



Bengang Steel Plates Co., Ltd.
FINANCIAL STATEMENTS
(From January to June 2020)
(Unaudited)

24 August 2020

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BENGANG STEEL PLATES CO., LTD.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2020
(Expressed in Renminbi unless otherwise indicated)

Assets	Notes	30 June 2020	31 December 2019
Current assets			
Cash at bank and on hand	(1)	16,788,479,305.93	18,415,844,397.77
Settlement provisions			
Capital lent			
Financial assets held for trading			
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable			
Accounts receivable	(2)	234,795,887.35	235,696,265.66
Accounts receivable financing	(3)	4,382,121,949.97	2,429,542,461.88
Prepayments	(4)	1,283,589,312.47	1,291,047,458.11
Premium receivable			
Reinsurance accounts receivable			
Receivable deposit for reinsurance contract			
Other receivables	(5)	158,407,131.71	172,807,036.77
Redemptory financial assets for sale			
Inventories	(6)	9,586,039,375.52	7,700,397,685.61
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets	(7)	284,207,048.62	312,904,824.09
Total current assets		32,717,640,011.57	30,558,240,129.89
Non-current assets			
Loan and advances issued			
Debt Investments			
Available-for-sale financial assets			
Other debt investments			
Held-to-maturity investment			
Long-term receivables			
Long-term equity investments	(8)	2,672,302.70	2,642,998.70
Other equity instrument investments	(9)	1,042,024,829.00	1,041,824,829.00
Other non-current financial assets			
Investment property			
Fixed assets	(10)	24,952,427,383.86	26,123,375,492.40
Construction in progress	(11)	2,569,308,708.27	1,833,853,572.58
Productive biological assets			
Oil and gas assets			
Intangible assets	(12)	268,216,337.94	271,500,023.34
Development expenditure			
Goodwill			
Long-term deferred expenses			
Deferred tax assets	(13)	194,873,971.63	191,485,595.49
Other non-current assets	(14)	963,239,365.67	708,502,552.50
Total non-current assets		29,992,762,899.07	30,173,185,064.01
Total assets		62,710,402,910.64	60,731,425,193.90

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 30 June 2020
(Expressed in Renminbi unless otherwise indicated)

Liabilities and equities	Notes 5	30 June 2020	31 December 2019
Current Liabilities			
Short-term loans	(15)	12,506,705,000.00	13,151,478,000.00
Loan from central bank			
Loan from other banks			
Financial liability held for trading			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable	(16)	14,234,728,488.05	11,828,514,676.95
Accounts payable	(17)	4,076,415,267.57	4,527,513,030.27
Advance from customers	(18)		4,429,821,526.79
Contract liabilities	(19)	4,658,022,515.99	
Financial assets sold for repurchase			
Deposits from customers and interbank			
Receipt from vicariously traded securities			
Receipt from vicariously underwriting securities			
Employee benefits payable	(20)	41,172,677.24	23,698,174.56
Current tax liabilities	(21)	21,947,711.98	284,825,814.80
Other payables	(22)	644,059,870.61	662,701,744.97
Handling charges and commission payable			
Reinsurance accounts payable			
Liabilities held for sale			
Non-current liabilities due within one year	(23)	1,201,524,980.80	234,474,657.99
Other current liabilities			
Total current liabilities		37,384,576,512.24	35,143,027,626.33
Non-current liabilities			
Provision for insurance contract			
Long-term loans	(24)	3,810,463,934.18	4,849,675,910.73
Bonds payable			
Including: Preferred stock			
Perpetual bond			
Long-term payables	(25)	1,050,748,776.34	516,939,408.14
Long-term employee benefits payable			
Estimated liabilities			
Deferred income	(26)	172,691,452.54	208,955,407.30
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities		5,033,904,163.06	5,575,570,726.17
Total liabilities		42,418,480,675.30	40,718,598,352.50
Shareholders' equity:			
Share capital	(27)	3,875,371,532.00	3,875,371,532.00
Other equity instruments			
Including: Preferred stock			
Perpetual bond			
Capital reserves	(28)	12,343,209,847.29	12,343,209,847.29
Less: treasury shares			
Other comprehensive income			
Special reserves	(29)	22,480,185.44	212,687.41
Surplus reserves	(30)	961,105,529.85	961,105,529.85
General risk reserve			
Undistributed profits	(31)	2,562,409,868.95	2,307,765,664.62
Total equity attributable to equity holders of the parent company		19,764,576,963.53	19,487,665,261.17
Non-controlling interests		527,345,271.81	525,161,580.23
Total shareholder's equity		20,291,922,235.34	20,012,826,841.40
Total of liabilities and owners' equity		62,710,402,910.64	60,731,425,193.90

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 30 June 2020

(Expressed in Renminbi unless otherwise indicated)

Assets	Notes 15	30 June 2020	31 December 2019
Current assets			
Cash at bank and on hand		15,366,186,440.19	16,982,227,928.89
Financial assets held for trading			
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable			
Accounts receivable	(1)	373,473,831.10	388,997,108.46
Accounts receivable financing	(2)	3,997,787,483.35	2,193,319,842.60
Prepayments		1,180,298,578.04	1,184,632,345.13
Other receivables	(3)	257,932,409.77	266,663,235.81
Inventories		8,140,296,769.10	6,114,582,832.33
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets		233,073,377.39	191,249,460.42
Total current assets		29,549,048,888.94	27,321,672,753.64
Non-current assets			
Debt investments			
Available-for-sale financial assets			
Other debt investments			
Held-to-maturity investment			
Long-term receivables			
Long-term equity investments	(4)	2,016,281,902.16	2,016,281,902.16
Other equity instrument investments		1,041,624,829.00	1,041,624,829.00
Other non-current financial assets			
Investment property			
Fixed assets		23,390,496,921.43	24,447,763,305.12
Construction in progress		2,540,492,204.43	1,813,889,136.42
Productive biological assets			
Oil and gas assets			
Intangible assets		143,816,972.04	145,470,040.68
Development expenditure			
Goodwill			
Long-term deferred expenses			
Deferred tax assets		96,728,691.51	93,555,276.54
Other non-current assets		962,009,985.58	696,351,867.38
Total non-current assets		30,191,451,506.15	30,254,936,357.30
Total assets		59,740,500,395.09	57,576,609,110.94

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

Legal Representative:

Chief Financial Officer:

Chief Accountant:

BENGANG STEEL PLATES CO., LTD.
STATEMENT OF FINANCIAL POSITION (Continued)
As at 30 June 2020
(Expressed in Renminbi unless otherwise indicated)

Liabilities and shareholders' equities	Notes 15	30 June 2020	31 December 2019
Current liabilities			
Short-term loans		11,606,705,000.00	11,851,478,000.00
Financial liability held for trading			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable		12,332,093,817.33	10,225,969,445.22
Accounts payable		4,685,781,414.11	4,909,389,629.86
Advance from customers			5,597,707,687.22
Contract liabilities		5,736,618,018.47	
Employee benefits payable		39,903,242.02	21,872,906.71
Current tax liabilities		4,507,444.81	274,181,048.14
Other payables		360,650,090.66	384,125,032.59
Liabilities held for sale			
Non-current liabilities due within one year		1,201,524,980.80	234,474,657.99
Other current liabilities			
Total current liabilities		35,967,784,008.20	33,499,198,407.73
Non-current liabilities			
Long term loans		3,810,463,934.18	4,849,675,910.73
Bonds payable			
Including: Preferred stock			
Perpetual bond			
Long-term payables		1,050,748,776.34	516,939,408.14
Long-term employee benefits payable			
Estimated liabilities			
Deferred income		172,691,452.54	208,955,407.30
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities		5,033,904,163.06	5,575,570,726.17
Total liabilities		41,001,688,171.26	39,074,769,133.90
Shareholder's equity:			
Share capital		3,875,371,532.00	3,875,371,532.00
Other equity instruments			
Including: Preferred stock			
Perpetual bond			
Capital reserves		11,923,058,165.17	11,923,058,165.17
Less: Treasury shares			
Other comprehensive income			
Special reserves		19,768,253.55	53,330.99
Surplus reserves		961,105,529.85	961,105,529.85
Undistributed Profits		1,959,508,743.26	1,742,251,419.03
Total shareholder's equity		18,738,812,223.83	18,501,839,977.04
Total liabilities and shareholder's equity		59,740,500,395.09	57,576,609,110.94

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

Legal Representative:

Chief Financial Officer:

Chief Accountant:

BENGANG STEEL PLATES CO., LTD.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2020
(Expressed in Renminbi unless otherwise indicated)

Items	Notes 5	Jan – Jun 2020	Jan – Jun 2019
1. Total operating income		22,184,537,260.05	24,102,595,167.14
Including: Operating income	(32)	22,184,537,260.05	24,102,595,167.14
Interest income			
Premium earned			
Income from handling charges and commission			
2. Total operating cost		21,927,105,960.14	23,621,825,282.23
Including: Operating cost	(32)	20,440,246,362.67	22,067,612,729.65
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	(33)	88,398,436.68	114,125,362.97
Selling and distribution expenses	(34)	642,393,218.78	574,445,199.14
General and administrative expenses	(35)	380,828,316.41	446,767,811.77
Research and development expenses	(36)	20,202,985.20	15,408,472.28
Financial expenses	(37)	355,036,640.40	403,465,706.42
Including: Interest expense		439,861,353.93	586,490,262.69
Interest income		154,882,284.33	127,083,779.58
Add: Other income	(38)	38,587,332.40	41,695,000.00
Income on investment (“-” for loss)	(39)	29,304.00	25,907.49
Including: Income from associates and joint ventures		29,304.00	25,907.49
Income from derecognition of financial assets measured at amortized cost			
Exchange gains (“-” for loss)			
Net exposure hedge income (“-” for loss)			
Gains from change of fair value (“-” for loss)			
Credit impairment loss (“-” for loss)	(40)	3,487,783.42	3,751,513.83
Asset impairment loss (“-” for loss)	(41)	-15,321,598.62	-
Assets disposal gains (“-” for loss)	(42)	325,651.61	2,418,704.34
3. Operational profit (“-” for loss)		284,539,772.72	528,661,010.57
Add: Non-operating income	(43)	1,140,364.12	8,210,182.24
Less: Non-operating expenses	(44)	20,035,471.42	57,974,322.05
4. Total profit (“-” for loss)		265,644,665.42	478,896,870.76
Less: Income tax expenses	(45)	9,237,815.08	25,962,181.73
5. Net profit (“-” for loss)		256,406,850.34	452,934,689.03
1. Classification by continuing operating			
1. Net profit from continuing operation (“-” for loss)			
2. Net profit from discontinued operation (“-” for loss)			
2. Classification by ownership			
1. Net profit attributable to the owners of parent company (“-” for loss)		254,644,204.33	453,209,615.76
2. Net profit attributable to non-controlling shareholders (“-” for loss)		1,762,646.01	-274,926.73
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			
1) Re-measurement of defined benefit plans of changes in net debt or net assets			
2) Other comprehensive income under the equity method cannot be reclassified into profit or loss			
3) Changes in fair value of investments in other equity instruments			
4) Changes in fair value of company's credit risk			
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) Changes in fair value of other debt investments			
3) Gains and losses from changes in fair value available for sale financial assets			
4) Amount of financial assets reclassified into other comprehensive income			
5) Held-to-maturity investments reclassified to gains and losses of available for sale financial assets			
6) Credit impairment provision of other debt investments			
7) The effective portion of cash flow hedges and losses			
8) Translation differences in foreign currency financial statements			
9) Other			
Other comprehensive income attributable to non-controlling shareholders' equity after tax			

