss. Government subsidies to compensate expenses or losses already incurred shall be recognized in current profit and loss (Subsidies related to daily activities should be recorded in Other Income. Subsidies unrelated to daily activities should be recorded in Non-operating Income) or deduct relevant cost or loss.

(23) Deferred tax assets and deferred tax liabilities

An enterprise shall recognize the deferred income tax assets 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.

(24) 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.

(25) 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.

(26) Significant accounting policies and change of accounting estimate**1. Significant changes in accounting policies**

Implementation of “CAS No.42-Non-current assets held for sale, disposal group and discontinued operation”, “CAS No.16-government subsidy” and “Notice of the Ministry of Finance on the revision of the format for the issuance of the financial statements of the general enterprise”.

Ministry of Finance issued in 2017 “CAS No.42-Non-current assets held for sale, disposal group and discontinued operation”, which took effect on 28th May 2017. For the Non-current assets held for sale, disposal group and discontinued operation already existed before the effective date of the standard; the Company will apply the standard prospectively.

Ministry of Finance issued an amendment in 2017 to “CAS No.16-Government subsidy”, which took effect on 12nd June 2017. For the government subsidy already existed before 1 January 2017, the Company will apply the standard prospectively.

For the government subsidy received from 1 January 2017 to the effective date of the Standard, the Company will apply the amendment of the standard and make adjustment accordingly.

Ministry of Finance issued in 2017 “Notice of the Ministry of Finance on the revision of the format for the issuance of the financial statements of the general enterprise”, which revised the format of financial statement for the general enterprise and is applicable to financial statement of 2017 and periods thereafter.

The major impacts of the implementation of the above regulations are as follows:

The content and the reason for the changes of accounting policies	Approval procedures	The name and amount of the report item affected
The net profit from continuing operation” and “net profit from discontinued operation” are presented separately in the income statement. And the comparative figures are adjusted accordingly.	Approved by Board of directors	Net profit from continuing operation for the current year is RMB 1,609,390,707.73 and the last year is RMB 825,504,845.70.
The government subsidy related to ordinary activities are recorded in other income instead of “non-operating income”. comparative figures are not adjusted	Approved by Board of directors	The other income for the current year is RMB 39,086,900.00
The assets disposal gains and losses presently previously in “Non-operating income” will be reclassified to new item in the income statement “asset disposal gains”. The comparative figures are adjusted accordingly.	Approved by Board of directors	This year Non-operating income was reduced by RMB 4,280,684.29, and Non-operating expenses reduced by RMB 0.00. Both are reclassified to asset disposal gains. In the previous year, the Non-operating income was reduced by RMB 11,801,616.20, and the Non-operating expenses were reduced by RMB 0.00, which was reclassified to the asset disposal gains.

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%

5. Notes to the consolidated financial statements

(1) Cash at bank and on hand

Items	Ending balance	Beginning balance
Cash on hand	20,871.51	47,743.38
Cash at bank	12,317,555,907.42	12,289,906,915.69

Items	Ending balance	Beginning balance
Other monetary funds	4,720,136,631.56	693,022,529.17
Total	17,037,713,410.49	12,982,977,188.24
Total amount deposited abroad		

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	3,147,582,187.96	483,737,529.17
Time deposit or notice deposit for guarantee	1,572,554,443.60	174,600,000.00
Total	4,720,136,631.56	658,337,529.17

(2) Notes receivable

1. Notes receivable disclosed by category

Items	Ending balance	Beginning balance
Bank acceptance bill	3,622,042,309.91	2,003,701,859.70
Commercial acceptance bill	224,391,390.96	26,979,278.33
Total	3,846,433,700.87	2,030,681,138.03

2. The pledged acceptance bill at the year-end

Items	The pledged acceptance bill at the year-end
Bank acceptance bill	2,167,864,988.83
Total	2,167,864,988.83

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	7,588,682,313.37	
Commercial acceptance bill		92,271,846.41
Total	7,588,682,313.37	92,271,846.41

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				Book value
	Carrying amount		Provision for bad debts		
	Amount	Percentage (%)	Amount	Bad debts ratio (%)	

Individually significant and tested for impairment individually	47,762,337.18	4.86	47,762,337.18	100.00	
Accounts receivable tested for impairment by portfolio	934,445,274.36	95.14	205,847,347.97	22.03	728,597,926.39
Other insignificant items but tested for impairment individually					
Total	982,207,611.54	100.00	253,609,685.15		728,597,926.39

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	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		623,865,427.25

Accounts receivables individually significant and tested for impairment individually

Company	Ending balance			
	Carrying amount	Provision for bad debts	Bad debts ratio (%)	Reason
Benxi Nanfen Xinhe Metallurgical Furnace Material Co., Ltd	47,762,337.18	47,762,337.18	100.00	Halt operation
Total	47,762,337.18	47,762,337.18		

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)	627,072,908.02		
1-2 years (inclusive)	33,022,230.26	1,651,111.52	5.00
2-3 years (inclusive)	87,692,374.53	17,538,474.90	20.00
Over 3 years	186,657,761.55	186,657,761.55	100.00
Total	934,445,274.36	205,847,347.97	

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

The provision of bad debts of current period is RMB 47,637,157.92.

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

2. Top five debtors at the year-end

Company	Ending balance		Provision for bad debts
	Amount	Percentage of total Accounts receivable (%)	
The first	248,424,241.50	25.29	
The second	80,411,687.88	8.19	6,513,105.93
The third	62,242,087.46	6.34	22,754,881.58
The fourth	61,670,255.06	6.28	
The fifth	47,762,337.18	4.86	47,762,337.18
Total	500,510,609.08	50.96	77,030,324.69

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

Aging	Ending balance		Beginning balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year (inclusive)	1,259,327,577.20	98.33	452,700,499.16	91.67
1-2 years (inclusive)	13,457,173.07	1.05	31,080,628.03	6.29
2-3 years (inclusive)	1,669,541.26	0.13	8,279,599.88	1.68
Over 3 years	6,234,802.80	0.49	1,778,932.37	0.36
Total	1,280,689,094.33	100.00	493,839,659.44	100.00

Notes: As of December 31, 2017, there were no outstanding prepayments of over 1 year.

2. Top five prepaid companies at the year-end

Name of the company	Amount	Percentage (%)
The First	664,151,443.09	51.86
The Second	132,745,453.15	10.37
The Third	125,883,344.25	9.83
The Fourth	82,511,152.25	6.44
The Fifth	46,000,000.00	3.59
Total	1,051,291,392.74	82.09

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

Items	Ending balance	Beginning balance
Deposit interest	18,448,520.50	4,208,818.85
Total	18,448,520.50	4,208,818.85

(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	359,690,439.99	99.52	71,053,454.65	19.75	288,636,985.34
Other insignificant items but tested for impairment individually	1,740,000.00	0.48			1,740,000.00
Total	361,430,439.99	100.00	71,053,454.65		290,376,985.34

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	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		117,909,972.49

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)	268,082,914.37		
1-2 years (inclusive)	8,741,934.65	437,096.72	5.00
2-3 years (inclusive)	15,311,541.31	3,062,308.27	20.00
Over 3 years	67,554,049.66	67,554,049.66	100.00
Total	359,690,439.99	71,053,454.65	

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 3,780,311.08.

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

Nature	Ending balance	Beginning balance
Accounts	345,146,993.73	165,494,806.44
Export tax rebate		4,990,848.26
Margin and deposit	3,045,619.00	3,329,519.00
Others	13,237,827.26	11,367,942.36
Total	361,430,439.99	185,183,116.06

5. Top five debtors at the year-end

Company	Nature or content	Amount	Aging	Percentage of total other receivables(%)	Provision for bad debts
The First	Accounts	20,014,006.17	within 1 year RMB 20,005,388.65; over 3 years RMB 8,617.52	5.54	8,617.52
The Second	Accounts	14,890,418.63	1-3 years	4.12	2,462,178.25
The Third	Accounts	12,408,569.67	with 1 year RMB 8,877,932.00, 1-2years RMB 3,530,637.67	3.43	176,531.88
The Fourth	Accounts	9,188,976.40	within 1 year	2.54	
The Fifth	Others	5,922,247.07	within 1 years	1.64	
Total		62,424,217.94		17.27	2,647,327.65

(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	5,612,450,076.70	4,894,918.76	5,607,555,157.94	5,524,143,499.59	4,894,918.76	5,519,248,580.83
Work in process and self-made semi-finished product	1,689,682,178.82	23,431,222.63	1,666,250,956.19	1,565,629,213.06	52,905,684.06	1,512,723,529.00
Finished products	3,964,781,474.74	28,689,492.71	3,936,091,982.03	2,755,527,232.24	5,325,405.33	2,750,201,826.91
Total	11,266,913,730.26	57,015,634.10	11,209,898,096.16	9,845,299,944.89	63,126,008.15	9,782,173,936.74

2. Impairment of inventory

Category	Beginning balance	Increase		Decrease		Ending balance
		Provision	Others	Write-back or write-off	Others	
Raw material and main material	4,894,918.76					4,894,918.76
Work in process and self-made semi-finished product	52,905,684.06	23,431,222.63		52,905,684.06		23,431,222.63
Finished products	5,325,405.33	28,689,492.71		5,325,405.33		28,689,492.71
Total	63,126,008.15	52,120,715.34		58,231,089.39		57,015,634.10

(8) Other current assets

Items	Ending balance	Beginning balance
Prepaid enterprise income tax	182,938,934.20	183,264,161.99
Input tax to be deducted	120,383,193.59	86,134,653.84
Bank Short-Term Financial Products	506,000,000.00	244,000,000.00
Total	809,322,127.79	513,398,815.83

(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	18,303,673.00	14,414,693.00	3,888,980.00	20,271,278.63	14,414,693.00	5,856,585.63
Including:						
Measured at fair value						
Measured at cost	18,303,673.00	14,414,693.00	3,888,980.00	20,271,278.63	14,414,693.00	5,856,585.63
Total	18,303,673.00	14,414,693.00	3,888,980.00	20,271,278.63	14,414,693.00	5,856,585.63

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	
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	
Total	20,271,278.63		1,967,605.63	18,303,673.00	14,414,693.00			14,414,693.00		

(10) Long-term equity investment

Investees	Increase/decrease								Amount Provision Total Impairment	Total Impairment Ending Balance
	Beginning Balance	Add Investment	Reduce Investment	Investment Gains and Losses Recognized under the Equity Method	Adjustment Comprehensive Income	Other Equity Changes	Declaration of Cash Dividends or Profit	Others	Ending Balance	
1. Joint Venture										
Subtotal										
2. Associated Enterprises										

Investees	Beginning Balance	Add Investment	Reduce Investment	Increase/decrease					Ending Balance	Amount Provision on Total Impairment	Total Impairment Ending Balance
				Investment Gains and Losses Recognized under the Equity Method	Adjustment Comprehensive Income	Other Equity Changes	Declaration of Cash Dividends or Profit	Others			
e											
Zhejiang Bengang Jingrui Steel Processing Co., Ltd..				758,403.40				1,967,605.63	2,726,009.03		
Subtotal				758,403.40				1,967,605.63	2,726,009.03		
Total				758,403.40				1,967,605.63	2,726,009.03		