Items	Notes 5	Jan – Jun 2020	Jan – Jun 2019
7. Total comprehensive income		256,406,850.34	452,934,689.03
Total comprehensive income attributable to the owner of the parent company		254,644,204.33	453,209,615.76
Total comprehensive income attributable to non-controlling shareholders		1,762,646.01	-274,926.73
8. Earnings per share			
1) Basic earnings per share (Yuan/share)	(46)	0.07	0.12
2) Diluted earnings per share (Yuan/share)	(46)	0.07	0.12

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 COMPREHENSIVE INCOME
For the year ended 30 June 2020
(Expressed in Renminbi unless otherwise indicated)

Items	Notes 15	Jan – Jun 2020	Jan – Jun 2019
1. Total operating income	(5)	21,759,781,682.12	23,447,215,857.93
Less: Operating cost	(5)	20,379,148,281.27	21,757,289,997.18
Tax and surcharges		74,240,782.35	84,467,404.41
Selling and distribution expenses		386,932,932.93	335,094,548.06
General and administrative expenses		354,627,152.28	419,337,998.35
Research and development expenses		20,202,985.20	15,408,472.28
Financial expenses		337,504,255.84	388,071,914.59
Including: Interest expense		410,264,451.89	558,095,343.66
Interest income		141,297,649.84	114,189,626.94
Add: Other income		38,002,345.53	41,695,000.00
Income on investment (“-” for loss)			
Including: Income from associates and joint ventures			
Income from derecognition of financial assets measured at amortized cost			
Net exposure hedge income (“-” for loss)			
Gains from change of fair value (“-” for loss)			
Credit impairment loss (“-” for loss)		2,627,938.73	3,751,513.83
Assets impairment loss (“-” for loss)		-15,321,598.62	-
Assets disposal gains (“-” for loss)		325,651.61	2,465,706.59
2. Operational profit (“-” for loss)		232,759,629.50	495,457,743.48
Add: Non-operating income		811,659.87	8,138,040.75
Less: Non-operating expenses		19,487,380.11	57,935,182.17
3. Total profit (“-” for loss)		214,083,909.26	445,660,602.06
Less: Income tax expenses		-3,173,414.97	15,309,062.75
4. Net profit (“-” for loss)		217,257,324.23	430,351,539.31
1. Net profit from continuing operation (“-” for loss)			
2. Net profit from discontinued operation (“-” for loss)			
5. Other comprehensive income			
1. Other comprehensive income items that will not be reclassified into gains/losses			
1) Re-measurement of defined benefit plans of changes			
2) Other comprehensive income under the equity method cannot be reclassified into profit or loss			
3) Changes in fair value of investments in other equity instruments			
4) Changes in fair value of company's credit risk			
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) Changes in fair value of other debt investments			
3) Gains and losses from changes in fair value available for sale financial assets			
4) Amount of financial assets reclassified into other comprehensive income			
5) Held-to-maturity investments reclassified to gains and losses of available for sale financial assets			
6) Credit impairment provision of other debt investments			
7) The effective portion of cash flow hedges and losses			
8) Translation differences in foreign currency financial statements			
9) Other			
6. Total comprehensive income		217,257,324.23	430,351,539.31
7. Earnings per share			
1) Basic earnings per share (Yuan/share)			
2) Diluted earnings per share (Yuan/share)			

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 CASH FLOWS
For the year ended 30 June 2020
(Expressed in Renminbi unless otherwise indicated)

Items	Notes 5	Jan – Jun 2020	Jan – Jun 2019
1. Cash flow from operating activities			
Cash received from sale of goods or rendering of services		15,423,965,198.05	16,357,053,782.81
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			
Cash from receiving interest, handling charge and commission			
Net increase of loans from borrowing funds			
Net increase of fund for repurchase business			
Net cash received from traded securities			
Tax rebate received		310,509,228.43	247,667,635.74
Other cash received relating to operating activities	(47)	174,016,797.00	144,904,624.34
Subtotal of cash inflows from operating activities		15,908,491,223.48	16,749,626,042.89
Cash paid for goods and services		14,428,717,102.76	13,876,838,386.74
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			
Net increase in capital lent			
Cash for payment of interest, handling charge and commission			
Cash for payment of policy bonus			
Cash paid to and on behalf of employees		884,844,841.18	987,603,117.25
Cash paid for all types of taxes		520,116,275.37	653,208,180.03
Other cash paid relating to operating activities	(47)	226,288,711.25	247,189,353.20
Subtotal of cash outflows from operating activities		16,059,966,930.56	15,764,839,037.22
Net cash flows from operating activities		-151,475,707.08	984,787,005.67
2. Cash flows from investing activities			
Cash received from disposal of investments			
Cash received from return on investments			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			
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			
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		706,681,059.07	545,199,197.41
Cash paid for acquisition of investments			
Net increase of mortgage loan			
Net cash received from subsidiary and other operating unit			
Other cash paid relating to investing activities			
Subtotal of cash outflows from investing activities		706,681,059.07	545,199,197.41
Net cash flows from investing activities		-706,681,059.07	-545,199,197.41
3. Cash flows from financing activities			
Proceeds from investment			
Including: Proceeds from investment of non-controlling shareholders of subsidiary			
Proceeds from borrowings		4,987,194,000.00	5,828,037,190.72
Other proceeds relating to financing activities			
Subtotal of cash inflows from financing activities		4,987,194,000.00	5,828,037,190.72
Cash repayments of borrowings		5,671,544,896.99	5,653,303,509.62
Cash payments for distribution of dividends, profit or interest expenses		480,183,996.49	626,178,049.57
Including: Cash paid to non-controlling shareholders as dividend and profit by subsidiaries			
Other cash payments relating to financing activities			
Subtotal of cash outflows from financing activities		6,151,728,893.48	6,279,481,559.19
Net cash flows from financing activities		-1,164,534,893.48	-451,444,368.47
4. Effect of foreign exchange rate changes on cash and cash equivalents		-1,130,665.43	48,230,507.75
5. Net increase in cash and cash equivalents		-2,023,822,325.06	36,373,947.54
Add: Cash and cash equivalents at the beginning of the period		13,441,414,988.58	11,752,548,621.97
6. Cash and cash equivalents at the ending of the period		11,417,592,663.52	11,788,922,569.51

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 30 June 2020

(Expressed in Renminbi unless otherwise indicated)

Items	Notes 15	Jan – Jun 2020	Jan – Jun 2019
1. Cash flow from operating activities			
Cash received from sale of goods or rendering of services		15,003,373,098.45	15,970,406,775.11
Tax rebate received		260,246,235.34	219,614,786.86
Other cash received relating to operating activities		163,299,247.34	140,536,583.70
Subtotal of cash inflows from operating activities		15,426,918,581.13	16,330,558,145.67
Cash paid for goods and services		14,323,769,183.95	13,842,821,616.84
Cash paid to and on behalf of employees		840,886,166.89	928,568,022.64
Cash paid for all types of taxes		465,606,411.99	576,260,568.31
Other cash paid relating to operating activities		159,126,577.28	165,446,890.35
Subtotal of cash outflows from operating activities		15,789,388,340.11	15,513,097,098.14
Net cash flows from operating activities		-362,469,758.98	817,461,047.53
2. Cash flows from investing activities			
Cash received from disposal of investments			
Cash received from return on investments			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			
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			
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		696,005,001.44	539,451,276.57
Cash paid for acquisition of investments			
Net cash paid for acquisition of subsidiary and other operating unit			
Other cash paid relating to investing activities			
Subtotal of cash outflows paid for investing activities		696,005,001.44	539,451,276.57
Net cash flows from investing activities		-696,005,001.44	-539,451,276.57
3. Cash flows from financing activities			
Proceeds from investment			
Cash received from borrowings		4,747,194,000.00	4,902,327,190.72
Other cash received relating to financing activities			
Subtotal of cash inflows from financing activities		4,747,194,000.00	4,902,327,190.72
Cash repayments of borrowings		5,051,544,896.99	4,713,373,509.62
Cash payments for distribution of dividends, profit or interest		433,692,125.89	589,497,122.29
Other cash payments relating to financing activities			
Subtotal of cash outflows from financing activities		5,485,237,022.88	5,302,870,631.91
Net cash flows from financing activities		-738,043,022.88	-400,543,441.19
4. Effect of foreign exchange rate changes on cash and cash equivalents		-1,134,392.87	48,222,621.42
5. Net increase in cash and cash equivalents		-1,797,652,176.17	-74,311,048.81
Add: Cash and cash equivalents at the beginning of the period		13,029,616,298.47	10,807,824,843.20
6. Ending balance of cash and cash equivalents		11,231,964,122.30	10,733,513,794.39

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
For the year ended 30 June 2020
(Expressed in Renminbi unless otherwise indicated)

Items	Jan – Jun 2020										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			
		Preference shares	Perpetual bond	Others										
1. Ending balance of last year	3,875,371,532.00				12,343,209,847.29			212,687.41	961,105,529.85		2,307,765,664.62	19,487,665,261.17	525,161,580.23	20,012,826,841.40
Add: Change of accounting policies														
Correction of errors for last period														
Business consolidation under common control														
Others														
2. Beginning balance of current year	3,875,371,532.00				12,343,209,847.29			212,687.41	961,105,529.85		2,307,765,664.62	19,487,665,261.17	525,161,580.23	20,012,826,841.40
3. Changes in current year ("." for decrease)								22,267,498.03			254,644,204.33	276,911,702.36	2,183,691.58	279,095,393.94
1) Total comprehensive income											254,644,204.33	254,644,204.33	1,762,646.01	256,406,850.34
2) Capital increase and decrease by shareholders														
(1) Common share invested by shareholders														
(2) Capital input by the holder of other equity instruments														
(3) Share-based payment attributable to owners' equity														
(4) Others														
3) Profit distribution														
(1) Appropriation to surplus reserves														
(2) Appropriation to general risk reserve														
(3) Profit distribution to shareholders														
(4) Others														
4) Transfers within shareholders' equity														
(1) Capital reserves transferred into paid-in capital (or stock)														
(2) Surplus reserves transferred into paid-in capital (or stock)														
(3) Surplus reserves to recover loss														
(4) Net changes of defined contribution plans transferred into Retained Earnings														
(5) Other comprehensive income transferred into Retained Earnings														
(6) Others														
5) Special reserves								22,267,498.03				22,267,498.03	421,045.57	22,688,543.60
(1) Provision of special reserves								26,575,861.58				26,575,861.58	421,045.57	26,996,907.15
(2) Use of special reserves								4,308,363.55				4,308,363.55		4,308,363.55
6) Others														
4. Ending balance of current year	3,875,371,532.00				12,343,209,847.29			22,480,185.44	961,105,529.85		2,562,409,868.95	19,764,576,963.53	527,345,271.81	20,291,922,235.34

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 30 June 2020
(Expressed in Renminbi unless otherwise indicated)

Items	Jan – Jun 2019											Non-controlling interest	Total of owner's equity		
	Share capital	Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehensi ve income	Special reserves	Surplus reserves	General risk reserve	Undistributed profit	Subtotal			
		Preferenc e shares	Perpetual bond	Others											
1. Ending balance of last year	3,875,371,532.00				12,343,209,847.29			683,937.71	961,105,529.85		1,945,887,269.82	19,126,258,116.67	533,146,339.49	19,659,404,456.16	
Add: Change of accounting policies															
Correction of errors for last period															
Business consolidation under common control															
Others															
2. Beginning balance of current year	3,875,371,532.00				12,343,209,847.29			683,937.71	961,105,529.85		1,945,887,269.82	19,126,258,116.67	533,146,339.49	19,659,404,456.16	
3. Changes in current year ("-" for decrease)								-471,250.30			361,878,394.80	361,407,144.50	-7,984,759.26	353,422,385.24	
1) Total comprehensive income											555,646,971.40	555,646,971.40	1,213,517.58	556,860,488.98	
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											-193,768,576.60	-193,768,576.60	-9,198,305.14	-202,966,881.74	
(1) Appropriation to surplus reserves															
(2) Appropriation to general risk reserve															
(3) Profit distribution to shareholders											-193,768,576.60	-193,768,576.60	-9,198,305.14	-202,966,881.74	
(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) Net changes of defined contribution plans transferred into Retained Earnings															
(5) Others															
5) Special reserves								-471,250.30				-471,250.30	28.30	-471,222.00	
(1) Provision of special reserves								47,843,133.40				47,843,133.40	28.30	47,843,161.70	
(2) Use of special reserves								48,314,383.70				48,314,383.70		48,314,383.70	
6) Others															
4. Ending balance of current year	3,875,371,532.00				12,343,209,847.29			212,687.41	961,105,529.85		2,307,765,664.62	19,487,665,261.17	525,161,580.23	20,012,826,841.40	

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

Legal Representative:

Chief Financial Officer:

Chief Accountant:

BENGANG STEEL PLATES CO., LTD.
STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2020
(Expressed in Renminbi unless otherwise indicated)

Items	Share capital	Jan – Jun 2020							
		Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehen- sive income	Special reserves	Surplus reserves
		Preferenc- e shares	Perpetual bond	Others					
1. Ending balance of last year	3,875,371,532.00				11,923,058,165.17			53,330.99	961,105,529.85
Add: Change of accounting policies									
Correction of errors for last period									
Others									
2. Beginning balance of current year	3,875,371,532.00				11,923,058,165.17			53,330.99	961,105,529.85
3. Changes in current year ("+" for increase)								19,714,922.56	
1) Total comprehensive income									217,257,324.23
2) Capital increase and decrease by shareholders									236,972,246.79
(1) Common share invested by shareholders									
(2) Capital input by the holder of other equity instruments									
(3) Share-based payment attributable to shareholders' equity									
(4) Others									
3) Profit distribution									
(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) Net changes of defined contribution plans transferred into Retained Earnings									
(5) Other comprehensive income transferred into retained earnings									
(6) Others									
5) Special reserves							19,714,922.56		19,714,922.56
(1) Provision of special reserves							23,963,236.11		23,963,236.11
(2) Use of special reserves							4,248,313.55		4,248,313.55
6) Others									
4. Ending balance of current year	3,875,371,532.00				11,923,058,165.17			19,768,253.55	961,105,529.85
									1,959,508,743.26
									18,738,812,223.83

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

Legal Representative:

Chief Financial Officer:

Chief Accountant:

BENGANG STEEL PLATES CO., LTD.
STATEMENT OF CHANGES IN EQUITY (Continued)
For the year ended 30 June 2020
(Expressed in Renminbi unless otherwise indicated)

Items	Share capital	Jan – Jun 2019							
		Other equity instruments			Capital reserves	Less: Treasury shares	Other comprehe- nsive income	Special reserves	Surplus reserves
		Preference shares	Perpetual bond	Others					
1. Ending balance of last year	3,875,371,532.00				11,923,058,165.17			525,218.48	961,105,529.85
Add: Change of accounting policies									
Correction of errors for last period									
Others									
2. Beginning balance of current year	3,875,371,532.00				11,923,058,165.17			525,218.48	961,105,529.85
3. Changes in current year ("-" for decrease)								-471,887.49	
1) Total comprehensive income									341,067,463.37
2) Capital increase and decrease by shareholders									340,595,575.88
(1) Common share invested by shareholders									
(2) Capital input by the holder of other equity instruments									
(3) Share-based payment attributable to shareholders' equity									
(4) Others									
3) Profit distribution									-193,768,576.60
(1) Appropriation of surplus reserves									
(2) Profit distribution to shareholders									-193,768,576.60
(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) Net changes of defined contribution plans transferred into Retained Earnings									
(5) Others									
5) Special reserves								-471,887.49	
(1) Provision of special reserves								45,445,975.41	
(2) Use of special reserves								45,917,862.90	
6) Others									
4. Ending balance of current year	3,875,371,532.00				11,923,058,165.17			53,330.99	961,105,529.85
									1,742,251,419.03
									18,501,839,977.04

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

Legal Representative:

Chief Financial Officer:

Chief Accountant:

Bengang Steel Plates Co., Ltd.

Notes to the financial statements For the period from Jan. to Jun. 2020 (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 RMB 5.40 each, and listed in Shenzhen Stock Exchange since 15 January 1998. The capital shares were totaled to 1,136,000,000 shares.

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 placing price was RMB4.6733 per share.

Approved by the China Securities Regulatory Commission [2017] No. 1476, Bengang Steel Plate Co., Ltd. privately placed no more than 739,371,534 RMB ordinary shares (A shares) to no more than 10 issuers. The non-public offering was completed on 9 February 2018, and 739,371,532 shares were actually issued. The placing price was RMB5.41 per share.

As at 30 June 2020, the capital shares were totaled to 3,875,371,532 shares.

The Company's uniform social credit code: 91210000242690243E.

The Company's registered address: 16th Renmin Road, Pingshan District, Benxi, Liaoning Province.

The Company's legal representative: Gao Lie.

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. Consolidation scope

The financial statements have been approved for reporting by the board of directors of the Company on 24 August 2020.

(2) Consolidation scope

As at 30 June 2020, 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

Name of the subsidiaries
Shenyang Bengang Metallurgical Science and Technology Co., Ltd.
Chongqing Liaoben Steel & Iron Trading Co., Ltd.
Bengang Baojin (Shenyang) Automobile New Material Technology Co., Ltd.

The scope of the consolidated financial statements in this period has not changed compared with the previous period.

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

Notes for specific accounting policies and accounting estimates:

The following disclosed content covers the specific accounting policies and accounting estimates that are adopted by the Company based on the actual production and operation characteristics. Please see Note (10) Financial instruments, (11) Inventory, (16) Fixed assets, (19) Intangible assets, (25) Revenue under “3. Significant accounting policies and accounting estimates” for details.

(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 nest 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) Classification of joint venture arrangements and accounting treatment

Joint venture arrangements are divided into joint operations and joint ventures.

When the Company is a joint venture party of a joint venture arrangement and have the assets related to the arrangement and assumes the liabilities related to the arrangement, it is a joint operation.

The Company confirms the following items related to the share of interest in the joint operation and performs accounting treatment in accordance with the relevant enterprise accounting standards:

a. Confirm the assets held by the company separately, and confirm the assets held jointly by the Company's share;

- b. Recognize the liabilities assumed by the Company separately and the liabilities jointly assumed by the company's share;
- c. Recognize the income generated by the sale of the Company's share of common operating output;
- d. Recognize the revenue generated from the sale of joint operations based on the Company's share;
- e. Confirm the expenses incurred separately and the expenses incurred in the joint operation according to the Company's share.

For the accounting policy of the Company's investment in joint ventures, please refer to Note (13) Long-term Equity Investment under "3. Significant accounting policies and accounting estimates"

(8) Recognition of cash and cash equivalents

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

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

1. Foreign currency transaction

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

The foreign currency monetary items shall be translated at the spot exchange rate on the balance sheet date. The balance of exchange arising from the difference between the spot exchange rate on the balance sheet date and the spot exchange rate at the time of initial recognition or prior to the balance sheet date, except those arising from the raising of special foreign debt for the purchase or construction of capitalizable assets thus shall be capitalized according to the borrowing costs capitalization principle, shall be recorded into the profits and losses at the current period.

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 income statement shall be translated using an exchange rate that is determined in a systematic and reasonable manner and approximates the spot exchange rate on 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 oversea business, into the disposal profits and losses of the current period. If the overseas business is disposed of partially, the Company shall calculate the balance arising from the translation of foreign currency statements of the part of disposal based on the disposal rate and shall shift them into the profits and losses of the current period.

(10) Financial instruments

Financial instruments include financial assets, financial liabilities and equity instruments

1. Classification of financial instruments

The Company shall classify financial assets on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset as: financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income (debt instrument) and financial assets measured at fair value through profit or loss at initial measurement.

A financial asset shall be measured at amortised cost if both of the following conditions are met. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met. The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Other financial assets other than these are classified as financial assets measured at fair value through profit or loss.

The Company may make an election at initial recognition for non-trading equity instrument investments whether it is designated as a financial asset (equity instrument) that is measured at fair value through other comprehensive income. At the initial recognition, in order to eliminate or significantly reduce accounting mismatches, financial assets can be designated as financial assets measured at fair value through profit or loss. According to the above conditions, the company does not have such designated financial assets.

The Company shall classify financial liabilities as financial liabilities measured at amortised cost and financial liabilities measured at fair value through profit or loss at initial measurement.

The Company may, at initial recognition, designate a financial liability as measured at fair value through profit or loss because either:

- (a) it eliminates or significantly reduces an accounting mismatch;
- (b) a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel;
- (c) the financial liability contains embedded derivatives that need to be separated.

According to the above conditions, the Company does not have such designated financial assets.

2. Recognition and measurement of financial instruments

(1) Financial assets measured at amortised cost

Financial assets measured at amortized cost include notes receivables, accounts receivables, other receivables, long-term receivables, debt investments, etc. At initial recognition, the Company shall measure a financial asset at its fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset. The Company shall measure account receivables at their transaction price if the account receivables do not contain a significant financing component and accounts receivables that the company has decided not to consider for a financing component of no more than one year.

Interest calculated by using the effective interest method during the holding period shall be recognized in profit or loss.

When recovering or disposing the receivables, the difference between the price obtained and the carrying value shall be recognized in current profit or loss.

(2) Financial assets measured at fair value through other comprehensive income (debt instruments)

Financial assets measured at fair value through other comprehensive income (debt instruments) include receivables financing, other debt investments, etc. At initial recognition, the Company shall measure a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition or issuance of the financial asset. The financial assets are subsequently measured at fair value. Changes in fair value are included in other comprehensive income except for interest calculated using the effective interest method, impairment losses or gains and exchange gains and losses. When the financial assets are derecognized, the accumulated gain or loss previously recognized in other comprehensive income is transferred from other comprehensive income and recognized in profit or loss.

(3) Financial assets at fair value through other comprehensive income (equity instruments)

Financial assets at fair value through other comprehensive income (equity instruments). include other equity instrument investments, etc. At initial recognition, the Company shall measure a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. The financial assets are subsequently measured at fair value. Changes in fair value are included in other comprehensive income. The dividends obtained are recognised in profit and loss.

When the financial assets are derecognized, the accumulated gain or loss previously recognised in other comprehensive income is transferred from other comprehensive income and recognised in retained earnings.

(4) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include transactional financial assets, derivative financial assets, other non-current financial assets, etc.

The Company shall measure the financial assets at fair value at initial recognition. Transaction costs are recognised in profit or loss. Changes in fair value are included in profit or loss.

When the financial assets are derecognized, the difference between the fair value and the. initially recorded amount is recognized as investment income, and the gains and losses from changes in fair value are adjusted.

(5) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include current financial liabilities, derivative financial liabilities, etc.

The Company shall measure the financial assets at fair value at initial recognition. Transaction costs are recognised in profit or loss. Changes in fair value are included in profit or loss.

When the financial liabilities are derecognized, the difference between the fair value and the. initially recorded amount is recognized as investment income, and the gains and losses from changes in fair value are adjusted.

(6) Financial liabilities measured at amortised cost

Financial liabilities measured at amortised cost include short-term borrowings, notes. payables, accounts payables, other payables, long-term borrowings, bonds payables, long-term payables.

At initial recognition, the Company shall measure a financial liability at its fair value plus. transaction costs that are directly attributable to the acquisition or issue of the financial asset.

Interests calculated by using the effective interest method during the holding period shall be. recognized in profit or loss.

When the financial liabilities are derecognized, the difference between the price obtained and. the carrying value shall be recognised in profit and loss.