(11) Fixed assets

1. Details of fixed assets

Items	Buildings	Machinery	Transportation equipment and others	Total
1. Total original value				
Beginning balance	11,782,464,504.30	38,138,073,694.83	832,584,624.54	50,753,122,823.67
Increase in current period	635,382,760.39	4,615,079,000.74	77,371,713.75	5,327,833,474.88
Including: Purchase	314,493.67	2,842,522.92	1,079,940.51	4,236,957.10
Transferred from construction progress	635,068,266.72	4,612,236,477.82	76,291,773.24	5,323,596,517.78
Merging				
Others				
Decrease in current period	106,259,502.70	1,126,611,132.09	7,544,414.80	1,240,415,049.59
Including: Disposal	106,259,502.70	1,047,980,760.64	7,544,414.80	1,161,784,678.14
Others		78,630,371.45		78,630,371.45
Ending balance	12,311,587,761.99	41,626,541,563.48	902,411,923.49	54,840,541,248.96
2. Total accumulated depreciation				
Beginning balance	5,001,998,265.97	24,497,112,858.57	544,382,199.18	30,043,493,323.72

Items	Buildings	Machinery	Transportation equipment and others	Total
Increase in current period	351,186,518.84	1,664,803,478.05	4,749,763.21	2,020,739,760.10
Including: Provision	351,186,518.84	1,664,803,478.05	4,749,763.21	2,020,739,760.10
Others				
Decrease in current period	77,015,990.73	1,002,200,806.62	7,301,344.11	1,086,518,141.46
Including: Disposal	77,015,990.73	947,931,131.60	7,301,344.11	1,032,248,466.44
Others		54,269,675.02		54,269,675.02
Ending balance	5,276,168,794.08	25,159,715,530.00	541,830,618.28	30,977,714,942.36
3. Total impairment				
Beginning balance	8,208,087.85	12,952,774.66		21,160,862.51
Increase in current period				
Including: Provision				
Others				
Decrease in current period		10,401,722.01		10,401,722.01
Including: Disposal		10,401,722.01		10,401,722.01
Others				
Ending balance	8,208,087.85	2,551,052.65		10,759,140.50
4. Total net book value of Fixed assets				
Ending book value	7,027,210,880.06	16,464,274,980.84	360,581,305.21	23,852,067,166.10
Beginning book value	6,772,258,150.48	13,628,008,061.60	288,202,425.36	20,688,468,637.44

2. Fixed assets idled temporarily

Items	Original value	Accumulated depreciation	Impairment	Book value	Remarks
Buildings	201,165,792.22	107,236,601.06	39,771,234.69	54,157,956.47	Nanfen pellet factory and procurement center office building
Machinery	1,224,688.89	1,068,261.43	156,427.46		
Transportation equipment	1,039,425.89	1,006,247.23	33,178.66		
Total	203,429,907.00	109,311,109.72	39,960,840.81	54,157,956.47	

3. Fixed assets leased out by operating lease

Items	Book value
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Buildings	24,114,556.80
Machinery	4,747,752.66
Total	28,862,309.46

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

Items	Book value	Reason
Buildings	1,135,305,101.78	To be handled

(12) Construction in progress

1. Details of construction in progress

Items	Ending balance			Beginning balance		
	Carrying amount	Total impairment	Total net book value of Fixed assets	Carrying amount	Total impairment	Total net book value of Fixed assets
High Strength Cold Rolling Steel Renovation Project	1,187,165,940.86		1,187,165,940.86	4,947,002,125.33		4,947,002,125.33
The Third Cold Rolling Work Hot-Dip Galvanizing Production Line Project	611,760,000.00		611,760,000.00	398,719,600.41		398,719,600.41
Energy Saving And Environmental Protection Reconstruction Of The Converter System And 180 Ton Dephosphorization Converter Project	170,359,741.31		170,359,741.31	160,819,316.39		160,819,316.39
Ultrathin Pickling Line Modification	32,745,791.58		32,745,791.58	18,695,509.51		18,695,509.51
Information System Engineering	32,708,961.76		32,708,961.76	27,813,512.90		27,813,512.90
Modifying and Upgrading of System Equipment such as Hot Blast Furnace.	27,289,578.22		27,289,578.22			
The 360 Square Meter Sintering Machine	26,592,065.27		26,592,065.27			
Automobile Board Engineering Laboratory Phase II Project.	20,289,005.83		20,289,005.83	5,763,115.05		5,763,115.05
Energy Control Center Project	8,617,499.91		8,617,499.91	4,656,735.30		4,656,735.30
Renovation Project of Power Plant Three - Power Plant.				427,626,724.92		427,626,724.92
Others	274,055,825.72		274,055,825.72	219,577,034.30		219,577,034.30
Total	2,391,584,410.46		2,391,584,410.46	6,210,673,674.11		6,210,673,674.11

2. The change of major construction in progress

Project	Budget (In 10 Thousand Yuan)	Beginning Balance	Increase	Transfer to FA	Other decrease	Ending balance	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	613,498.00	4,947,002,125.33	162,109,331.41	3,921,945,515.88		1,187,165,940.86	83.28	98.00	855,901,421.79	302,989,885.98	3.48	Self-raised fund & Loan
The Third Cold Rolling Work Hot-Dip Galvanizing Production Line Project	86,918.00	398,719,600.41	213,040,399.59			611,760,000.00	70.38	90.00				Self-raised fund
Energy Saving And Environmental Protection Reconstruction Of The Converter System And 180 Ton Dephosphorization Converter Project	177,864.40	160,819,316.39	9,540,424.92			170,359,741.31	86.83	96.00	127,847,567.31			Self-raised fund & Loan
Ultrathin Pickling Line Modification	5,219.00	18,695,509.51	14,050,282.07			32,745,791.58	62.74	70.00				Self-raised fund
Information System Engineering	3,687.00	27,813,512.90	4,895,448.86			32,708,961.76	88.71	90.00	1,701,685.56	815,897.94	3.48	Self-raised fund & Loan
Modifying and Upgrading of System Equipment such as Hot Blast Furnace.	18,535.14		114,141,727.30	86,852,149.08		27,289,578.22	61.58	80.00				Self-raised fund
The 360 Square Meter Sintering Machine	128,403.20		26,592,065.27			26,592,065.27	94.00	98.00	68,627,433.26			Self-raised fund & Loan
Automobile Board Engineering Laboratory Phase II Project.	2,600.00	5,763,115.05	14,525,890.78			20,289,005.83	78.03	80.00				Self-raised fund
Energy Control Center Project	29,450.00	4,656,735.30	5,952,284.03	1,991,519.42		8,617,499.91	97.51	98.00	45,372,134.03			Self-raised fund & Loan
Renovation Project of Power Plant Three - Power Plant.	59,399.00	427,626,724.92	28,300,501.51	455,927,226.43			78.97	100.00	34,827,795.34	17,456,516.68	3.48	Self-raised fund & Loan
Others		219,577,034.30	911,358,898.39	856,880,106.97		274,055,825.72						Self-raised fund
Total		6,210,673,674.11	1,504,507,254.13	5,323,596,517.78		2,391,584,410.46			1,134,278,037.29	321,262,300.60		

(13) Construction materials

Items	Ending balance	Beginning balance
Construction materials	4,558,919.60	7,783,370.29
Total	4,558,919.60	7,783,370.29

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

Items	Land use right	Office software	Non-patent technologies	Patent	Total
1.Total of original value					
Beginning balance	296,245,314.76	397,064.99			296,642,379.75
Increase		12,393.16			12,393.16
Including: Purchase		12,393.16			12,393.16
Decrease					
Including: Disposal					
Ending balance	296,245,314.76	409,458.15			296,654,772.91
2. Total of Accumulated Amortization					
Beginning balance	36,763,695.35	41,273.47			36,804,968.82
Increase	5,924,906.28	40,016.33			5,964,922.61
Including: Provision	5,924,906.28	40,016.33			5,964,922.61
Decrease					
Including: Disposal					
Ending balance	42,688,601.63	81,289.80			42,769,891.43
4. Total of Impairment					
Beginning balance					
Increase					
Including: Provision					
Decrease					
Including: Disposal					
Ending balance					
5. Total of Net value					
Ending book value	253,556,713.13	328,168.35			253,884,881.48
Beginning book value	259,481,619.41	355,791.52			259,837,410.93

(15) 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
Impairment	403,885,112.29	100,971,278.09	368,635,605.55	92,158,901.41
Internal unrealized profit	64,609,874.03	16,152,468.51	52,499,498.52	13,124,874.63
Deductible operating losses			1,136,092,189.97	284,023,047.49
Deferred income				
Welfare for early retirement			5,859,027.00	1,464,756.75
Unpaid employee salary			7,339,835.99	1,834,959.00
Differences of depreciation and amortization	333,978,859.03	83,494,714.76	333,978,859.03	83,494,714.76
Total	802,473,845.36	200,618,461.36	1,904,405,016.06	476,101,254.04

2. Unrecognized deferred tax assets

Items	Ending balance	Beginning balance
Deductible temporary differences	2,967,495.10	3,311,628.91
Deductible losses	2,105,332,277.56	3,041,165,564.90
Total	2,108,299,772.66	3,044,477,193.81

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	
Year 2018	4,904,050.21	61,226,455.38	
Year 2019		179,596,211.65	
Year 2020	2,086,284,665.11	2,745,964,056.85	
Year 2021	12,562,922.76	10,232,788.00	
Year 2022	1,580,639.48		
Total	2,105,332,277.56	3,041,165,564.90	

(16) Other non-current assets

Items	Ending balance	Beginning balance
Prepaid of long-term assets	1,067,334,823.12	
Total	1,067,334,823.12	

Notes: The ending balance of prepaid of long-term assets including: 1,037,735,849.00 yuan is the investment paid to Dongbei Special

Steel Group Co., Ltd.; 29,598,974.12 yuan is the Company's subsidiary, Bengang Baojin (Shenyang) Automobile New Material Technology Co., Ltd.'s prepayment for land purchasing.

(17) Short-term loans

1. Short-term loans disclosed by category

Items	Ending balance	Beginning balance
Pledge loans	1,470,000,000.00	645,311,200.00
Mortgage loans		
Guaranteed loans	11,529,063,300.00	10,633,173,500.00
Credit loans	9,000,040,600.00	7,483,988,079.48
Total	21,999,103,900.00	18,762,472,779.48

(18) Notes payable

Items	Ending balance	Beginning balance
Bank acceptance bill	8,782,045,779.95	1,712,218,775.03
Commercial acceptance bill	1,812,544,047.32	
Domestic letter of credit	900,000,000.00	4,659,955,122.10
Total	11,494,589,827.27	6,372,173,897.13

(19) Accounts payable

1. Accounts payable disclosed by category

Items	Ending balance	Beginning balance
Accounts payable for goods	3,116,873,305.58	4,399,863,760.66
Accounts payable for labor	4,467,697.76	78,583,112.68
Accounts payable for project and equipment	254,691,333.73	818,679,528.16
Repair expense	519,035,208.21	382,273,450.21
Others	2,600,968.49	844,809.81
Total	3,897,668,513.77	5,680,244,661.52

2. Significant accounts payable aging over one year

Items	Ending balance	Reason
BHP Billiton Trade Ltd.	29,311,486.15	Not yet settled
Wisdri Engineering & Research Incorporation Ltd.	25,228,227.07	Not yet settled
Jixi Huasheng Fengyuan Coal Preparation Co., Ltd.	26,005,916.07	Not yet settled
Hangzhou Tianshen Materials Co., Ltd.	21,330,633.40	Not yet settled
Total	101,876,262.69	

(20) Advance from customers

1. Advance from customers disclosed by category

Items	Ending balance	Beginning balance
Advance for goods	3,308,567,598.05	3,679,477,129.80
Total	3,308,567,598.05	3,679,477,129.80

2. Significant advance from customers aging over one year.

Items	Ending balance	Reason
Liaoning Bengang Steel & Iron Trade Co., Ltd.	56,521,194.42	Subject of contract has been changed, advance is being refunded
Total	56,521,194.42	