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

The Company considers all reasonable and relevant information, including forward-looking information, to recognize the expected credit loss on financial assets measured at amortized cost, and financial assets measured at fair value through other comprehensive income (debt instruments) on the individual or portfolio basis. The measurement of expected credit loss depends on whether there is a significant increase in credit risk of financial assets since the initial recognition.

If the credit risk of the financial instrument has increased significantly since the initial confirmation, the Company shall measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses. If the credit risk on a financial instrument has not increased significantly since initial recognition, the Company shall measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. The increase or reversal amount of loss allowance thus formed shall be included in the current profits and losses as impairment losses or gains.

Generally, the Company believes that the credit risk of the financial instrument has significantly increased over 30 days after the due date, unless there is solid evidence that the credit risk of the financial instrument has not increased significantly since initial recognition.

If the credit risk of a financial instrument at the reporting date is relatively low, the Company considers that the credit risk of the financial instrument has not increased significantly since the initial recognition.

If there is objective evidence indicating that a certain financial asset has been impaired, the Company shall recognise provision for impairment of the financial asset individually.

For account receivables, whether a significant financing component is contained or not, the Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses.

For those accounts receivable, lease receivables, long-term receivables formed by the company through the sale of goods or rendering of services, notes receivable, accounts receivable financing, and other receivables which contains significant financing component, the Company chooses to use the general financial asset impairment method, that is, according to whether the credit risk has increased significantly or not since the initial recognition to measure the expected credit loss at an amount equal to 12-month expected credit losses (stage one) or at an amount equal to the lifetime expected credit losses (stage two and stage three).

(11) Inventory

1. Inventory classification

Inventories include material in transit, raw material, turnover materials, finished goods, work in process, issue commodity, 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 inventory 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. Specifically, if the inventory held for the execution of the sales contract or labor contract, and the sales contract order quantity is equal to the quantity of inventory held by the enterprise, the contract price of the finished product or commodity is used as the basis for calculating the net realizable value; The quantity of inventory is more than the quantity ordered by the sales contract, and the net realizable value of the excess inventory is based on the general sales price of the finished product or commodity; if the quantity of inventory held by the enterprise is less than the quantity ordered by the sales contract, the actual Contract-related inventory uses the price specified in the sales contract as the basis for calculating the net realizable value.

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) Contract asset

1. Recognition methods and criteria of contract assets

When either party to a contract has performed, the Company shall present the contract in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the Company's performance and the customer's payment. If the Company have the rights to receive consideration (the right is conditioned on factors other than the passage of time) by transferring goods or services to a customer, the entity shall present the contract as a contract asset. Contract assets and contract liabilities under the same contract are disclosed in net amount. An entity shall present any unconditional rights to consideration (only the passage of time is required) separately as a receivable.

2. Expected credit loss of contract assets

For the accounting policy of the expected credit loss of contract assets, please refer to Note (10) 6. Impairment provision of the financial assets under "3. Significant accounting policies and accounting estimates"

(13) Assets hold for sales

The Company classifies non-current assets or disposal asset groups when the assets meet the following criterion into holding categories for sale simultaneously:

- (1) According to the practice of selling such assets or disposal asset groups in similar transactions, they can be sold immediately under current conditions;
- (2) The sale of assets is highly probable, as the company has already made a resolution on a sale plan and obtained a certain purchase commitment, and the transaction is expected to be completed within one year. The relevant regulations that the assets can be sold have been approved by relevant authorities or regulatory authorities of the Company.

(14) 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 join control of those policies. If the Company could exert significant influence over the investee, the investee is the associate of the Company.

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

(1) Long-term equity investment from business acquisition

For a business combination 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 financial instruments recognition and measurement standard. 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 financial instruments recognition and measurement standards, 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 investments accounted for in accordance with financial instruments recognition and measurement standard after disposal, other comprehensive income and other owner's interests previously recognized shall be transferred to profit or loss in full.

(15) Investment property

Investment property refers to real estate held for the purpose of earning rent or capital appreciation, or both, including leased land use rights, land use rights held and prepared for transfer after appreciation, and leased buildings (Buildings that are leased after completion of self-construction or development activities and buildings that are being used for rental in the future during construction or development).

The company uses the cost model to measure the existing investment property. For investment property measured according to the cost model - the rental building adopts the same depreciation policy as the fixed assets of the company, and the land use right for rental is amortized according to the same amortization policy as the intangible assets.

(16) 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:

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

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

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

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

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

(17) Construction in progress

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

(18) Borrowing costs

1. Principle of the recognition of capitalized borrowing costs

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

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

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.

(19) Intangible Assets

1. Measurement of Intangible Assets

(1) Initial measurement is based on cost upon acquisition

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

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

For intangible assets obtained from non-monetary transactions with commercial substance, and the fair value of the assets obtained or surrendered can be reliably measured, the initial recognition of the asset obtained is based on the fair

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

(2) Subsequent Measurement

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

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

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

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

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

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 before commercial manufacturing and use.

(20) Impairment of long-term assets

For long-term assets such as long-term equity investments, Investment property under the cost model, fixed assets, construction in progress, intangible assets with limited useful lives 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 assets on the basis of the asset group to which the asset belongs. The term "assets group" refers to a minimum combination of assets by which the cash flows could be generated independently

The goodwill, intangible assets with uncertain useful life and intangible assets not meeting the expected condition for use shall be subject to an impairment test at least at the end of each year.

When the Company makes an impairment test of assets, it shall, as of the purchasing day, apportion the carrying value of the business reputation formed by merger of enterprises to the relevant asset groups by a reasonable method. Where it is difficult to do so, it shall be apportioned to the relevant combinations of asset groups. When apportioning the carrying value of the business reputation to the relevant asset groups or combinations of asset groups, it shall be apportioned on the basis of the proportion of the fair value of each asset group or combination of asset groups to the total fair value of the relevant asset groups or combinations of asset groups. Where it is difficult to measure the fair value reliably, it shall be apportioned on the basis of the proportion of the carrying value of each asset group or combination of asset groups to the total carrying value of the relevant asset groups or combinations of asset groups.

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

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

(21) Long-term deferred expense

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

The long-term deferred expense shall be amortized over its beneficiary period evenly.

(22) Contract liability

When either party to a contract has performed, the Company shall present the contract in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the Company's performance and the customer's payment. If a customer pays consideration, or the Company has a right to an amount of consideration before the Company transfers a good or service to the customer, the Company shall present the contract as a contract liability. Contract assets and contract liabilities under the same contract are disclosed in net amount.

(23) Employee benefits

1. Accounting treatment for short employee benefit

The Company shall recognise, 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

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.

In addition to basic pension fund, the company has also established an enterprise annuity payment system (supplementary pension fund) / enterprise annuity plan in accordance with the relevant policies of the national enterprise annuity system. The company pays a local social insurance institution's contribution / annuity plan according to a certain percentage of the total wages of employees, and the corresponding expenditure is included in the current profit and loss or related asset costs.

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.

(24) 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 liability 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.

(25) Revenue

The company shall recognise revenue when (or as) the company satisfies a performance obligation when (or as) the customer obtains control of a promised good or service. Control of a promised good or service refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from it.

If the contract contains two or more performance obligations, the company shall allocate the transaction price to each individual performance obligation based on the relative proportion of the stand-alone selling price of the goods or services promised by each individual performance obligation on the date of the contract. The company measures revenue based on the transaction price allocated to each individual performance obligation.

The transaction price is the amount of consideration to which the company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties or amounts expected to be returned to customers. The company shall consider the terms of the contract and its customary business practices to determine the transaction price. When determining the transaction price, the company shall consider the effects of all of the following: variable consideration, the existence of a significant financing component in the contract, non-cash consideration, and consideration payable to a customer. The company determines the transaction price that includes variable consideration at an amount that does not exceed the amount of accumulated recognized revenue that is unlikely to be materially reversed when the relevant uncertainty is eliminated. If there is a significant financing component in the contract, the company shall recognise revenue at an amount that reflects the price that a customer would have paid for the promised goods or services if the customer had paid cash for those goods or services when (or as) they transfer to the customer, and use the effective interest method to amortize the difference between the transaction price and the contract consideration during the contract period. If the interval between the

transfer of control and the payment by the customer does not exceed one year, the financing component will not be considered.

The company transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met. Otherwise, the company satisfies the performance obligation at a point in time.

- (a) the customer simultaneously receives and consumes the benefits provided by the company's performance as the company performs;
- (b) the company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- (c) the company's performance does not create an asset with an alternative use to the company and the company has an enforceable right to payment for performance completed to date.

The company shall recognise revenue over time by measuring the progress towards complete satisfaction of that performance obligation, except where the performance progress cannot be reasonably determined. The company considers the nature of the goods or services and adopts the output method or the input method to determine the progress of performance. Where the performance progress cannot be reasonably determined, but the company expects to recover the costs incurred in satisfying the performance obligation, the company shall recognise revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

For performance obligations satisfied at a certain point in time, the company shall recognise revenue at the point when the customer obtains control of the relevant goods or services. To determine the point in time at which a customer obtains control of a promised goods or services, the company shall consider requirements as follows:

- (a) The company has a present right to payment for the promised goods or services and the customer is presently obliged to pay for that;
- (b) The company has transferred the legal title of the goods to the customer, that is, the customer has the legal title to the goods;
- (c) The company has transferred physical possession of the goods to the customer, that is, the customer has taken possession of the goods;
- (d) The company has transferred the significant risks and rewards of ownership of the goods to the customer, that is, the customer has the significant risks and rewards of ownership of the goods;
- (e) The customer has accepted the promised goods or services.

(26) Contract costs

Contract costs include costs to fulfill a contract and incremental costs of obtaining a contract.

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard, for example, Inventories, Property, Plant and Equipment or Intangible Assets, the company shall recognise an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- (a) the costs relate directly to a contract or to an expected contract;
- (b) the costs generate or enhance resources of the Company that will be used in satisfying performance obligations in the future; and
- (c) the costs are expected to be recovered.

The company shall recognise as an asset the incremental costs of obtaining a contract with a customer if the company expects to recover those costs.

An asset recognised in accordance with contract costs shall be amortised in consistent with the transfer to the customer of the goods or services to which the asset relates. The company may recognise the incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset is one year or less.

The company shall recognise an impairment loss in profit or loss to the extent that the carrying amount of an asset related to contract assets exceeds:

- (a) the remaining amount of consideration that the company expects to receive in exchange for the goods or services to which the asset relates; less
- (b) the costs that relate directly to providing those goods or services and that have not been recognised as expenses.

The company shall recognise in profit or loss a reversal of some or all of an impairment loss previously recognised when the impairment conditions no longer exist or have improved. The increased carrying amount of the asset shall not exceed the carrying amount that if no impairment loss had been recognised previously.

(27) Government Subsidies

1. Types

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.

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. The government subsidies related to incomes refers to government subsidies other than those related to assets.

The standard of the Company recognizing the government subsidies related to assets is: an entity qualifying for them should purchase, construct or otherwise acquire long-term assets.

The standard of the Company recognizing the government subsidies related to income is: In addition to government subsidies related to assets, government subsidies that have been clearly targeted for subsidies.

2. 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.

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.

3. 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 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.

The policy discount loans obtained by the company are divided into the following two situations and are separately accounted for:

- (a) The government allocates discounted funds to the loan bank, and the loan bank provides loans to the company at a policy preferential interest rate. The preferential interest rate is used to calculate the relevant borrowing costs.
- (b) If the government directly allocates the discounted funds to the company, the company will offset the relevant borrowing costs with the corresponding discounts, directly accounted for the current profit or loss or recognized as deferred income.

(28) 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 be obtained 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.

(29) 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.

(30) 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:

The component stands for an independent main business or a major business area;

The component is a part of disposal plan of an independent main business or a major business area;
The component is a subsidiary which is acquired only for sale again.