(21) Employee benefits payable**1. Employee benefits payable**

Items	Beginning balance	Increase	Decrease	Ending balance
Short-term employee benefits	18,146,736.28	1,639,752,215.54	1,618,406,151.06	39,492,800.76
Post-employment benefits - defined contribution plans	57,730.42	252,171,894.15	252,170,727.33	58,897.24
Termination benefits	5,859,027.00	605,703.63	2,293,891.05	4,170,839.58
Total	<u>24,063,493.70</u>	1,892,529,813.32	1,872,870,769.44	43,722,537.58

2. Short-term employee benefits

Items	Beginning balance	Increase	Decrease	Ending balance
(1) Salary, bonus, allowance and subsidy	8,895,580.36	1,294,228,603.64	1,273,614,674.62	29,509,509.38
(2) Employee welfare		90,506,575.43	90,103,556.21	403,019.22
(3) Social Insurance	655,574.20	116,528,002.37	116,520,429.67	663,146.90
Including: Medical insurance		85,276,263.44	85,276,263.44	
Work injury insurance	655,574.20	31,230,254.42	31,222,681.72	663,146.90
Maternity insurance		21,484.51	21,484.51	
(4) Housing	6,850,713.00	107,832,932.73	107,832,990.73	6,850,655.00
(5) Union funds and staff education fee	1,744,868.72	27,527,869.28	27,206,267.74	2,066,470.26
(6) Short-term compensated absences				
(7) Short-term profit - sharing scheme				
(8) Others		3,128,232.09	3,128,232.09	
Total	<u>18,146,736.28</u>	1,639,752,215.54	1,618,406,151.06	39,492,800.76

3. Defined contribution plans

Items	Beginning balance	Increase	Decrease	Ending balance
Basic pension fund	56,104.40	244,219,573.45	244,218,232.74	57,445.11
Unemployment insurance	1,626.02	7,952,320.70	7,952,494.59	1,452.13
Enterprise annuity payment				
Total	<u>57,730.42</u>	252,171,894.15	252,170,727.33	58,897.24

(22) Current tax liabilities

Items	Ending balance	Beginning balance
Value-added tax	44,433,347.78	2,173,913.92
City maintenance and construction tax	12,706,288.46	13,029,114.11
House property tax	13,007,637.50	14,026,666.46
Educational surcharges	2,990,847.04	2,970,971.37
Land use tax	9,382,026.01	10,029,654.63
Others	5,286,981.71	3,575,911.32
Total	87,807,128.50	45,806,231.81

(23) Interests payable

Items	Ending balance	Beginning Balance
Corporate bond interests	70,109,821.13	70,109,821.13
Loan interests	14,029,466.89	5,005,444.53
Total	84,139,288.02	<u>75,115,265.66</u>

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

Items	Ending balance	Beginning Balance
Deposit	2,475,771.82	2,719,618.51
Margin	145,686,888.01	130,550,329.63
Accounts	349,363,687.04	304,196,299.76
Others	79,463,585.44	22,548,050.88
Total	576,989,932.31	460,014,298.78

2. Significant other payables ageing over one year

Name	Ending balance	Reason
Benxi Steel & Iron (Group) Co., Ltd.	66,132,047.19	Not yet settled
Total	66,132,047.19	

(25) 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	2,311,995,410.89	227,669,535.66
Bond payables due within one year	1,499,545,179.95	
Long-term payables due within one year		210,000,000.00
Total	3,811,540,590.84	437,669,535.66

2. Long-term loans due within one year

Items	Ending balance	Beginning balance
Guaranteed loans	2,280,404,670.89	226,789,535.66
Credit loans	31,590,740.00	880,000.00
Total	2,311,995,410.89	227,669,535.66

3. Long-term payables due within one year

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

(26) Other current liabilities

Items	Ending balance	Beginning balance
Pending output value-added tax	27,979,093.21	
Total	27,979,093.21	

(27) Long-term loans**Long-term loans disclosed by category**

Categories	Ending balance	Beginning balance
Guaranteed loans	2,267,263,140.28	3,440,691,721.62
Credit loans	176,922,490.00	8,240,000.00
Total	2,444,185,630.28	3,448,931,721.62

(28) Bonds payable**1. Details of bonds payable**

Items	Ending balance	Beginning balance
Corporate bond		1,494,825,782.32
Total		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.

Therefore, as at 31 December, 2017, bonds payable was reclassified into non-current liabilities due within one year.

(29) Deferred income

Items	Beginning balance	Increase	Decrease	Ending balance	Reason
Government subsidy	410,399,000.00	1,472,900.00	39,086,900.00	372,785,000.00	
Total	410,399,000.00	1,472,900.00	39,086,900.00	372,785,000.00	

Projects of government subsidies:

Items	Beginning balance	Increase	Transfer to non-operating income	Other decrease	Ending balance	Related to assets or income
MES Project Special Fund	5,160,000.00		1,720,000.00		3,440,000.00	Assets
Second Batch of National Cleaned Manufacturing Demonstration Project Fund	800,000.00		800,000.00			Assets
Industrial Enterprise Energy Management Center Construction Demonstration Project	11,600,000.00		2,320,000.00		9,280,000.00	Assets
Environment Pollution Renovation Project	12,474,000.00		5,234,000.00		7,240,000.00	Assets
Environment Renovation Project and Regional Basin Environment Protection Project	1,180,000.00		500,000.00		680,000.00	Assets
Energy-saving Technological Reform	2,954,000.00		2,954,000.00		-	Assets
Fiscal Reward Project						
High Strength Cold Rolling Steel Renovation Project	250,000,000.00				250,000,000.00	Assets
Automobile High-class Electrolytic	32,832,000.00		8,208,000.00		24,624,000.00	Assets

Items	Beginning balance	Increase	Transfer to non-operating income	Other decrease	Ending balance	Related to assets or income
Zinc Steel Plate Production Line Project						
Sintering Machine Residue Heat Usage and Desulfurization Project	12,612,000.00		4,204,000.00		8,408,000.00	Assets
Wastewater Treatment Plant Renovation Project	1,500,000.00		1,500,000.00			Assets
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	200,000.00		100,000.00		100,000.00	Assets
Overseas Advanced Technology Introduction Special Fund	12,652,000.00		2,884,000.00		9,768,000.00	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	600,000.00		200,000.00		400,000.00	Assets

Items	Beginning balance	Increase	Transfer to non-operating income	Other decrease	Ending balance	Related to assets or income
Blast Furnace Plant						
Environment Protection Project Special Fund	3,480,000.00		1,160,000.00		2,320,000.00	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		600,000.00		5,400,000.00	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	4,640,000.00		1,160,000.00		3,480,000.00	Assets
Air Quality Automatic Monitoring System	315,000.00		70,000.00		245,000.00	Assets
Xi Yuan Resources supervision Committee Compensation		1,472,900.00	1,472,900.00			Income
Total	410,399,000.00	1,472,900.00	39,086,900.00		372,785,000.00	/

(30) Share capital

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

(31) Capital reserves

Items	Beginning balance	Increase	Decrease	Ending balance
Capital premium over par value	9,040,928,073.23	-42,000,000.00		8,998,928,073.23
Other capital reserves	115,917,468.82			115,917,468.82
Total	9,156,845,542.05	-42,000,000.00		9,114,845,542.05

Notes: The increase is resulted from business combination under common control.

(32) Special Reserves

Items	Beginning balance	Increase	Decrease	Ending balance
Safety production cost	372,721.86	40,325,168.14	40,222,843.25	475,046.75
Total	372,721.86	40,325,168.14	40,222,843.25	475,046.75

(33) 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

(34) Undistributed Profits

Items	2017	2016
Before adjustments: undistributed profits at last year-end	-496,947,619.42	-1,278,244,071.93
Adjustments of the beginning distributed profits (increase + / decrease -)		
After adjustments: undistributed profit at this year-beginning	-496,947,619.42	-1,278,244,071.93
Add: undistributed profit belonging to parent company	1,600,110,229.77	781,296,452.51
Less : Statutory surplus reserves		
Discretionary reserves		
General risk reserves		
Common shares dividend payable		
Common shares dividend transferred to paid-in capital		
Ending balance of undistributed profits	1,103,162,610.35	-496,947,619.42

(35) Operating income and operating cost

Items	2017		2016	
	Revenue	Cost	Revenue	Cost
Principal business	37,488,231,200.04	33,295,587,407.25	27,855,007,850.33	24,211,213,258.03
Other business	3,019,624,643.68	2,382,392,763.48	1,671,004,800.75	1,466,451,974.09

Total	40,507,855,843.72	35,677,980,170.73	29,526,012,651.08	25,677,665,232.12
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(36) Tax and surcharges

Items	2017	2016
Housing Property tax	73,910,361.76	14,991,980.60
Business tax		583,745.52
City maintenance and construction tax	72,133,939.73	47,275,478.72
Educational surcharge	51,786,464.96	34,425,829.14
Land use right tax	6,304,275.26	3,902,155.50
Others	29,608,633.41	46,392,745.76
Total	233,743,675.12	147,571,935.24

(37) Selling and distribution expenses

Items	2017	2016
Freight	871,160,348.90	614,483,275.86
Port surcharges	183,767,518.94	181,534,004.18
Agency fee	80,110,942.00	57,044,559.83
Package fee	8,422,692.29	4,648,213.21
Salary and benefits	24,212,842.39	21,384,974.76
Others	16,620,229.40	24,137,479.18
Total	1,184,294,573.92	903,232,507.02

(38) General and administrative expenses

Items	2017	2016
Salary and benefits	291,188,520.14	223,607,159.57
Repair expense	236,344,347.42	164,806,710.59
Taxes		28,688,548.09
Land use right fee	54,691,428.60	55,602,952.40
Depreciation	51,486,458.19	30,426,572.18
Social insurance premium	46,089,697.16	41,761,746.79
Pollution discharge fee	55,538,587.00	57,503,493.13
Water resources fee	18,329,900.73	17,076,438.04
Housing fund	9,083,025.00	9,488,777.00
Heating fee	25,014,536.75	8,863,236.53
Entertainment expense	3,318,424.97	3,303,499.50
Amortization of intangible assets	5,964,922.61	4,248,197.92
Freight	607,900.32	1,248,948.52
Lease expense	1,475,041.07	1,576,662.04
Others	53,728,049.24	52,343,842.87
Total	852,860,839.20	700,546,785.17

(39) Financial expenses

Items	2017	2016
Interest expenditure	1,023,936,982.91	725,207,081.31
Less: Interest income	142,752,764.37	30,037,661.64
Exchange loss	-357,509,334.61	243,638,550.39
Others	11,967,636.14	28,807,022.23
Total	535,642,520.07	967,614,992.29

(40) Assets impairment loss

Items	2017	2016
Loss for bad debts	51,417,469.00	53,088,456.00
Impairment of inventories	52,120,715.34	58,231,089.39
Impairment of available-for-sale assets		14,414,693.00
Impairment of Fixed assets		10,401,722.01
Total	103,538,184.34	136,135,960.40

(41) Income on investment

Items	2017	2016
Income on disposal of long-term equity investment by equity method	758,403.40	
Income on available-for-sale assets during the period		303,310.97
Income on bank short-term financial products	3,294,593.14	1,715,742.47
Total	4,052,996.54	2,019,053.44

(42) Assets disposal gains

Items	2017	2016	The amount recognized in non-operating profit
Disposal gains or losses arising from disposal of fixed assets not classified for sale	4,280,684.29	11,801,616.20	4,280,684.29
Others			
Total	4,280,684.29	11,801,616.20	4,280,684.29

(43) Other income

Items	2017	2016	Related to assets or income
MES PROJECT SPECIAL FUND	1,720,000.00		Assets
Second Batch of National Cleaned Manufacturing	800,000.00		Assets

Items	2017	2016	Related to assets or income
Demonstration Project Fund			
Industrial Enterprise Energy Management Center Construction Demonstration Project	2,320,000.00		Assets
Environment Pollution Renovation Project	5,234,000.00		Assets
Environment Renovation Project and Regional Basin Environment Protection Project	500,000.00		Assets
Energy-saving Technological Reform Fiscal Reward Project	2,954,000.00		Assets
Automobile High-class Electrolytic Zinc Steel Plate Production Line Project	8,208,000.00		Assets
Sintering Machine Residue Heat Usage and Desulfurization Project	4,204,000.00		Assets
Wastewater Treatment Plant Renovation Project	1,500,000.00		Assets
Overseas R&D Team Introduction Special Fund	4,000,000.00		Income
Treatment and Salt Extraction Project of Desulfurization Waste Liquid of Coke Plant	100,000.00		Assets
Overseas Advanced Technology Introduction Special Fund	2,884,000.00		Assets
The 360 Cubic Meter Sintering Machine Flue Gas Desulfurization Renovation Project of Blast Furnace Plant	200,000.00		Assets
Environment Protection Project Special Fund	1,160,000.00		Assets
Bengang Power plant high pressure workshop coal burning boiler desulfurization and denitrification items	600,000.00		Assets
Fund in Energy saving and environmental protection project in blast furnace plant	1,160,000.00		Assets
Air quality automatic monitoring system	70,000.00		Assets
Xiyuan source resource management committee compensation	1,472,900.00		Income
Total	39,086,900.00		

(44) Non-operating income

Items	2017	2016	The amount recognized in non-operating profit
Debt restructuring gain	4,725,936.17	8,631,844.34	4,725,936.17
Non-monetary assets exchange income			
Donations received			
Government subsidies		36,089,000.00	
Fines and the penalty income	646,727.69	314,353.33	646,727.69
Others	13,962,355.63	1,234,615.46	13,962,355.63
Total	19,335,019.49	46,269,813.13	19,335,019.49

(45) Non-operating expense

Items	2017	2016	The amount recognized in non-operating profit
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Items	2017	2016	The amount recognized in non-operating profit
Non-current assets disposal loss	70,167,296.39	13,656,534.23	70,167,296.39
Including: Fixed assets disposal loss	70,167,296.39	13,656,534.23	70,167,296.39
Intangible assets disposal loss			
Fines and overdue payment		2,000.00	
Others	71,080.83	885,124.43	71,080.83
Total	70,238,377.22	14,543,658.66	70,238,377.22

(46) Income tax expense**1. Income tax expense**

Items	2017	2016
Income tax payable for the current year	31,439,603.03	47,457,340.51
Adjustment of deferred income tax	275,482,792.68	165,829,876.74
Total	306,922,395.71	213,287,217.25

2. Accounting profit and income tax expense adjustment process

Items	2017
Total profit	1,916,313,103.44
Income tax expense calculate according to the official or applicable tax rate	479,078,275.86
Effect of different tax rates applied by subsidiaries	
Effect of adjustment of the income tax expense of prior period	530,137.75
Effect of non-taxable income	-25,708,259.54
Effect of undeductable costs, expenses or losses	399,192.11
Effect of use of deductible losses of unrecognized deferred tax asset of prior period	-147,376,950.47
Effect of deductible temporary differences or deductible losses of unrecognized deferred tax asset of current period	
Income tax expenses	306,922,395.71

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

Items	2017	2016
Withdraw of current accounts, advance for another	144,739,613.06	369,658,346.29
Interest income	124,145,399.94	29,972,291.28
Special subsidy income	1,472,900.00	32,650,000.00
Non-operating income	9,220,528.61	775,265.69

Items	2017	2016
Others	2,587,267.44	75,260.36
Total	282,165,709.05	433,131,163.62

2. Cash paid related to other operating activities

Items	2017	2016
Current accounts, advance for another	311,562,827.07	419,237,454.51
Sales expenses	130,350,911.02	132,862,957.98
Administrative expenses	51,406,846.17	64,905,432.72
Bank charges	11,826,845.86	1,925,187.57
Others	550,762.96	288,883.30
Total	505,698,193.08	619,219,916.08

3. Cash paid related to other investing activities

Items	2017	2016
Others	38,485.64	
Total	38,485.64	

4. Cash received related to other financing activities

Items	2017	2016
Financial leasing		210,000,000.00
Margin for acceptance bill, letter of guarantee and letter of credit		13,457,494.90
Loan deposits		
Total		223,457,494.90

5. Cash paid related to other financing activities

Items	2017	2016
Margin for acceptance bill, letter of guarantee and letter of credit	4,070,073,176.21	145,843,565.68
Financing service charges and handling fees		37,383,921.15
Others		
Total	4,070,073,176.21	183,227,486.83

(48) Supplementary details of statement of cash flows

1. Supplementary details for statement of cash flows

Items	2017	2016
1. A reconciliation of net profit to cash flows from operating activities:		
Net profit	1,609,390,707.73	825,504,845.70
Add: Asset impairment losses	103,538,184.34	136,135,960.40
Depreciation of fixed assets and so on	2,020,739,760.10	1,847,129,545.38
Amortization of intangible assets	5,964,922.61	5,939,057.20
Amortization of long-term prepayment		
Losses proceeds from disposal of PPE, intangible assets and other long-term assets (Earnings marked“—”)	-4,280,684.29	1,854,918.03
Scrapped losses from fixed assets	70,167,296.39	
Fair value losses (Earnings marked“—”)		
Financial expenses (Earnings marked“—”)	666,427,648.30	968,845,631.70
Investment losses (Earnings marked“—”)	-4,052,996.54	-2,019,053.44
Deferred tax assets reduction (Addition marked“—”)	275,482,792.68	165,829,876.74
Deferred tax liabilities increased (Reduction marked“—”)		
Reduction of inventory (Addition marked“—”)	-1,421,613,785.37	-739,606,851.51
Operating receivable items reduction (Addition marked“—”)	-3,227,142,290.68	340,403,360.62
Operating payable items increase (Less marked“—”)	2,649,621,937.25	6,007,401,786.10
Others		
Net cash flows generated from operating activities	2,744,243,492.51	9,557,419,076.92
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	12,317,576,778.93	12,324,639,659.07
Less: Beginning balance of the monetary funds	12,324,639,659.07	4,612,782,772.98
Add: Ending balance of cash equivalents		
Less: Opening balance of cash equivalents		
The net increase in cash and cash equivalents	-7,062,880.14	7,711,856,886.09

2. Net Cash paid of obtaining the subsidiary

	Amount
Amount paid by cash or cash equivalents for business combination in current period	

	Amount
Including : Bengang Baojin (Shenyang) auto new material technology Co., Ltd.	42,000,000.00
less: Purchase date cash and cash equivalents holding by subsidiaries	
including: Bengang Baojin (Shenyang) auto new material technology Co., Ltd.	
add: Prior period occurred the amount of business combination cash or cash equivalents	
including: Bengang Baojin (Shenyang) auto new material technology Co., Ltd.	
Net cash payment for Acquisition of subsidiaries	42,000,000.00

3. The structure of cash and cash equivalents

Items	Ending balance	Beginning balance
1. Cash	12,317,576,778.93	12,324,639,659.07
Including: Cash on hand	20,871.51	47,743.38
Bank deposits available on demand	12,317,555,907.42	12,289,906,915.69
Other monetary funds available on demand		34,685,000.00
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	12,317,576,778.93	12,324,639,659.07
Including: Cash and cash equivalents limited to use by the parent company of other subsidiary in the group		

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

Items	Ending balance	Reason
Monetary assets	4,720,136,890.31	Deposit for notes and L/C
Notes receivable	2,167,864,988.83	Pledged for acceptance bill and short loan
Bank short-term financing products	500,000,000.00	Pledged for letter of credit
Total	7,388,001,879.14	

(50) 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			2,676,788,269.72
Including: USD	407,568,102.38	6.5342	2,663,131,494.63
EUR	1,642,239.29	7.8023	12,813,243.65
HKD	1,009,129.61	0.8359	843,531.44
Short-term loans			6,310,743,300.00
Including: USD	865,500,000.00	6.5342	5,655,350,100.00
EUR	84,000,000.00	7.8023	655,393,200.00
Non-current liabilities due within one year			2,132,555,410.89
Including: USD	301,700,000.00	6.5342	1,971,368,140.00
EUR	20,487,006.97	7.8023	159,845,774.49
JPY	23,176,000.00	0.0579	1,341,496.41
Long-term loans			777,925,630.28
Including: USD	25,950,000.00	6.5342	169,562,490.00
EUR	76,424,858.39	7.8023	596,289,672.61
JPY	208,584,000.00	0.0579	12,073,467.67

6. Change of the consolidation scope**(1) Business combination under common control**

1. Business combination under common control during the reporting period

Combined party	Proportion of the profits	Basis	Consolidation date	Recognition basis of consolidation date	Income from the beginning to the consolidation date of the combination	Letter of credit financing	Income of the combined party during the period of comparison	Net profits of the combined party during the period of comparison
Bengang Baojin (Shenyang)	70.00%	Controlled by Benxi Steel &	2017.4.20	Approved by the management		24,668.65		25,439.05

auto new material technology Co., Ltd.		Iron (Group) Co., Ltd.		and payment are made.				
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2. Combination cost

	Bengang Baojin (Shenyang) auto new material technology Co., Ltd.
Combination cost	42,000,000.00
—Cash	42,000,000.00
—Book value of Non-cash Assets	
—Book value of debt issued or undertaken	
—Par value of equity securities issued	
—contingent consideration	

3. The book value of the assets and liabilities of the combined party on consolidation date

Items	Bengang Baojin (Shenyang) automobile new material technology Co., Ltd.	
	Combination date	Distribution rate at end of the period
Assets:	59,979,759.57	51,065,170.40
Cash and cash equivalents	23,629,039.16	51,065,170.40
Advance from customers	80,561.65	
Other receivables	10,900.00	
Other current assets	6,082,889.24	
Fixed assets	276,585.97	
Construction-in-progress	300,809.43	
Other non-current assets	29,598,974.12	
liabilities:	2,513.57	39,731.35
Taxes payable	2,513.57	34,646.35
Other payables		5,085.00
Net assets	59,977,246.00	51,025,439.05

Items	Bengang Baojin (Shenyang) automobile new material technology Co., Ltd.	
	Combination date	Distribution rate at end of the period
Less: Non-controlling interests	8,996,586.90	

Net assets acquired	50,980,659.10	51,025,439.05
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The Company's original shareholding in Bengang Baojin (Shenyang) auto new material technology Co., Ltd. was 15%, and this year the Company acquired 70% shareholding from other shareholders, the total shareholding is 85% at end of 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

Name of the subsidiaries	Principal place of business	Registered address	Notes of business	Shareholding ratio		Acquiring method
				Direct	Indirect	
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 Poscc 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
Chongqing Liaober Steel & Iron Trading Co., Ltd.	Chongqing	Chongqing	Sales	100.00		Establishment
Bengang (Shenyang) Baojir auto new material technology Co., Ltd.	Shenyang	Shenyang	Manufacturing	85.00		Business combination under common control

2. Significant but 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	9,288,362.74	34,024,878.25	497,791,035.23
Dalian Benruitong Automobile Material Technology Co., Ltd.	35.00	-655.82		26,688,122.06