(31) Major accounting estimates and judgments

When preparing financial statements, the Company's management needs to use estimates and assumptions, which will affect the application of accounting policies and the amount of assets, liabilities, income and expenses. Actual conditions may differ from these estimates. The management of the company continuously evaluates the judgment of key assumptions and uncertainties involved in the estimation, and the impact of changes in accounting estimates will be recognized in the current and future periods.

The main uncertainties in the estimated amount are as follows:

(1) Measurement of expected credit losses

The company calculates the expected credit loss through the default risk exposure and the expected credit loss rate, and determines the expected credit loss rate based on the default probability and the default loss rate. When determining the expected credit loss rate, the company uses internal historical credit loss experience and other data, and adjusts the historical data in combination with current conditions and forward-looking information. When considering forward-looking information, the indicators used by the Company include the risk of economic downturn, the expected increase in unemployment rate, changes in the external market environment, technological environment and customer conditions. The Company regularly monitors and reviews assumptions related to the calculation of expected credit losses.

(2) Inventory Impairment

As mentioned in note (11) Inventory under "3 Significant accounting policies and accounting estimates", the Company regularly estimates the net realizable value of the inventory, and recognizes the difference in inventory cost higher than the net realizable value. When estimating the net realizable value of inventory, the Company considers the purpose of holding the inventory and uses the available information as the basis for estimation, including the market price of the inventory and the Company's past operating costs. The actual selling price, completion cost, sales expenses and taxes of the inventory may change according to changes in market sales conditions, production technology, or the actual use of the inventory. Therefore, the amount of inventory depreciation reserve may change according to the above reasons. Adjustments to the inventory impairment will affect the current profit and loss.

(3) Impairment of other assets except inventory and financial assets

As mentioned in note (20) Long-term Asset Impairment under “3 Significant accounting policies and accounting estimates”, the company performs an impairment assessment on assets other than inventory and financial assets on the balance sheet date to determine whether the recoverable amount of the asset has fallen to a lower level than its book value. If the situation shows that the book value of the long-term assets may not be fully recovered, the relevant assets will be deemed to be impaired and the impairment loss will be recognized accordingly.

The recoverable amount is the higher of the net value of the fair value of the asset (or asset group) minus the disposal expenses and the present value of the asset (or asset group) 's expected future cash flow. Because the Company can not reliably obtain the public market price of assets (or asset groups), and can not reliably and accurately estimate the fair value of assets. Therefore, the Company regards the present value of the expected future cash flow as the recoverable amount. When estimating the present value of future cash flows, it is necessary to make a significant judgment on the output, selling price, related operating costs of the products produced by the asset (or asset group), and the discount rate used in calculating the present value. The Company will use all available relevant information when estimating the recoverable amount, including the prediction of output, selling price and related operating costs based on reasonable and supportable assumptions.

(4) Depreciation and amortization of assets such as fixed assets and intangible assets

As described in note (16) Fixed Assets and note (19) Intangible Assets under “3 Significant accounting policies and accounting estimates”, the company shall accrue depreciation for the fixed assets and amortization for intangible assets within the useful life after considering their residual value. The company regularly reviews the useful life of related assets to determine the amount of depreciation and amortization expenses to be included in each reporting period. The useful life of assets is determined by the company based on past experience with similar assets and in combination with anticipated technological changes. If the previous estimates change significantly, the depreciation and amortization expenses will be adjusted in the future.

(5) Deferred tax assets

When it is estimated that sufficient taxable income can be obtained in the future to use the unrecovered tax losses and deductible temporary differences, the relevant deferred tax assets are calculated and confirmed on the basis of the applicable income tax rate during the period when the asset is expected to be recovered and the amount of taxable income is limited to deductible tax losses and deductible temporary differences likely to be obtained by the Company. The Company needs to use judgment to estimate the time and amount of future taxable income, and make reasonable estimates and judgments on the future applicable income tax rate according to the current tax policy and other related policies to determine the deferred tax assets that should be recognized. If the time and amount of profits actually

generated in the future period or the actual applicable income tax rate are different from the management's estimate, the difference will have an impact on the amount of deferred tax assets.

(32) Change of significant accounting policy and accounting estimate

1. Change of major accounting policy during the current reporting period

Implementation of the "Accounting Standards for Business Enterprises No. 14 - Revenue" (revised in 2017) (hereinafter referred to as the "New Revenue Standards")

The Ministry of Finance revised the "Accounting Standards for Business Enterprises No. 14 - Revenue" in 2017. The revised standard stipulates that the initial implementation of the standard should adjust the amount of retained earnings and other related items in the financial statements at the beginning of the year based on the cumulative impact, and no adjustments should be made to comparable period information.

The company implements the new revenue standard from January 1, 2020. According to the standard, the company only adjusts the retained earnings at the beginning of 2020 and the amount of other related items in the financial statements for the cumulative impact of contracts that have not been completed on the date of first implementation, and the comparative financial statements do not adjust. The major impact of the implementation of the regulation are as follows:

Change of accounting policy content and reason	Affected items	January 1, 2020	
		Consolidated Financial statement	Parent company financial statement
Reclassify advance from customers to contract liabilities.	Advance from customers	-4,429,821,526.79	-5,597,707,687.22
	Contract liabilities	4,429,821,526.79	5,597,707,687.22

Compared with the previous revenue standards, the impact of the implementation of the new revenue standards on the relevant items for the period from January to June in 2020 is as follows:

Affected items	June 30, 2020	
	Consolidated Financial statement	Parent company financial statement
Contract liabilities	4,658,022,515.99	5,736,618,018.47
Advance from customers	-4,658,022,515.99	-5,736,618,018.47

There is no impact to the items in the comprehensive income statement.

2. Change of accounting estimation

(1) The company's principle for determining the applicable point of time for changes in accounting estimates: According to Article 19 of the "Accounting Standards for Business Enterprises No. 4 - Fixed Assets", the enterprise

should review the useful life, estimated net residual value and depreciation method of fixed assets at least at the end of each year. If the estimated useful life is different from the original estimate, the useful life of the fixed asset shall be adjusted.

(2) Major change of accounting estimate during the current reporting period

Change of accounting estimation content and reason	Approval procedure	Date of application	Affected items and amount
<p>Content: The company adjusted the useful life of some of the fixed assets since January 1, 2020.</p> <p>Reason: At the end of 2019, the company evaluated the actual condition and depreciation period of fixed assets, and believed that the company's production equipment had a relatively high level of equipment and technical content, and maintained good conditions. The company's cumulative investment in equipment maintenance costs from 2010 to 2019 was RMB 11.959 billion. To make the depreciation period of fixed assets closer to the actual service life, it is necessary to adjust the useful life of some fixed assets.</p>	<p>On January 31, 2020, the eighth meeting of the company's eighth board of directors reviewed and approved the "Proposal on Adjusting the Useful Life of Certain Fixed Assets"</p>	<p>January 1, 2020</p>	<p>Accumulative depreciation: RMB -206,452,050.12; Operating cost : RMB -206,452,050.12.</p>

3. Adjustments of the beginning balance due to the first implementation of new revenue standards:

Consolidated statement of financial position:

Items	Ending balance of the previous year	Beginning balance of the current year	Adjustment		
			Reclassification	Remeasurement	Total

Items	Ending balance of the previous year	Beginning balance of the current year	Adjustment		
			Reclassification	Remeasurement	Total
Advance from customers	4,429,821,526.79		-4,429,821,526.79		-4,429,821,526.79
Contract liabilities		4,429,821,526.79	4,429,821,526.79		4,429,821,526.79

Statement of financial position of the parent company

Items	Ending balance of the previous year	Beginning balance of the current year	Adjustment		
			Reclassification	Remeasurement	Total
Advance from customers	5,597,707,687.22		-5,597,707,687.22		-5,597,707,687.22
Contract liabilities		5,597,707,687.22	5,597,707,687.22		5,597,707,687.22

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	6, 9, 13
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	30 June 2020	31 December 2019
Cash on hand	7,110.40	5,588.98
Cash at bank	11,417,585,553.12	13,441,409,399.60

Items	30 June 2020	31 December 2019
Other monetary funds	5,370,886,642.41	4,974,429,409.19
Total	16,788,479,305.93	18,415,844,397.77
Total amount deposited abroad		

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

Items	30 June 2020	31 December 2019
Margin for bank acceptance bill	4,947,574,509.41	4,803,950,250.12
Margin for letter of credit	419,360,000.00	166,527,026.07
Loan margin	3,330,000.00	3,330,000.00
Others	622,133.00	622,133.00
Total	5,370,886,642.41	4,974,429,409.19

(2) Accounts receivable

1. Accounts receivable disclosed by aging

Items	30 June 2020	31 December 2019
Within 1 year (inclusive)	186,365,796.17	187,728,755.63
1-2 years (inclusive)	32,428,477.61	31,659,160.02
2-3 years (inclusive)	24,358,369.27	24,710,744.49
Over 3 years	174,707,324.46	177,928,572.30
Total	417,859,967.51	422,027,232.44
Less: Provision for bad debts	183,064,080.16	186,330,966.78
Total	234,795,887.35	235,696,265.66

2. Accounts receivable disclosed by category

Items	30 June 2020				
	Gross carrying amount		Provision for bad debts		Book value
	Amount	Percentage (%)	Amount	Bad debts ratio (%)	
Tested for impairment individually	47,762,337.18	11.43	47,762,337.18	100.00	
Tested for impairment by portfolio	370,097,630.33	88.57	135,301,742.98	36.56	234,795,887.35

Items	30 June 2020				
	Gross carrying amount		Provision for bad debts		Book value
	Amount	Percentage (%)	Amount	Bad debts ratio (%)	
Include:					
Portfolio 1: Aging portfolio	370,097,630.33	88.57	135,301,742.98	36.56	234,795,887.35
Total	417,859,967.51	100.00	183,064,080.16		234,795,887.35

Items	31 December 2019				
	Gross 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	11.32	47,762,337.18	100.00	
Accounts receivable tested for impairment by portfolio	374,264,895.26	88.68	138,568,629.60	37.01	235,696,265.66
Other insignificant items but tested for impairment individually					
Total	422,027,232.44	100.00	186,330,966.78		235,696,265.66

Accounts receivables tested for impairment individually

Company	30 June 2020			
	Gross 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 receivable tested for impairment by aging portfolio:

Items	30 June 2020
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	Gross carrying amount	Provision for bad debts	Bad debts ratio (%)
Within 1 year (inclusive)	186,365,796.17	1,863,657.96	1.00
1-2 years (inclusive)	32,428,477.61	1,621,423.88	5.00
2-3 years (inclusive)	24,358,369.27	4,871,673.85	20.00
Over 3 years	126,944,987.28	126,944,987.28	100.00
Total	370,097,630.33	135,301,742.98	

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

The reversal of bad debts of current period is RMB 3,266,886.60.

4. No accounts receivable has been written off during the current period.

5. Top five debtors at the end of period

Company	30 June 2020		
	Gross carrying amount	Percentage of total Accounts receivable (%)	Provision for bad debts
The first	51,186,799.05	12.25	589,234.48
The second	47,762,337.18	11.43	47,762,337.18
The third	14,246,791.47	3.41	
The fourth	13,192,766.29	3.16	
The fifth	11,524,466.74	2.76	130,131.74
Total	137,913,160.74	33.01	48,481,703.40

6. Accounts receivable derecognized due to the transfer of financial assets

None

7. The amount of assets and liabilities formed by transferring accounts receivable and continuing to be involved

None

(3) Accounts receivable financing

1. Accounts receivable financing by category

Item	30 June 2020	31 December 2019
Notes Receivable	4,072,660,868.85	2,117,763,147.67
Including: Bank acceptance bill	4,059,350,868.85	2,108,970,139.40

Item	30 June 2020	31 December 2019
Commercial acceptance bill	13,310,000.00	8,793,008.27
Accounts receivable	309,461,081.12	311,779,314.21
Total	4,382,121,949.97	2,429,542,461.88

Note: Accounts receivable financing reflects notes receivable and accounts receivable that are measured at fair value through other comprehensive income.