3. Financial information of significant but not wholly-owned subsidiaries

Name of the subsidiaries	Ending balance					Total liabilities
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	
Bengang Posco Cold-rolled Sheet Co., Ltd.	2,386,618,039.83	2,003,972,503.03	4,390,590,542.86	2,399,426,402.00		2,399,426,402.00
Dalian Benruitong Automobile Material Technology Co., Ltd.	169,295,050.97	153,808,054.26	323,103,105.23	246,851,327.92		246,851,327.92

Name of the subsidiaries	Beginning balance					Total liabilities
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current 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

2017

Name of the subsidiaries	Operating income	Net profit	Total comprehensive income	Net cash flows from operating activities
Bengang Posco Cold-rolled Sheet Co., Ltd.	7,442,109,333.08	37,153,450.95	37,153,450.95	-147,937,610.55
Dalian Benruitong Automobile Material Technology Co., Ltd.	182,105,234.09	-1,873.77	-1,873.77	10,282,829.38

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

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	266,313.15	1,281.32	84.35		267,678.82
Liabilities	779,628.10	141,152.86		1,341.50	922,122.46
Total	1,045,941.25	142,434.18	84.35	1,341.50	1,189,801.28

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				Total
	Impact on USD	Impact on Euro	Impact on HKD	Impact on Japanese Yen	
Appreciation by 5%	-19,249.31	-5,245.18	3.16	-50.31	-24,541.64
Depreciation by 5%	19,249.31	5,245.18	-3.16	50.31	24,541.64

(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				Total
	Within 1 year	1-2 years	2-5 years	Over 5 years	
Trade and other payables	1,618,161.06	73.68	159.73	97.25	1,618,491.72
Loans and interests	2,470,640.43	31,954.06	81,123.04	165,472.33	2,749,189.86
Non-current liabilities due within one year	149,954.52				149,954.52
Total	4,238,756.01	32,027.74	81,282.77	165,569.58	4,517,636.10

Items	Beginning balance				Total
	Within 1 year	1-2 years	2-5 years	Over 5 years	
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
Non-current liabilities due within one year	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 (%)
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Benxi Steel (Group) Co., Ltd.	Benxi	Manufacturing	53.69	72.84	72.84
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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 Beiyang 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.
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

Name of Other related parties	Relationship
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		2017	2016
Benxi Steel & Iron (Group) Co., Ltd.	Repair expense		24,248.68	22,377.59
Benxi Steel & Iron (Group) Co., Ltd.	Land lease fee		5,469.14	5,560.30
Bengang Cold-rolled Stainless Steel Dandong Co., Ltd.	Products		5.03	19.79
Benxi Steel & Iron (Group) Mining Co., Ltd.	Labor cost		2,659.17	2,202.94
Benxi Steel & Iron (Group) Mining Co., Ltd.	Raw material and supplementary material		299,526.85	275,948.02
Benxi Steel & Iron (Group) Mining Co., Ltd.	Freight		174.43	8.45
Benxi Steel & Iron (Group) Metallurgy Residues Co., Ltd.	Raw material and supplementary material		17,396.46	12,193.97
Benxi Steel & Iron (Group) Steel & Iron Process and Logistics Co., Ltd.	Processing fee		168.26	409.35
Benxi Steel & Iron (Group) Real-estate Development Co., Ltd.	Raw materials		8,215.57	7,343.63
Benxi Steel & Iron (Group) Machinery Manufacture Co., Ltd.	Spare parts		13,745.15	19,213.76
Benxi Steel & Iron (Group) Machinery Manufacture Co., Ltd.	Repair services		2,252.82	1,822.64
Benxi Steel & Iron (Group) Construction Co., Ltd.	Spare parts		526.58	24.29
Benxi Steel & Iron (Group) Construction Co., Ltd.	Project fee		7,854.97	17,318.35
Benxi Steel & Iron (Group) Construction Co., Ltd.	Repair services		8,397.27	11,396.14
Benxi Steel & Iron (Group) Construction Co., Ltd.	Raw material and supplementary material		83.75	1,195.60
Benxi Steel & Iron (Group) Construction Co., Ltd.	Freight		708.03	293.69
Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	Spare parts			
Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	Raw material and supplementary material		25,210.95	21,849.65
Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	Repair services		1,608.42	1,003.80
Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	Freight		540.76	745.85
Benxi Steel & Iron (Group) Industrial	Project fee		244.17	248.27

Name	The content of related party transactions	2017	2016
Development Co., Ltd.			
Benxi Steel & Iron (Group) Construction and Repairing Co., Ltd.	Raw material & supplementary materials & spare parts	651.23	782.34
Benxi Steel & Iron (Group) Construction and Repairing Co., Ltd.	Project fee	5,058.49	12,773.74
Benxi Steel & Iron (Group) Construction and Repairing Co., Ltd.	Repair expense	12,129.28	4,555.98
Bengang Electronics and Gas Co., Ltd.	Raw material and supplementary material	14,201.43	12,138.43
Bengang Electronics and Gas Co., Ltd.	Project fee		116.85
Bengang Electronics and Gas Co., Ltd.	Repair services	1,824.57	1,514.32
Benxi High-tech Drilling Tools Manufacture Co., Ltd.	Spare parts	104.30	46.97
Benxi New Career Development Co., Ltd.	Labor protection fee	533.84	743.00
Benxi New Career Development Co., Ltd.	Raw material and supplementary material and food	692.70	91.91
Liaoning Metallurgy Technician College	Training fee		
Liaoning Metallurgy Technician College	Spare parts	1,504.98	948.48
Liaoning Metallurgy Technician College	Project fee	159.82	140.93
Liaoning Metallurgy Technician College	Repair services	259.04	219.08
Bengang Group International Economic and Trading Co., Ltd.	Agency fee	7,905.47	5,727.01
Bengang Group International Economic and Trading Co., Ltd.	Port surcharges	16,376.02	16,060.87
Benxi Steel & Iron (Group) Information and Automatic Tech Co., Ltd.	Spare parts	1,521.69	1,448.52
Benxi Steel & Iron (Group) Information and Automatic Tech Co., Ltd.	Project fee	2,024.87	1,055.39
Benxi Steel & Iron (Group) Information and Automatic Tech Co., Ltd.	Repair services	968.96	80.00
Benxi Steel & Iron (Group) Thermal Power Development Co., Ltd.	Heating costs	176.63	664.79
Benxi Steel & Iron (Group) Thermal Power Development Co., Ltd.	Raw material and supplementary material	3.67	13.35
Benxi Steel & Iron (Group) Designing Institute	Design fees	385.79	690.52
Benxi Beiyong Steel & Iron (Group) Co., Ltd.	Raw material and supplementary material	1,131,947.10	531,397.56
Benxi Beiyong Steel & Iron (Group) Co., Ltd.	Energy & Power	64,877.65	56,085.19
Benxi Beiyong Steel & Iron (Group) Co., Ltd.	Freight	781.29	572.61
Benxi Beiyong Steel & Iron (Group) Co., Ltd.	Labor cost	7,460.80	3,951.30
Benxi Beiyong Steel & Iron (Group) Co., Ltd.	Spare parts	955.50	910.42
Liaoning Hengtong Metallurgical Equipment Manufacture Co., Ltd.	Raw material and spare parts	9,117.95	10,121.19
Liaoning Hengtai Heavy Machinery Co., Ltd.	Raw material and spare parts	802.73	1,263.91
Liaoning Hengtai Heavy Machinery Co.,	Repair and labor cost	1,437.18	1,068.72

Name	The content of related party transactions	2017	2016
Ltd.			
Bengang Group Co., Ltd.	Property management fee	84.55	84.55
Total		1,702,983.99	1,066,444.01

Company as the seller		(In 10 Thousand Yuan)	
Name	The content of related party transactions	2017	2016
Bengang Electronics and Gas Co., Ltd.	Energy & Power	88.05	94.80
Benxi Beiyang Steel & Iron (Group) Co., Ltd.	Raw material & supplementary materials & spare parts	107,584.27	11,910.03
Benxi Beiyang Steel & Iron (Group) Co., Ltd.	Products	1,475.15	765.30
Benxi Beiyang Steel & Iron (Group) Co., Ltd.	Energy & Power	33,191.37	23,879.65
Benxi Steel & Iron (Group) Real-estate Development Co., Ltd.	Energy & Power	20.88	61.72
Benxi Steel & Iron (Group) Steel & Iron Process and Logistics Co., Ltd.	Energy & Power	74.66	54.71
Benxi Steel & Iron (Group) Steel & Iron Process and Logistics Co., Ltd.	Products	29.25	7,329.61
Benxi Steel & Iron (Group) Machinery Manufacture Co., Ltd.	Products	1,065.99	1,120.45
Benxi Steel & Iron (Group) Machinery Manufacture Co., Ltd.	Energy & Power	1,606.10	1,554.19
Benxi Steel & Iron (Group) Machinery Manufacture Co., Ltd.	Raw material & supplementary materials & spare parts	87.96	136.05
Benxi Steel & Iron (Group) Construction Co., Ltd.	Energy & Power	156.41	392.78
Benxi Steel & Iron (Group) Construction Co., Ltd.	Raw material & supplementary materials & spare parts	1,026.54	2,756.04
Benxi Steel & Iron (Group) Mining Co., Ltd.	Energy & Power	71,317.95	74,573.08
Benxi Steel & Iron (Group) Mining Co., Ltd.	Raw material & supplementary materials & spare parts	9,874.06	7,117.49
Benxi Steel & Iron (Group) Mining Co., Ltd.	Freight revenue	804.19	858.68
Benxi Steel & Iron (Group) Mining Co., Ltd.	Products	1,013.41	781.85
Benxi Steel & Iron (Group) Thermal Power Development Co., Ltd.	Energy & Power	2,913.18	2,819.49
Benxi Steel & Iron (Group) Thermal Power Development Co., Ltd.	Raw material & supplementary materials & spare parts	2,264.70	2,599.61
Benxi Steel & Iron (Group) Thermal Power Development Co., Ltd.	Freight revenue	28.34	66.15
Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	Energy & Power	814.35	823.58
Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	Products		22.30
Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	Raw material & supplementary materials & spare parts	6,337.01	11,640.04
Benxi Steel & Iron (Group) Information and Automatic Tech Co., Ltd.	Energy & Power	16.89	18.43
Benxi Steel & Iron (Group) Construction and Repairing Co., Ltd.	Energy & Power	136.39	97.49
Benxi Steel & Iron (Group) Construction and	Raw material & supplementary materials & spare parts		188.50

Name	The content of related party transactions	2017	2016
Repairing Co., Ltd.			
Benxi Steel & Iron (Group) Metallurgy Residues Co., Ltd.	Energy & Power	448.98	371.37
Benxi Steel & Iron (Group) Metallurgy Residues Co., Ltd.	Raw material & supplementary materials & spare parts	12,068.73	1,669.59
Benxi Steel & Iron (Group) Metallurgy Residues Co., Ltd.	Freight revenue		0.89
Benxi Steel & Iron (Group) Metallurgy Residues Co., Ltd.	Products		217.33
Benxi Steel & Iron (Group) Co., Ltd.	Energy & Power	314.50	272.47
Benxi Steel & Iron (Group) Co., Ltd.	Raw material & supplementary materials & spare parts	736.31	923.88
Benxi New Career Development Co., Ltd.	Energy & Power	48.09	47.31
Dalian Boluole Steel Tube Co., Ltd.	Products	510.74	369.82
Liaoning Bengang Steel & Iron Trading Co., Ltd.	Products	38.85	6,564.11
Benxi Steel & Iron (Group) General Hospital	Energy & Power	10.33	9.00
Benxi Steel & Iron (Group) Zhengtai Construction Materials Co., Ltd.	Energy & Power	0.18	0.14
Liaoning Hengtong Metallurgical Equipment Manufacture Co., Ltd.	Energy & Power	1,156.65	1,565.92
Liaoning Hengtong Metallurgical Equipment Manufacture Co., Ltd.	Raw material & supplementary materials & spare parts	1,799.29	2,681.90
Liaoning Hengtong Metallurgical Equipment Manufacture Co., Ltd.	Products	611.65	226.76
Bengang Cold-rolled Stainless Steel Dandong Co., Ltd.	Raw material & supplementary materials & spare parts	7.16	
Bengang Cold-rolled Stainless Steel Dandong Co., Ltd.	Products		
Suzhou Bengang Industrial Co., Ltd.	Products	26,643.27	17,469.08
Bengang Group Finance Co., Ltd.	Energy & Power	1.49	1.58
Bengang Group Co., Ltd.	Energy & Power	2.47	8.30
Total		286,325.79	184,061.47

2. Lease information of related parties

Company as the lessor

(In Yuan)

Lessee	Lease capital category	Lease income of 2017	Lease income of 2016
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	490,000.00	489,611.73

Company as the lessee

(In Yuan)

Lessor	Lease capital category	Lease charges of 2017	Lease charges of 2016
Benxi Steel & Iron (Group) Co., Ltd	2300 Hot rolling product line	243,353,313.24	243,576,194.11

Benxi Steel & Iron (Group) Co., Ltd	Land use right	54,691,428.60	55,602,952.40
Benxi Beiyang Steel & Iron (Group) Co., Ltd.	1780 Hot rolling product line	134,443,446.44	131,900,400.00

Explanation of lease information of related parties:

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 6th session of the 17th term of board examined and approved *the resolutions of renewal agreement between Bengang Steel Plates Co., Ltd. and Benxi Beiyang Steel & Iron (Group) Co., Ltd* on 30/3/2017. The resolution agrees that the Company leases 1780 hot rolling product line from Benxi Beiyang Steel & Iron (Group) Co., Ltd., and the lease term lasts from 1 January 1/1/2017 to 31/12/2019. 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	Amount of guarantee	Starting date of Guarantee	Ending date of Guarantee	Has the guarantee been fulfilled
Bengang Group Co., Ltd.	RMB150,000,000.00	2017-1-13	2018-1-13	No
Benxi Steel & Iron (Group) Co., Ltd.	RMB270,000,000.00	2017-1-17	2018-1-16	No
Benxi Steel & Iron (Group) Co., Ltd.	RMB200,000,000.00	2017-1-12	2018-1-11	No
Bengang Group Co., Ltd.	RMB160,000,000.00	2017-5-19	2018-5-19	No
Bengang Group Co., Ltd.	RMB150,000,000.00	2017-7-12	2018-7-12	No
Bengang Group Co., Ltd.	RMB150,000,000.00	2017-7-12	2018-7-12	No
Bengang Group Co., Ltd.	RMB490,000,000.00	2017-8-28	2018-8-23	No
Benxi Steel & Iron (Group) Co., Ltd.	RMB400,000,000.00	2017-2-16	2018-2-15	No
Benxi Steel & Iron (Group) Co., Ltd.	RMB150,000,000.00	2017-5-16	2018-5-15	No
Benxi Steel & Iron (Group) Co., Ltd.	RMB74,000,000.00	2017-5-24	2018-5-23	No
Bengang Group Co., Ltd. and Benxi Steel & Iron (Group) Co., Ltd.	RMB200,000,000.00	2017-9-6	2018-9-5	No
Bengang Group Co., Ltd. and Benxi	RMB150,000,000.00	2017-10-23	2018-10-16	No

Warrantor	Amount of guarantee	Starting date of Guarantee	Ending date of Guarantee	Has the guarantee been fulfilled
Steel & Iron (Group) Co., Ltd.				
Bengang Group Co., Ltd. and Benxi Steel & Iron (Group) Co., Ltd.	RMB200,000,000.00	2017-10-16	2018-10-14	No
Bengang Group Co., Ltd. and Benxi Steel & Iron (Group) Co., Ltd.	RMB200,000,000.00	2017-11-13	2018-11-8	No
Bengang Group Co., Ltd. and Benxi Steel & Iron (Group) Co., Ltd.	RMB200,000,000.00	2017-11-15	2018-11-13	No
Bengang Group Co., Ltd. and Benxi Steel & Iron (Group) Co., Ltd.	RMB78,000,000.00	2017-12-15	2018-12-12	No
Bengang Group Co., Ltd.	RMB200,000,000.00	2017-5-17	2018-4-16	No
Bengang Group Co., Ltd.	RMB300,000,000.00	2017-5-17	2018-5-16	No
Bengang Group Co., Ltd.	RMB300,000,000.00	2017-9-27	2018-9-26	No
Bengang Group Co., Ltd.	RMB1,000,000,000.00	2017-11-16	2018-11-15	No
Bengang Group Co., Ltd.	RMB1,190,000,000.00	2017-11-20	2018-11-19	No
Bengang Group Co., Ltd.	RMB110,000,000.00	2017-9-29	2018-9-28	No
Bengang Group Co., Ltd.	RMB110,000,000.00	2017-9-29	2018-9-27	No
Benxi Steel & Iron (Group) Co., Ltd.	USD 100,000,000.00	2017-2-24	2018-2-23	No
Benxi Steel & Iron (Group) Co., Ltd.	USD 150,000,000.00	2017-5-19	2018-5-8	No
Benxi Steel & Iron (Group) Co., Ltd.	USD 103,000,000.00	2017-5-19	2018-5-15	No
Benxi Steel & Iron (Group) Co., Ltd.	USD 90,000,000.00	2017-5-19	2018-5-18	No
Benxi Steel & Iron (Group) Co., Ltd.	USD 22,500,000.00	2017-12-26	2018-12-25	No
Bengang Group Co., Ltd.	EUR 42,000,000.00	2017-8-24	2018-8-19	No
Bengang Group Co., Ltd.	EUR 42,000,000.00	2017-8-24	2018-8-19	No
Bengang Group Co., Ltd. and Benxi Steel & Iron (Group) Co., Ltd.	RMB50,000,000.00	2017-3-1	2018-1-24	No
Bengang Group Co., Ltd. and Benxi Steel & Iron (Group) Co., Ltd.	RMB50,000,000.00	2017-2-28	2018-1-24	No
Bengang Group Co., Ltd. and Benxi Steel & Iron (Group) Co., Ltd.	RMB200,000,000.00	2017-6-12	2018-6-11	No
Bengang Group Co., Ltd. and Benxi Steel & Iron (Group) Co., Ltd.	RMB200,000,000.00	2017-6-13	2018-6-12	No
Bengang Group Co., Ltd. and Benxi Steel & Iron (Group) Co., Ltd.	RMB100,000,000.00	2017-10-24	2018-10-18	No
Bengang Group Co., Ltd.	RMB100,000,000.00	2017-10-12	2018-7-3	No
Bengang Group Co., Ltd.	RMB140,000,000.00	2017-1-17	2018-1-17	No
Bengang Group Co., Ltd.	RMB340,000,000.00	2017-8-29	2018-8-24	No

Warrantor	Amount of guarantee	Starting date of Guarantee	Ending date of Guarantee	Has the guarantee been fulfilled
Bengang Group Co., Ltd.	RMB220,000,000.00	2017-10-13	2018-10-13	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 233,211.77	2015-6-25	2025-9-30	No
Bengang Group Co., Ltd.	EUR 7,967,631.00	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 6,162.48	2015-6-25	2026-4-30	No
Bengang Group Co., Ltd.	EUR 557,460.75	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 6,798,868.28	2015-12-28	2026-4-30	No
Bengang Group Co., Ltd.	EUR 1,948,053.95	2015-6-25	2020-4-30	No
Bengang Group Co., Ltd.	EUR 696,676.50	2015-12-28	2020-4-30	No
Bengang Group Co., Ltd.	EUR 483,803.97	2015-6-25	2025-6-30	No
Bengang Group Co., Ltd.	EUR 13,834,496.03	2015-6-25	2025-6-30	No
Bengang Group Co., Ltd.	EUR 424,686.41	2015-12-28	2025-6-30	No
Bengang Group Co., Ltd.	EUR 960,631.08	2015-6-25	2019-6-30	No
Bengang Group Co., Ltd.	EUR 687,534.21	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 9,901,243.51	2015-6-25	2025-10-31	No
Bengang Group Co., Ltd.	EUR 4,579,846.88	2015-12-28	2025-10-31	No
Bengang Group Co., Ltd.	EUR 2,311,613.67	2015-6-25	2019-10-31	No
Bengang Group Co., Ltd.	EUR 44,356.22	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 11,990,585.71	2015-6-25	2025-8-31	No
Bengang Group Co., Ltd.	EUR 253,120.00	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 239,173.64	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 410,699.25	2016-6-27	2020-4-30	No
Bengang Group Co., Ltd.	EUR 3,727,122.75	2016-6-27	2020-4-30	No
Bengang Group Co., Ltd.	EUR 2,833,183.48	2016-12-14	2026-4-30	No

Warrantor	Amount of guarantee	Starting date of Guarantee	Ending date of Guarantee	Has the guarantee been fulfilled
Bengang Group Co., Ltd.	EUR 36,617.16	2016-12-14	2020-4-30	No
Benxi Steel & Iron (Group) Co., Ltd.	JPY 208,584,000.00	1997-10-10	2027-9-10	No
Bengang Group Co., Ltd. and Benxi Steel & Iron (Group) Co., Ltd.	RMB100,000,000.00	2016-3-30	2025-3-20	No
Bengang Group Co., Ltd.	RMB100,000,000.00	2016-3-31	2018-3-31	No
Bengang Group Co., Ltd.	RMB16,280,000.00	2015-3-26	2019-3-21	No
Bengang Group Co., Ltd.	RMB100,000,000.00	2015-6-25	2021-9-21	No
Bengang Group Co., Ltd.	RMB24,000,000.00	2015-12-9	2022-3-21	No
Bengang Group Co., Ltd.	RMB36,450,000.00	2016-12-27	2020-6-21	No
Bengang Group Co., Ltd. and Benxi Steel & Iron (Group) Co., Ltd.	RMB700,000,000.00	2017-2-27	2025-2-20	No
Bengang Group Co., Ltd.	RMB59,570,000.00	2017-11-15	2021-12-21	No
Bengang Group Co., Ltd.	RMB622,600,000.00	2017-12-15	2024-8-20	No
Bengang Group Co., Ltd.	EUR 21,690.00	2017-6-30	2019-9-30	No
Bengang Group Co., Ltd.	EUR 1,091,628.91	2017-6-30	2019-9-30	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
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

Warrantor	Amount of guarantee	Starting date of Guarantee	Ending date of Guarantee	Has the guarantee been fulfilled
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
Bengang Group Co., Ltd.	RMB42,860,000.00	2015-3-26	2019-3-21	No
Bengang Group Co., Ltd.	RMB35,700,000.00	2016-12-27	2020-6-21	No
Bengang Group Co., Ltd.	EUR 21,690.00	2017-6-30	2019-9-30	No
Bengang Group Co., Ltd.	EUR 155,946.98	2017-6-30	2019-9-30	No
Benxi Steel & Iron (Group) Co., Ltd.	JPY 23,176,000.00	1997-10-10	2027-9-10	No

(2) Guarantee of notes receivable

Up to 31 December 2017, Bengang Group Finance Co., Ltd. (to be referred as Finance company in the following report) applied for bank acceptance in Bank of Yingkou Co., Ltd. Benxi branch by pledge guarantee. The pledged collateral is a RMB 200,000,000.00 certificate of deposit in Finance company. The pledge term starts from 31 October 2017 to 30 April 2018.