2. Provision for impairment of accounts receivable financing

None

3. The pledged acceptance bill at the end of the period

Items	30 June 2020
Bank acceptance bill	759,753,834.45
Commercial acceptance bill	
Total	759,753,834.45

4. The amount of notes receivable endorsed over but not yet matured at the end of the period

Items	Derecognized ending balance	Unrecognized ending balance
Bank acceptance bill	4,879,438,530.74	
Commercial acceptance bill		
Total	4,879,438,530.74	

5. No notes receivable has been transferred into accounts receivable due to inability of drawer to meet acceptance bill at the end of the period

(4) Prepayments

1. Prepayments disclosed by aging

Aging	30 June 2020		31 December 2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year (inclusive)	1,277,487,430.52	99.52	1,284,678,069.97	99.51
1-2 years (inclusive)	6,011,981.75	0.48	6,279,487.94	0.49
2-3 years (inclusive)	53,900.20		53,900.20	
Over 3 years	36,000.00		36,000.00	

Aging	30 June 2020		31 December 2019	
	Amount	Percentage (%)	Amount	Percentage (%)
	Total	1,283,589,312.47	100.00	1,291,047,458.11

Notes: As of June 30, 2020, there were no outstanding prepayments over 1 year.

2. Top five prepaid companies at the end of the period

Name of the company	Amount	Percentage (%)
The First	813,856,225.94	63.40
The Second	75,732,564.05	5.90
The Third	35,489,495.22	2.76
The Fourth	27,512,085.89	2.14
The Fifth	22,368,060.00	1.74
Total	974,958,431.09	75.96

(5) Other receivables

Items	30 June 2020	31 December 2019
Interest receivables	32,395,784.72	20,504,422.47
Dividend receivables		
Other receivables	126,011,346.99	152,302,614.30
Total	158,407,131.71	172,807,036.77

1 . Interest receivable

(1) Interest receivable disclosed by category

Items	30 June 2020	31 December 2019
Deposit interest	32,395,784.72	20,504,422.47
Subtotal	32,395,784.72	20,504,422.47
Less: provision for bad debts		
Total	32,395,784.72	20,504,422.47

(2) The company has no significant overdue interest and provision for bad debts.

2 . Other receivables

(1) Other receivables disclosed by aging

Items	30 June 2020	31 December 2019
Within 1 year (inclusive)	108,817,588.26	135,162,016.85
1-2 years (inclusive)	15,087,613.32	15,306,496.22
2-3 years (inclusive)	3,530,561.08	3,479,413.70
Over 3 years	65,222,052.19	65,222,052.19
Total	192,657,814.85	219,169,978.96
Less: Provision for bad debts	66,646,467.86	66,867,364.66
Total	126,011,346.99	152,302,614.30

(2) Information of provision for bad debts

Provision for bad debts	Stage one	Stage two	Stage three	Total
	12-month expected credit losses	lifetime expected credit losses (credit impairment has not occurred)	lifetime expected credit losses (credit impairment has already occurred)	
Beginning balance		9,494,109.69	57,373,254.97	66,867,364.66
Provision, transfer in, transfer back, transfer out during the current period		-220,896.80		-220,896.80
Write-back during the current period				
Write-off during the current period				
Other changes				
Ending balance		9,273,212.89	57,373,254.97	66,646,467.86

Changes in the gross carrying amount of other receivables are as follows:

Provision for bad debts	Stage one	Stage two	Stage three	Total
	12-month expected credit losses	lifetime expected credit losses (credit impairment has not occurred)	lifetime expected credit losses (credit impairment has already occurred)	
Beginning balance	137,511,976.11	24,284,747.88	57,373,254.97	219,169,978.96

Provision for bad debts	Stage one	Stage two	Stage three	Total
	12-month expected credit losses	lifetime expected credit losses (credit impairment has not occurred)	lifetime expected credit losses (credit impairment has already occurred)	
Increase				
Decrease	26,291,267.31	220,896.80		26,512,164.11
Other changes				
Ending balance	111,220,708.80	24,063,851.08	57,373,254.97	192,657,814.85

(3) Other receivables disclosed by nature

Nature	30 June 2020	31 December 2019
Accounts	183,332,767.17	209,700,618.22
Others	9,325,047.68	9,469,360.74
Total	192,657,814.85	219,169,978.96

(4) Top five debtors at the end of the period

Company	Nature or content	Amount	Aging	Percentage of total other receivables (%)	Provision for bad debts
The First	Accounts	9,648,111.00	within 1 year	5.01	
The Second	Accounts	9,505,576.53	within 1 year	4.93	
The Third	Accounts	6,804,946.27	2-3 years	3.53	
The Fourth	Accounts	3,756,448.28	1-2 years	1.95	2,000.00
The Fifth	Accounts	2,661,194.04	within 1 year to over 3 years	1.38	2,465,166.01
Total		32,376,276.12		16.81	2,467,166.01

(5) There is no other receivables relates to government subsidies at the end of the reporting period.

(6) There is no other receivables derecognized due to the transfer of financial assets at the end of the reporting period.

(7) There is no transfer of other receivables and continued involvement in the amount of assets and liabilities formed at the end of the reporting period.

(6) Inventories

1. Inventories disclosed by category

Items	30 June 2020			31 December 2019		
	Gross carrying amount	Impairment	Book value	Gross carrying amount	Impairment	Book value
Raw material and main material	3,486,744,568.70	26,986,533.69	3,459,758,035.01	3,737,655,945.87	26,986,533.69	3,710,669,412.18
Work in process and self-made semi-finished product	1,455,369,031.61	32,278,622.48	1,423,090,409.13	1,302,249,713.48	25,995,508.16	1,276,254,205.32
Finished products	4,729,490,890.24	26,299,958.86	4,703,190,931.38	2,730,735,542.67	17,261,474.56	2,713,474,068.11
Total	9,671,604,490.55	85,565,115.03	9,586,039,375.52	7,770,641,202.02	70,243,516.41	7,700,397,685.61

2. Impairment of inventory

Category	31 December 2019	Increase		Decrease		30 June 2020
		Provision	Others	Write-back or write-off	Others	
Raw material and main material	26,986,533.69					26,986,533.69
Work in process and self-made semi-finished product	25,995,508.16	32,278,622.48		25,995,508.16		32,278,622.48
Finished products	17,261,474.56	26,299,958.86		17,261,474.56		26,299,958.86
Total	70,243,516.41	58,578,581.34		43,256,982.72		85,565,115.03

(7) Other current assets

Items	30 June 2020	31 December 2019
Prepaid enterprise income tax	182,484,352.23	182,484,616.27
VAT input tax	101,722,696.39	130,420,207.82
Total	284,207,048.62	312,904,824.09

(8) Long-term equity investment

Investees	31 December 2019	Increase/decrease								30 June 2020	Total Impairment
		Add Investment	Reduce Investment	Income or loss on investment recognized under the equity method	Other Comprehensive Income Adjustment	Other Equity Changes	Declaration of Cash Dividends or Profit	Provision	Others		
1. Joint Venture											
Subtotal											
2. Associated Enterprise											
Zhejiang Bengang Jingrui Steel Processing Co., Ltd..	2,642,998.70			29,304.00							2,672,302.70
Subtotal	2,642,998.70			29,304.00							2,672,302.70
Total	2,642,998.70			29,304.00							2,672,302.70

(9) Other equity instrument investment

Items	30 June 2020	31 December 2019
Suzhou Bengang Industrial Co., Ltd.	3,888,980.00	3,888,980.00
Sinosteel Shanghai Steel Processing Co., Ltd.		
Northeast Special Steel Group Co., Ltd.	1,037,735,849.00	1,037,735,849.00
Guangzhou Benpu Auto Board Sales Co., Ltd.	200,000.00	200,000.00
Wuhan Bengang Yuanhong Trading Co., Ltd	200,000.00	
Total	1,042,024,829.00	1,041,824,829.00

Notes:

The item "Other equity instrument investment" reflects the ending book value of the non-trading equity instrument investment designated by the company as measured at fair value at fair value through other comprehensive income on the balance sheet date.

The company holds 15% equity in Sinosteel Shanghai Steel Processing Co., Ltd.

The 10% equity of Northeast Special Steel Group Co., Ltd. held by the company has been pledged to Bank of Dalian Co., Ltd., Shenyang branch.

(10) Fixed assets

1. Fixed assets and Disposal of fixed assets

Items	30 June 2020	31 December 2019
Fixed assets	24,952,427,383.86	26,123,375,492.40
Disposal of fixed assets		
Total	24,952,427,383.86	26,123,375,492.40

2. Details of fixed assets

Items	Buildings	Machinery	Transportation equipment and others	Total
1. Gross carrying amount				
(1) 31 December 2019	12,321,783,218.79	47,625,624,131.28	908,284,781.31	60,855,692,131.38
(2) Increase in current period	8,162,112.36	22,887,140.10	19,679,682.35	50,728,934.81
Including: Purchase				
Transferred from construction in progress	8,162,112.36	22,887,140.10	19,679,682.35	50,728,934.81

Items	Buildings	Machinery	Transportation equipment and others	Total
Merging				
Others				
(3) Decrease in current period	6,057,064.23	70,745,410.85	10,856,244.37	87,658,719.45
Including: Disposal	6,057,064.23	70,745,410.85	10,856,244.37	87,658,719.45
Others				
(4) 30 June 2020	12,323,888,266.92	47,577,765,860.53	917,108,219.29	60,818,762,346.74
2. Total accumulated depreciation				
(1) 31 December 2019	5,843,160,062.67	28,243,587,548.42	604,346,279.82	34,691,093,890.91
(2) Increase in current period	148,749,130.68	959,941,877.91	92,572,359.88	1,201,263,368.47
Including: Provision	148,749,130.68	959,941,877.91	92,572,359.88	1,201,263,368.47
Others				
(3) Decrease in current period	2,826,190.62	51,865,091.34	12,553,762.61	67,245,044.57
Including: Disposal	2,826,190.62	51,865,091.34	12,553,762.61	67,245,044.57
Others				
(4) 30 June 2020	5,989,083,002.73	29,151,664,334.99	684,364,877.09	35,825,112,214.81
3. Total impairment				
(1) 31 December 2019	38,596,028.99	2,626,719.08		41,222,748.07
(2) Increase in current period				
Including: Provision				
Others				
(3) Decrease in current period				
Including: Disposal				
Others				
(4) 30 June 2020	38,596,028.99	2,626,719.08		41,222,748.07
4. Total net book value of Fixed assets				
(1) 30 June 2020	6,296,209,235.20	18,423,474,806.46	232,743,342.20	24,952,427,383.86
(2) 31 December 2019	6,440,027,127.13	19,379,409,863.78	303,938,501.49	26,123,375,492.40

3. Fixed assets idled temporarily

Items	Gross carrying amount	Accumulated depreciation	Impairment	Book value
Buildings	93,833,538.80	58,818,849.47	35,014,689.33	
Machinery	1,224,688.89	1,149,022.46	75,666.43	
Transportation equipment and others	1,042,125.89	1,042,125.89		
Total	96,100,353.58	61,009,997.82	35,090,355.76	

4. Fixed assets leased in through financial leasing

As of the end of the current reporting period, the original value of the fixed assets leased in through financial leasing was RMB 1,050,748,776.34, all of which were leased from the related party Liaoning Hengyi Financial Leasing Co., Ltd. For details, please refer to note (5) 2. Lease under note 10.