(3) 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.

(4) Letter of Guarantee not yet due

Up to 31 December 2017, the balance of Letter of Guarantee not yet due is RMB 45,000,000.00 (guarantee number is 2017 BOC guarantee No. 004). The beneficiary is Hunan Zhongye Changtian Energy Conservation and Environmental Protection Technology Co., Ltd, and the counter guarantor is Benxi Steel & Iron (Group) Co., Ltd. The guarantee period is from 24 May 2017 to 31 May 2018.

4. Remuneration of key management personnel

(In 10 Thousand Yuan)

Name	2017	2016
Remuneration of key management personnel	217.32	197.11

5. Other related party transactions

1) Loan from and deposits in Bengang Group Finance Co., Ltd. (In 10 Thousand Yuan)

Item	Beginning balance		Ending balance	Notes
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		Increase	Decrease		
Deposits	366,863.85	13,941,186.16	13,412,957.87	895,092.14	(1)

(1) The interests of deposits in Bengang Group Finance Co., Ltd. is RMB 9,761.60 thousand in 2017. As at 31 December 2017, the interest receivable for Bengang Group Finance Co., Ltd. is 10,650.20 thousand. As at 31 December 2017, deposits in Bengang Group Finance Co., Ltd. by Japan Company includes an amount of RMB 1,698,256.70 thousand margin deposit which is restricted.

(2) In 2017, the company and its subsidiaries did not borrow money from financial companies.

(3) Bengang Group Finance Co., Ltd. granted the company an unsecured credit line of RMB2.5 billion in 2017. As 31 December 2017, the amount of acceptance bill opened by Bengang Group Finance Co., Ltd. was RMB3.21 billion, and the amount of the acceptance bill that had been opened and unpaid by the Japanese company is RMB1.822 billion.

2) The company's loan and interest payment to Benxi iron and steel (Group) Co., Ltd.
(In 10 Thousand yuan).

Item	Beginning balance	Increase	Decrease	Ending balance
Entrusted loan through Bengang Group Finance Co., Ltd.	8,550.97	9,940.94	8,550.97	9,940.94

Details of outstanding loans as at 31 December 2017

(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.	14,220,000.00	2017/1/17	2018/1/17
Benxi Steel and Iron (Group) Co., Ltd.	Entrusted loan through Bengang Group Finance Co., Ltd.	19,000,000.00	2017/6/14	2018/6/14
Benxi Steel and Iron (Group) Co., Ltd.	Entrusted loan through Bengang Group Finance Co., Ltd.	11,369,400.00	2017/7/5	2018/7/5
Benxi Steel and Iron (Group) Co., Ltd.	Entrusted loan through Bengang Group Finance Co., Ltd.	32,700,000.00	2017/10/25	2018/10/25
Benxi Steel and Iron (Group) Co., Ltd.	Entrusted loan through Bengang Group Finance Co., Ltd.	22,120,000.00	2017/11/10	2018/11/10
合计		99,409,400.00		

Notes: In 2017, the interest accrued is RMB 4,545,881.07, and as at 31 December 2017, the interest not paid is RMB 217,028.42

(5) Receivables and payables of the related parties

1. Receivables of the Company

Items Name	Name	31 December 2017		31 December 2016	
		Carrying amount	Provision for bad debts	Carrying amount	Provision for bad debts
Accounts receivable					
	Benxi Beiyong Steel & Iron (Group) Co., Ltd.	701.26		1,839.22	
	Bengang Electronics and Gas Co., Ltd.	317.53	70.51	254.41	19.12
	Benxi Steel & Iron (Group) Machinery Manufacture Co., Ltd.	6,224.21	2,275.49	5,868.85	697.85
	Benxi Steel & Iron (Group) Construction Co., Ltd.			2,759.18	1,695.38
	Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	4,108.83	884.08	4,313.90	216.02
	Benxi New Career Development Co., Ltd.	632.98	486.25	602.15	449.35
	Benxi Steel & Iron (Group) Thermal Power Development Co., Ltd.	273.52		706.55	
	Benxi Steel & Iron (Group) Steel & Iron Process and Logistics Co., Ltd.			49.96	
	Bengang Cold-rolled Stainless Steel Dandong Co., Ltd.	163.42	4.11	20.55	1.03
	Liaoning Hengtong Metallurgical Equipment Manufacture Co., Ltd.	1,022.42		977.77	
	Bengang Group International Economic and Trading Co., Ltd.	4,142.04		1,901.47	
Prepayments					
	Benxi Beiyong Steel & Iron (Group) Co., Ltd.	66,415.14		20,963.90	
	Benxi Steel & Iron (Group) Machinery Manufacture Co., Ltd.	967.60		967.60	
	Bengang Cold-rolled Stainless Steel Dandong Co., Ltd.	4.73		4.73	
Other receivables					
	Benxi Steel & Iron (Group) Real-estate Development Co., Ltd.	248.21	95.18	279.73	17.40
	Liaoning Metallurgy Technician College	15.63	15.63	15.63	15.63
	Benxi Steel & Iron (Group) Machinery Manufacture Co., Ltd.	1,489.04	246.22	65.80	0.01
	Benxi Steel & Iron (Group) Construction Co., Ltd.	84.80	84.80	121.90	88.50

Items Name	Name	31 December 2017		31 December 2016	
		Carrying amount	Provision for bad debts	Carrying amount	Provision for bad debts
	Bengang Group International Economic and Trading Co., Ltd.	2,001.40	0.86	1,295.31	0.20
	Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	52.22	43.58	48.23	32.68
	Benxi Steel & Iron (Group) Zhengtai Construction Materials Co., Ltd.	19.90	19.34	19.85	14.01
	Benxi Steel & Iron (Group) Medical Co., Ltd.	91.36	67.48	90.50	61.13

2. Payables of the Company

Items	Name	Ending balance	Beginning balance
Notes payable			
	Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	7,099.55	2,819.23
	Benxi Steel & Iron (Group) Machinery Manufacture Co., Ltd.	4,778.56	3,182.47
	Bengang Electronics and Gas Co., Ltd.	904.35	30.75
	Benxi Steel & Iron (Group) Construction and Repairing Co., Ltd.	274.74	204.16
	Liaoning Metallurgy Technician College	1,298.88	620.40
	Benxi Steel & Iron (Group) Mining Co., Ltd.	188,559.94	56,874.04
	Benxi Steel & Iron (Group) Construction Co., Ltd.	153.09	196.36
	Benxi Steel & Iron (Group) Information and Automatic Tech Co., Ltd.	189.74	64.63
	Benxi Beiyang Steel & Iron (Group) Co., Ltd.	444,936.18	
	Liaoning Hengtong Metallurgical Equipment Manufacture Co., Ltd.	3,778.76	5,711.80
	Liaoning Metallurgy Technician College	86.79	41.04
	Liaoning Hengtai Heavy Machinery Co., Ltd.	37.13	66.43
	Benxi Steel & Iron (Group) Metallurgy Residues Co., Ltd.	38.56	146.18
	Benxi hi-tech drilling tools Co., Ltd.	132.73	
	Benxi Steel & Iron (Group) Real-estate Development Co., Ltd.	540.44	
Accounts payable			
	Bengang Electronics and Gas Co., Ltd.	1,308.22	1,436.38
	Benxi Steel & Iron (Group) Real-estate Development Co., Ltd.	295.90	348.18
	Bengang Group International Economic and Trading Co., Ltd.	26,957.04	133,235.11
	Benxi Steel & Iron (Group) Machinery Manufacture Co., Ltd.	15,233.51	15,359.57

Items	Name	Ending balance	Beginning balance
	Benxi Steel & Iron (Group) Construction Co., Ltd.	6,143.11	12,263.90
	Benxi Steel & Iron (Group) Mining Co., Ltd.	31,618.85	87,583.27
	Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	8,885.85	8,966.16
	Benxi New Career Development Co., Ltd.	898.94	1,011.15
	Benxi Steel & Iron (Group) Construction and Repairing Co., Ltd.	6,420.88	11,297.09
	Benxi Steel & Iron (Group) Designing Institute		442.85
	Benxi Steel & Iron (Group) Metallurgy Residues Co., Ltd.	4,589.73	6,783.85
	Benxi Steel & Iron (Group) Medical and Health department	2.04	2.04
	Benxi Steel & Iron (Group) Information and Automatic Tech Co., Ltd.	4,086.15	4,085.80
	Benxi High-tech Drilling Tools Manufacture Co., Ltd.	11.07	54.51
	Liaoning Metallurgical Technician College	768.35	1,304.29
	Liaoning Bengang Steel & Iron Trading Co., Ltd.		
	Benxi Steel & Iron (Group) Thermal Power Development Co., Ltd.	15.13	10.84
	Benxi Steel & Iron (Group) Zhengtai Construction Materials Co., Ltd.	37.44	35.20
	Liaoning Hengtong Metallurgical Equipment Manufacture Co., Ltd.	1,025.60	2,834.53
	Liaoning Metallurgy Technician College	232.56	306.41
	Bengang Cold-rolled Stainless Steel Dandong Co., Ltd.	105.41	60.73
	Liaoning Hengtai Heavy Machinery Co., Ltd.	2,670.49	1,615.38
	Benxi Steel & Iron (Group) Plant Construction Supervisor Co., Ltd.		5.00
	Bengang Group Co., Ltd.		0.47
Advance from customers			
	Benxi Steel & Iron (Group) Machinery Manufacture Co., Ltd.	232.22	68.32
	Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	59.15	205.45
	Benxi Steel & Iron (Group) Metallurgy Residues Co., Ltd.	285.07	156.73
	Benxi Steel & Iron (Group) Steel & Iron Process and Logistics Co., Ltd.	754.21	741.81
	Dalian Boluole Steel Tube Co., Ltd.	38.11	137.79
	Liaoning Bengang Steel & Iron Trading Co., Ltd.	5,804.14	8,765.59
	Liaoning Hengtong Metallurgical Equipment Manufacture Co., Ltd.	160.95	64.09
	Bengang Group International Economic and Trading Co., Ltd.		6.90
	Suzhou Bengang Industrial Co., Ltd.	2,957.84	1,884.97
Other payables			
	Benxi Steel & Iron (Group) Real-estate Development Co., Ltd.	143.59	231.17
	Bengang Group International Economic and Trading Co., Ltd.	3,925.10	2,220.96
	Benxi Steel & Iron (Group) Machinery Manufacture Co., Ltd.	1.41	7.28

Items	Name	Ending balance	Beginning balance
	Benxi Steel & Iron (Group) Construction Co., Ltd.	417.15	527.97
	Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	98.07	179.69
	Benxi New Career Development Co., Ltd.	109.64	106.22
	Benxi Steel & Iron (Group) Metallurgy Residues Co., Ltd.	50.00	35.00
	Benxi Steel & Iron (Group) Information and Automatic Tech Co., Ltd.	10.70	10.70
	Benxi Steel & Iron (Group) Steel & Iron Process and Logistics Co., Ltd.	331.87	134.97
	Benxi Steel & Iron (Group) Co., Ltd.	7,107.05	15,394.63
	Benxi Steel & Iron (Group) Thermal Power Development Co., Ltd.	369.53	112.77
	Guangzhou Free Trade Zone Bengang Sales Co., Ltd.	267.44	267.44
	Benxi Steel & Iron (Group) Engineering Construction Supervision Co., Ltd.	71.00	45.38
	Liaoning Hengyi Financial Leasing Co., Ltd.	0.36	53.99
	Liaoning Metallurgy Technician College	0.30	0.30
Non-current liabilities due within one year			
	Liaoning Hengyi Financial Leasing Co., Ltd.		21,000.00