5. Fixed assets leased out by operating lease

Items	Book value
Buildings	8,479,821.37
Machinery	
Total	8,479,821.37

6. Fixed assets without property rights certificates at the end of the period

Items	Book value	Reason
Buildings	1,070,014,263.61	To be handled

(11) Construction in progress

1. Construction in progress and Construction materials

Items	30 June 2020	31 December 2019
Construction in progress	2,560,710,384.30	1,820,264,689.19
Project materials	8,598,323.97	13,588,883.39
Total	2,569,308,708.27	1,833,853,572.58

2. Details of construction in progress

Items	30 June 2020			31 December 2019		
	Gross carrying amount	Total impairment	Book value	Gross carrying amount	Total impairment	Book value
Energy-saving renovation project of No. 5 blast furnace in ironworks	756,972,673.01		756,972,673.01	491,069,345.30		491,069,345.30
Special steel mill renovation project	135,994,865.49		135,994,865.49	126,479,522.35		126,479,522.35
1# converter energy saving and environmental protection transformation	132,515,955.85		132,515,955.85	148,803,402.52		148,803,402.52
Steelmaking Plant No. 8 Casting Machine Project	193,625,008.01		193,625,008.01	100,460,943.24		100,460,943.24
Reconstruction project of three power plant workshop	3,861,154.59		3,861,154.59			
Transformation of No. 2 Casting Machine in Steelmaking Plant	82,682,564.04		82,682,564.04	81,419,913.88		81,419,913.88
CCPP power generation project	115,133,501.01		115,133,501.01	85,320,752.59		85,320,752.59
Environmental protection renovation project of No. 4-6 converter	95,177,941.15		95,177,941.15	69,541,903.74		69,541,903.74
Special Steel Electric Furnace Upgrade Project	88,959,809.91		88,959,809.91	62,311,284.01		62,311,284.01
360 square meter sintering machine	73,248,631.59		73,248,631.59	60,930,506.79		60,930,506.79
360 square meter sintering machine waste heat utilization	56,547,049.50		56,547,049.50	55,089,094.50		55,089,094.50
No. 7 blast furnace dry dust removal and energy-saving transformation of TRT power generation	70,288,456.71		70,288,456.71	40,993,916.95		40,993,916.95
1700 Hot Rolling Improvement	88,288,386.41		88,288,386.41	39,806,201.09		39,806,201.09
Coking plant gas deamination and sulfur ammonia maintenance project	48,543.69		48,543.69			
5#-7# Oxygen Generator Nitrogen Increasing and Energy Saving Renovation	38,600,796.92		38,600,796.92	34,339,392.96		34,339,392.96
6#Blast furnace environmental protection overhaul project	65,177,829.19		65,177,829.19	30,937,257.41		30,937,257.41
Two sets of dust collectors for the second sintered finished product in ironworks	1,255,783.76		1,255,783.76	29,954,354.78		29,954,354.78
Power plant 4-5# coke oven dry quenching waste heat steam utilization project	27,358.49		27,358.49			
Plate transfer to Liaoning Coal Chemical Coke Oven Gas Project	21,840,791.70		21,840,791.70	21,840,791.70		21,840,791.70
Overall improvement of Benxi Steel's manufacturing management	22,104,039.00		22,104,039.00	20,685,421.72		20,685,421.72
8#Coke oven wastewater advanced treatment	20,335,268.74		20,335,268.74	20,335,268.74		20,335,268.74
Others	498,023,975.54		498,023,975.54	299,945,414.92		299,945,414.92
Total	2,560,710,384.30		2,560,710,384.30	1,820,264,689.19		1,820,264,689.19

3. Changes in important construction projects in the current period

Items	Budget	31 December 2019	Increase during current period	Transferred to fixed asset during current period	Other decrease during current period	30 June 2020	Project cumulative investment accounted for the proportion of the budget (%)	Project progress (%)	Accumulated amount of interest capitalization	Including : Interest capitalization amount in current period	Interest capitalization rate in current period (%)	Sources of funds
Energy-saving renovation project of No. 5 blast furnace in ironworks	1,500,000,000.00	491,069,345.30	265,985,896.52	82,568.81		756,972,673.01	50%	50%	22,681,832.49	4,299,372.31	4.35	Self-raised& Other
Special steel mill renovation project	596,070,000.00	126,479,522.35	9,515,343.14			135,994,865.49	24%	25%	2,780,476.54	798,549.83	4.35	Self-raised& Other
1# converter energy saving and environmental protection transformation	218,000,000.00	148,803,402.52	-16,287,446.67			132,515,955.85	61%	70%	1,244,218.10	295,400.00	4.35	Self-raised& Other
Steelmaking Plant No. 8 Casting Machine Project	643,410,000.00	100,460,943.24	93,164,064.77			193,625,008.01	30%	40%				Self-raised& Other
Cold rolled high-strength steel renovation project	6,134,980,000.00		34,614,140.91	2,037,588.85		32,576,552.06	96%	100%	857,867,059.71			Self-raised& Other
Reconstruction project of three power plant workshop	593,990,000.00		3,861,154.59			3,861,154.59	99%	98%	34,827,795.34			Self-raised& Other
Transformation of No. 2 Casting Machine in Steelmaking	100,900,000.00	81,419,913.88	1,262,650.16			82,682,564.04	82%	85%	129,125.71			Self-raised& Other

Items	Budget	31 December 2019	Increase during current period	Transferred to fixed asset during current period	Other decrease during current period	30 June 2020	Project cumulative investment accounted for the proportion of the budget (%)	Project progress (%)	Accumulated amount of interest capitalization	Including : Interest capitalization amount in current period	Interest capitalization rate in current period (%)	Sources of funds
Plant												
CCPP power generation project	1,060,000,000.00	85,320,752.59	29,812,748.42			115,133,501.01	11%	10%	2,587,646.72	60,479.95	4.35	Self-raised& Other
Environmental protection renovation project of No. 4-6 converter	270,000,000.00	69,541,903.74	25,636,037.41			95,177,941.15	35%	40%	1,800,233.51	548,620.48	4.35	Self-raised& Other
Special Steel Electric Furnace Upgrade Project	1,617,610,000.00	62,311,284.01	26,648,525.90			88,959,809.91	5%	10%				Self-raised& Other
360 square meter sintering machine	1,284,032,000.00	60,930,506.79	12,318,124.80			73,248,631.59	98%	90%				Self-raised& Other
Total	14,018,992,000.00	1,226,337,574.42	486,531,239.95	2,120,157.66		1,710,748,656.71			923,918,388.12	6,002,422.57		

4. There is no impairment of construction in progress during the current period.

5. Construction materials

Items	30 June 2020			31 December 2019		
	Gross carrying amount	Impairment	Book value	Gross carrying amount	Impairment	Book value
Construction materials	8,598,323.97		8,598,323.97	13,588,883.39		13,588,883.39
Total	8,598,323.97		8,598,323.97	13,588,883.39		13,588,883.39

(12) Intangible assets

1. Details of intangible assets

Items	Land use right	Software	Total
1. Total of original value			
(1) 31 December 2019	327,028,797.84	310,401.55	327,339,199.39
(2) Increase			
Including: Purchase			
Internal R&D			
Increase in Mergers			
Others			
(3) Decrease			
Including: Disposal			
Others			
(4) 30 June 2020	327,028,797.84	310,401.55	327,339,199.39
2. Total of Accumulated Amortization			
(1) 31 December 2019	55,717,267.98	121,908.07	55,839,176.05
(2) Increase	3,270,287.94	13,397.46	3,283,685.40
Including: Provision	3,270,287.94	13,397.46	3,283,685.40
Others			
(3) Decrease			
Including: Disposal			
Others			
(4) 30 June 2020	58,987,555.92	135,305.53	59,122,861.45
3. Total of Impairment			

Items	Land use right	Software	Total
(1) 31 December 2019			
(2) Increase			
Including: Provision			
Others			
(3) Decrease			
Including: Disposal			
Others			
(4) 30 June 2020			
4. Total of Net value			
(1) 31 December 2019	268,041,241.92	175,096.02	268,216,337.94
(2) 30 June 2020	271,311,529.86	188,493.48	271,500,023.34

2. Land use right without Certificate of Land use right at the end of the period.

None.

(13) Deferred tax asset and deferred tax liability

1. Deferred tax assets before taking into consideration of the balance offsetting

Items	30 June 2020		31 December 2019	
	Deductible temporary	Deferred tax	Deductible temporary	Deferred tax
	differences	asset	differences	asset
Impairment	390,913,104.12	97,728,276.03	378,651,125.80	94,662,781.44
Internal unrealized profit	54,603,923.36	13,650,980.84	53,312,397.14	13,328,099.29
Differences of depreciation and amortization	333,978,859.03	83,494,714.76	333,978,859.03	83,494,714.76
Total	779,495,886.51	194,873,971.63	765,942,381.97	191,485,595.49

2. There is no deferred tax liabilities before taking into consideration the offsetting of balances at the end of the period.

3. At the end of the reporting period, there are no deferred tax assets or liabilities listed as net value after offsetting.

4. Unrecognized deferred tax assets

Items	30 June 2020	31 December 2019
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Items	30 June 2020	31 December 2019
Deductible losses	388,187,521.59	653,832,187.01
Impairment of assets	410,479.98	428,163.12
Total	388,598,001.57	654,260,350.13

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

Items	30 June 2020	31 December 2019	Notes
Year 2020	341,870,529.25	607,515,194.67	
Year 2021	10,981,383.41	10,981,383.41	
Year 2022	1,000,766.72	1,000,766.72	
Year 2023	16,327,268.19	16,327,268.19	
Year 2024	18,007,574.02	18,007,574.02	
Total	388,187,521.59	653,832,187.01	

(14) Other non-current assets

Items	30 June 2020			31 December 2019		
	Gross carrying amount	Impairment	Book value	Gross carrying amount	Impairment	Book value
Prepayment for long-term assets	963,239,365.67		963,239,365.67	708,502,552.50		708,502,552.50
Total	963,239,365.67		963,239,365.67	708,502,552.50		708,502,552.50

Notes: The prepayment for long-term assets at the end of the period are prepaid for equipment and construction funds, of which RMB 841,113,071.18 was the financial lease deposit paid to Liaoning Hengyi Financial Leasing Co., Ltd.

(15) Short-term loans

1. Classification of short-term loans

Items	30 June 2020	31 December 2019
Pledge loans		
Mortgage loans		
Guaranteed loans	12,086,705,000.00	12,731,478,000.00

Items	30 June 2020	31 December 2019
Credit loans	420,000,000.00	420,000,000.00
Total	12,506,705,000.00	13,151,478,000.00

2. There is no short-term loans that were overdue at the end of the reporting period

(16) Notes payables

Items	30 June 2020	31 December 2019
Bank acceptance bill	752,290,000.00	8,897,442,732.91
Domestic letter of credit	10,603,620,199.39	1,174,963,839.77
Domestic letter of credit	2,878,818,288.66	1,756,108,104.27
Total	14,234,728,488.05	11,828,514,676.95

Notes: There are no outstanding notes payable at the end of this period.

(17) Accounts payable

1. Accounts payable disclosed by category

Items	30 June 2020	31 December 2019
Accounts payable for goods	3,122,246,744.39	3,481,176,373.75
Accounts payable for labor	49,716,139.71	56,959,052.87
Accounts payable for project and equipment	457,345,653.91	581,909,120.17
Repair expense	349,444,971.43	407,468,483.48
Total	3,978,753,509.44	4,527,513,030.27

2. Significant accounts payable aging over one year

Items	Ending balance	Amount aging over one year
Company 1	50,416,440.77	45,906,440.77
Company 2	93,653,173.71	27,685,592.96
Company 3	14,200,763.99	14,200,763.99
Company 4	14,200,000.00	14,200,000.00
Company 5	32,153,162.29	11,977,425.94
Company 6	15,810,625.07	12,040,944.48
Total	220,434,165.83	126,011,168.14

Notes: The above significant accounts payable aged over one year have not yet reached the settlement conditions.