10. Government subsidy

(1) Government subsidy related to assets

(In Yuan)

Category	Amount	Item listed on the balance sheet	Amount recognized in the profit of current period
High Strength Cold Rolling Steel Renovation Project	250,000,000.00	Deferred income	
Automobile High-class Electrolytic Steel Production Project	41,040,000.00	Deferred income	8,208,000.00
Environment Pollution Renovation Project	26,170,000.00	Deferred income	5,234,000.00
7 130t Boilers Flue Gas Desulfurization Renovation Project of Power Plant	24,000,000.00	Deferred income	
Sintering Machine Residue Heat Usage and Desulfurization Project	21,020,000.00	Deferred income	4,204,000.00
Energy-saving Technological Reform Fiscal Reward Project	14,770,000.00	Deferred income	2,954,000.00
Overseas Advanced Technology Introduction Special	14,420,000.00	Deferred income	2,884,000.00

Category	Amount	Item listed on the balance sheet	Amount recognized in the profit of current period
Fund			
Industrial Enterprise Energy Management Center Construction Demonstration Project	11,600,000.00	Deferred income	2,320,000.00
Power Plant No 3 workshop Heat and Power Cogeneration Renovation Project	10,000,000.00	Deferred income	
Advanced Treatment of Carbon Fiber Wastewater Project of Coke Plant Dongfeng Area	9,500,000.00	Deferred income	
MES Project Special Fund	8,600,000.00	Deferred income	1,720,000.00
Wastewater Treatment Plant Renovation Project	7,500,000.00	Deferred income	1,500,000.00
Desulfurization and Denitration Projects for Coal-fired Boiler of Power Plant High-pressure Workshop	6,000,000.00	Deferred income	600,000.00
Sintering Machine Energy Saving and Environmental Protection Project of Blast Furnace Plant	5,800,000.00	Deferred income	1,160,000.00
Environment Protection Project Special Fund	5,800,000.00	Deferred income	1,160,000.00
Second Batch of National Cleaned Manufacturing Demonstration Project Fund	4,000,000.00	Deferred income	800,000.00
Third-generation High Strength Steels for Automobile R&D Project	2,900,000.00	Deferred income	
Environment Renovation Project and Regional Basin Environment Protection Project	2,400,000.00	Deferred income	500,000.00
The 360 Cubic Meter Sintering Machine Flue Gas Desulfurization Renovation Project of Blast Furnace Plant	1,000,000.00	Deferred income	200,000.00
Automobile Steel Sheet Engineering Laboratory Project	1,000,000.00	Deferred income	

Category	Amount	Item listed on the balance sheet	Amount recognized in the profit of current period
Treatment and Salt Extraction Project of Desulfurization Waste Liquid of Coke Plant	500,000.00	Deferred income	100,000.00
Air Quality Automatic Monitoring System	350,000.00	Deferred income	70,000.00

(2) Government subsidy related to income

(In Yuan)

Category	Amount	Item listed on the balance sheet	Amount recognized in the profit of current period
Overseas R&D Team Introduction Special Fund	4,000,000.00	Other income	4,000,000.00
Xiyuan Resource Management Committee Compensation	1,472,900.00	Other income	1,472,900.00

11. 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 2300mm 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 Beiyong Steel & Iron (Group) Co., Ltd. to the Company. "Notice on Bengang Steel Plates Co., Ltd. signing a renewal agreement with Benxi Steel (group) Co., Ltd" were adopted on the sixth meeting of the seventh board of directors, it stipulated that the company leased the 1780 hot rolling product line from Benxi Beiyong Steel & Iron (Group) Co., Ltd., lease period lasts from 1 January 2017 to 31 December 2019. 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.

2. Up to 31 December 2017, the balance of Letter of Guarantee not yet matured is RMB 45,000,000.00, 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.

12. Subsequent events**(1) Profit distribution after the reporting period**

The company takes existing share capital 3,875,371,532.00 shares as the base, distributing cash dividends RMB0.5 per 10 shares (including tax) to shareholders. The Company plans to distribute RMB193,768,576.60 dividends for ordinary shares.

13. 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) Other material issues that will influence investors' decisions

1. 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 March 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. The lease term becomes due, and the financing debt is paid.

2. The company issued three-year business bond on 5th February 2015. The par value of the bond is ¥1,500,000,000, the coupon rate is 5.17%; The company will delist the bond on 1st February 2018 according to legal procedure and will cash it on 5th February 2018.
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)". On 26 December 2017, the 1st extraordinary general meeting of the company examined and approved The proposal of extending the validity period of resolutions of non-public offering shareholders' meeting. 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 plant hot-dip galvanizing production line project, and repaying bank loans.

As at 8 February 2018, the Company has already offered 739,371,532 non-public common stocks. Par value per share was 1.00 yuan. Issue price was 5.41 yuan per share. Total fund raised was 3,999,999,988.12 yuan. After deducting the issuing expenses, the net capital raised was 3,967,735,837.24 yuan. The status of fund has already been assured by BDO China Shu Lun Pan Certified Public Accountants LLP, and Capital Verification Report (PCPAR (2018) No. ZB10054) has already been issued. The company has adopted a special account for depositing the raising funds.

4. As at 31 December 2017, within the total shares held by the controlling shareholder Benxi Steel & Iron (Group) Co., Ltd., 1,483,095,133.00 shares are pledged and 45,000,000.00 shares are frozen.

14. Notes to the financial statements of parent company

(1) 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	47,762,337.18	6.51	47,762,337.18	100.00	
Accounts receivable tested for impairment by portfolio	685,620,057.01	93.49	203,438,463.56	29.67	482,181,593.45
Other insignificant items but tested for impairment individually					
Total	733,382,394.19	100.00	251,200,800.74		482,181,593.45

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	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

Receivables individually insignificant but tested for impairment individually

Items	Ending balance			
	Accounts receivable	Provision for bad debts	Bad debts ratio (%)	Reason
Benxi Nanfen Xinhe Metallurgical Co., Ltd.	47,762,337.18	47,762,337.18	100.00	Benxi Nanfen Xinhe has halt operation.
Total	47,762,337.18	47,762,337.18		

Accounts receivable tested for impairment by portfolio

Items	Ending balance		
	Carrying amount	Provision for bad debts	Bad debts ratio (%)
Within 1 year (inclusive)	381,742,816.38		
1-2 years (inclusive)	31,878,818.36	1,593,940.92	5.00

Items	Ending balance		
	Carrying amount	Provision for bad debts	Bad debts ratio (%)
2-3 years (inclusive)	87,692,374.53	17,538,474.90	20.00
Over 3 years	184,306,047.74	184,306,047.74	100.00
Total	685,620,057.01	203,438,463.56	

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

The provision of bad debts of current period is RMB 47,591,237.31

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

4. Top five debtors at the year-end

Company	Ending balance		
	Amount	Percentage of total accounts receivable (%)	Provision for bad debts
No.1	109,999,728.87	15.00	
No.2	80,411,687.88	10.96	6,513,105.93
No.3	62,242,087.46	8.49	22,754,881.58
No.4	61,670,255.06	8.41	
No.5	47,762,337.18	6.51	47,762,337.18
Total	362,086,096.45	49.37	77,030,324.69

(2) Other receivables

1. Other receivables disclosed by category

Items	Ending balance			
	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	442,492,865.67	99.61	67,369,416.95	15.22
Other insignificant items but tested for impairment individually	1,740,000.00	0.39		
Total	444,232,865.67	100.00	67,369,416.95	

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	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	100.00	63,184,240.02		210,089,804.88

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)	354,571,132.89		
1-2 years (inclusive)	8,740,365.04	437,018.25	5.00
2-3 years (inclusive)	15,311,211.31	3,062,242.27	20.00
Over 3 years	63,870,156.43	63,870,156.43	100.00
Total	442,492,865.67	67,369,416.95	

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 4,185,176.93..

3. No other receivables have been written off this year.

4. Other receivables disclosed by Notes

Notes	Ending balance	Beginning balance
Current Accounts	435,666,187.53	259,660,295.88
Export tax rebate		4,990,848.26
Others	8,566,678.14	8,622,900.76
Total	444,232,865.67	273,274,044.90

5. Top five debtors at the year-end

Company	Notes or content	Amount	Aging	Percentage of total other receivables(%)	Provision for bad debts
No.1	Accounts	14,890,418.63	1-3 years	3.35	2,462,178.25
No.2	Accounts	12,408,569.67	Within 1 year: 8,877,932.00, 1-2 years: 3,530,637.67	2.79	176,531.88
No.3	Accounts	9,188,976.40	Within 1 year	2.07	
No.4	Others	5,922,247.07	Within 1 year	1.33	
No.5	Accounts	4,341,257.18	Over 3 years	0.98	4,341,257.18
Total		46,751,468.95		10.52	6,979,967.31

(3) Long-term equity investment

Items	Ending balance			Beginning balance		
	Carrying amount	Impairment	Book value	Carrying amount	Impairment	Book value
Subsidiaries	1,756,981,902.16		1,756,981,902.16	1,700,981,902.16		1,700,981,902.16
Total	1,756,981,902.16		1,756,981,902.16	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
Chongqing Liaoben Steel & Iron Trade Co., Ltd.	5,000,000.00	5,000,000.00
Bengang Baojin (Shenyang) Automobile New Materials Technology Co., Ltd.	51,000,000.00	51,000,000.00
Total	1,700,981,902.16	1,756,981,902.16

(4) Operating income and operating cost

Items	2017		2016	
	Revenue	Cost	Revenue	Cost
Principal business	37,093,245,286.79	33,564,848,835.71	26,825,240,785.98	23,752,893,478.35
Other business	4,145,880,056.45	3,515,857,369.27	2,539,154,696.32	2,330,465,719.79
Total	41,239,125,343.24	37,080,706,204.98	29,364,395,482.30	26,083,359,198.14

(5) Income on investment

Items	2017	2016
Income from long-term equity investment (cost method)	102,074,634.76	13,713,328.45
Income from bank short-term financial products	3,294,593.14	1,715,742.47
Total	105,369,227.90	15,429,070.92

15. Supplementary information**(1) Details of non-recurring profit and loss**

Items	Amount	Notes
Profit or loss from disposal of non-current assets	-65,886,612.10	
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)	39,086,900.00	
Profit or loss from investment or assets entrusted to others		
Profit or loss from debt restructuring	4,725,936.17	
Net profit or loss of subsidiary from the beginning to consolidation date gained from consolidation under same control	24,668.65	
Other non-operating revenue and expenditure other than above items	14,538,002.49	
Impact of income tax	-162,375.42	
Impact of minority interests	107,840.83	
Total	-7,565,639.38	

(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	11.84	0.510	0.510
Net profit attributable to ordinary shareholders after deducting non-recurring profit and loss	11.89	0.513	0.513

(3) 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	
	2017	2016	Ending balance	Beginning balance
According to Chinese accounting standards	1,600,110,229.77	781,296,452.51	14,315,588,729.00	12,757,376,174.34
Items and amounts adjusted according to IFRS: No difference.				

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

☐ Applicable ☒ Not applicable

3. Illustrations for the differences in accounting data between domestic and foreign accounting standards, and the names of the overseas institutions should be indicated if the differences in the data audited by overseas audit institutions have been adjusted

☐ Applicable ☒ Not applicable

(4) Others

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 .