(18) Advance from customers

Items	30 June 2020	31 December 2019
Advance for goods		4,429,821,526.79
Total		4,429,821,526.79

(19) Contract liabilities

Items	30 June 2020	31 December 2019
Advance for goods	4,658,022,515.99	
Total	4,658,022,515.99	

(20) Employee benefits payable

1. Employee benefits payable

Items	31 December 2019	Increase	Decrease	30 June 2020
(1) Short-term employee benefits	22,208,442.94	947,883,058.17	929,828,911.45	40,262,589.66
(2) Post-employment benefits - defined contribution plans	62,312.32	79,852,867.66	79,517,956.70	397,223.28
(3) Termination benefits	1,427,419.30		914,555.00	512,864.30
(4) Other benefits due within one year				
Total	23,698,174.56	1,027,735,925.83	1,010,261,423.15	41,172,677.24

2. Short-term employee benefits

Items	31 December 2019	Increase	Decrease	30 June 2020
(1) Salary, bonus, allowance and subsidy	12,974,335.94	682,125,744.78	667,433,631.49	27,666,449.23
(2) Employee welfare		42,088,821.33	42,088,821.33	
(3) Social Insurance	756,616.34	151,522,095.49	148,532,398.75	3,746,313.08
Including: Medical insurance	106,650.30	54,080,133.64	54,133,936.64	52,847.30
Work injury insurance	649,966.04	15,341,554.21	12,632,965.43	3,358,554.82
Maternity				

Items	31 December 2019	Increase	Decrease	30 June 2020
insurance				
(4) Housing	6,855,601.00	56,644,301.00	56,644,301.00	6,855,601.00
(5) Union funds and staff education fee	1,621,889.66	15,502,095.57	15,129,758.88	1,994,226.35
(6) Short-term compensated absences				
(7) Short-term profit - sharing scheme				
Total	22,208,442.94	947,883,058.17	929,828,911.45	40,262,589.66

3. Defined contribution plans

Items	31 December 2019	Increase	Decrease	30 June 2020
Basic pension fund	60,423.10	77,455,966.53	77,127,366.80	389,022.83
Unemployment insurance	1,889.22	2,396,901.13	2,390,589.90	8,200.45
Total	62,312.32	79,852,867.66	79,517,956.70	397,223.28

(21) Current tax liabilities

Items	30 June 2020	31 December 2019
Value-added tax	6,341,821.09	246,921,117.21
Corporate income tax	5,326,863.20	6,250,204.39
City maintenance and construction tax	523,353.68	11,416,274.65
House property tax	3,676,391.46	3,445,290.84
Educational surcharges	421,669.65	8,146,826.78
Land use right tax	1,128,142.41	1,128,141.09
Environmental tax	251,080.35	5,264,008.42
Others	4,278,390.14	2,253,951.42
Total	21,947,711.98	284,825,814.80

(22) Other payables

Items	30 June 2020	31 December 2019
Interest payables	20,582,111.30	10,818,986.30
Dividends payables		
Other payables	623,477,759.31	651,882,758.67

Items	30 June 2020	31 December 2019
Total	644,059,870.61	662,701,744.97

1. Interest Payable

Items	30 June 2020	31 December 2019
Loan interests	20,582,111.30	10,818,986.30
Total	20,582,111.30	10,818,986.30

At the end of the reporting period, there is no significant overdue interest

2. Other payables

(1) Other payables disclosed by nature

Items	30 June 2020	31 December 2019
Deposit	1,975,288.77	1,933,435.69
Margin	84,938,221.01	86,166,961.89
Accounts	431,828,769.92	454,536,559.31
Others	104,735,479.61	109,245,801.78
Total	623,477,759.31	651,882,758.67

(2) There is no significant other payables aged over one year at the end of the reporting period.

(23) Non-current liabilities due within one year

Items	30 June 2020	31 December 2019
Long-term loans due within one year	1,201,524,980.80	234,474,657.99
Bond payables due within one year		
Long-term payables due within one year		
Total	1,201,524,980.80	234,474,657.99

Notes: Among the long-term loans due within one year, RMB 1,200,000,000.00 is credit loan and RMB 1,524,980.80 is guaranteed loan.

(24) Long-term loans

Items	30 June 2020	31 December 2019
Pledged loans	622,600,000.00	622,600,000.00
Mortgage loan		

Items	30 June 2020	31 December 2019
Guaranteed loans	1,313,560,767.82	1,106,159,800.73
Credit loans	1,874,303,166.36	3,120,916,110.00
Total	3,810,463,934.18	4,849,675,910.73

(25) Long-term payables

Items	30 June 2020	31 December 2019
Long-term payables	1,050,748,776.34	516,939,408.14
Special payables		
Total	1,050,748,776.34	516,939,408.14

Long-term payables

Items	30 June 2020	31 December 2019
Financing lease payments	1,050,748,776.34	516,939,408.14
Total	1,050,748,776.34	516,939,408.14

Notes: At the end of the reporting period, the amount of unrealized financing expenses payable for financing leases was RMB 824,818,755.27.

The company needs to pay interest on time, the principal is a one-time payment after the lease contract expires, and expiry date of each lease contract that has not been completely executed is more than 3 years.

(26) Deferred income

Items	31 December 2019	Increase	Decrease	30 June 2020	Reason
Government subsidy	208,955,407.30	1,626,919.00	37,890,873.76	172,691,452.54	
Total	208,955,407.30	1,626,919.00	37,890,873.76	172,691,452.54	

Projects of government subsidies:

Items	31 December 2019	Increase	Transfer to non-operating income	Other decrease	30 June 2020	Related to assets or income
<High-strength pipeline steel under low-temperature and high-pressure service conditions> project national support funds	121,000.00		93,575.00		27,425.00	Related to income
Municipal Skills Master Workstation Expenses in 2018 (Special Steel, Steelmaking, and Energy General Plant 80,000 each)	187,039.34		120,423.00		66,616.34	Related to income
Carbon Fiber Wastewater Advanced Treatment Project in Dongfeng Plant Area of Plate Coking Plant	9,500,000.00				9,500,000.00	Related to assets
Coal-fired boiler desulfurization and denitrification project in high-pressure workshop of Bengang Power Plant	4,200,000.00		300,000.00		3,900,000.00	Related to assets
Bengang Group Co., Ltd. Automotive Sheet Engineering Laboratory Engineering Construction Fund	1,000,000.00				1,000,000.00	Related to assets
Benxi Iron and Steel Automotive Sheet Engineering Laboratory Project	1,000,000.00		160,206.60		839,793.40	Related to assets
Research and development of the third-generation high-strength steel for automobiles	2,900,000.00				2,900,000.00	Related to assets
Flue gas desulfurization project of 7 130-ton combustion boilers in power plant	14,400,000.00		2,400,000.00		12,000,000.00	Related to assets
Project fund for cogeneration transformation project of power plant's three-electric workshop	6,000,000.00		1,000,000.00		5,000,000.00	Related to assets
Demonstration project of construction of energy management center for industrial enterprises	4,640,000.00		1,160,000.00		3,480,000.00	Related to assets
Research and development of anti-oxidation hot forming steel PHS1500A	250,000.00		0.10		249,999.90	Related to income
Air quality automatic monitoring system	105,000.00		35,000.00		70,000.00	Related to assets
Cold rolled high-strength steel renovation project	150,000,000.00		25,000,000.00		125,000,000.00	Related to assets

Items	31 December 2019	Increase	Transfer to non-operating income	Other decrease	30 June 2020	Related to assets or income
Energy saving and environmental protection project of sintering machine in ironworks	1,160,000.00		580,000.00		580,000.00	Related to assets
Liaoning craftsman subsidy	100,002.97		14,002.80		86,000.17	Related to income
Construction of a new platform for professional technology in the automotive steel industry	1,000,000.00		300,000.00		700,000.00	Related to assets
Study on the Effect Mechanism and Control of Rare Earth Oxsulfide on Plasticity of Automobile Steel	184,364.99		-3,252.74		187,617.73	Related to income
Introduce special funds for overseas advanced applicable technologies (progress in production technology of high-end electro-galvanized sheet)	4,000,000.00		1,000,000.00		3,000,000.00	Related to assets
High-grade electro-galvanized sheet production line project for automobiles	8,208,000.00		4,104,000.00		4,104,000.00	Related to assets
Compensation for closing city construction service center		1,626,919.00	1,626,919.00			Related to income
Total	208,955,407.30	1,626,919.00	37,890,873.76		172,691,452.54	

(27) Share capital

Items	31 December 2019	Increase/decrease (+, -)					30 June 2020
		Issuing of new share	Bonus shares	Transferred from reserves	Others	Subtotal	
Capital shares	3,875,371,532.00						3,875,371,532.00

(28) Capital reserves

Items	31 December 2019	Increase	Decrease	30 June 2020
Capital premium over par value	12,227,292,378.47			12,227,292,378.47
Other capital reserves	115,917,468.82			115,917,468.82
Total	12,343,209,847.29			12,343,209,847.29

(29) Special Reserves

Items	31 December 2019	Increase	Decrease	30 June 2020
Safety production cost	212,687.41	26,575,861.58	4,308,363.55	22,480,185.44
Total	212,687.41	26,575,861.58	4,308,363.55	22,480,185.44

(30) Surplus Reserves

Items	31 December 2019	Increase	Decrease	30 June 2020
Statutory surplus reserves	961,105,529.85			961,105,529.85
Total	961,105,529.85			961,105,529.85

(31) Undistributed Profits

Items	Current period	Previous period
Before adjustments: undistributed profits at last year-end	2,307,765,664.62	1,945,887,269.82
Adjustments of the beginning distributed profits (increase + / decrease -)		
After adjustments: undistributed profit at this	2,307,765,664.62	1,945,887,269.82

Items	Current period	Previous period
year-beginning		
Add: undistributed profit belonging to parent company	254,644,204.33	555,646,971.40
Less: Statutory surplus reserves		
Discretionary reserves		
General risk reserves		
Common shares dividend payable		193,768,576.60
Common shares dividend transferred to paid-in capital		
Ending balance of undistributed profits	2,562,409,868.95	2,307,765,664.62

(32) Operating income and operating cost

Items	Current period		Previous period	
	Revenue	Cost	Revenue	Cost
Principal business	20,470,526,587.62	18,886,384,469.92	22,581,458,005.55	20,807,089,888.18
Other business	1,714,010,672.43	1,553,861,892.75	1,521,137,161.59	1,260,522,841.47
Total	22,184,537,260.05	20,440,246,362.67	24,102,595,167.14	22,067,612,729.65

Details for operating income:

Items	Current period	Previous period
Principal business	20,470,526,587.62	22,581,458,005.55
Including: Domestic	17,852,661,337.91	18,514,105,145.87
Abroad	2,617,865,249.71	4,067,352,859.68
Other business	1,714,010,672.43	1,521,137,161.59
Including: Domestic	1,714,010,672.43	1,521,137,161.59
Abroad		
Total	22,184,537,260.05	24,102,595,167.14

(33) Tax and surcharges

Items	Current period	Previous period
City maintenance and construction tax	13,467,815.13	27,561,420.89
Educational surcharge	9,674,693.55	19,877,089.62

Items	Current period	Previous period
Housing property tax	40,089,186.70	38,778,891.04
Land use right tax	6,457,679.78	6,538,299.88
Stamp duty and others	5,619,563.86	6,387,222.58
Environmental tax	12,962,357.84	14,961,858.43
others	127,139.82	20,580.53
Total	88,398,436.68	114,125,362.97

(34) Selling and distribution expenses

Items	Current period	Previous period
Freight	532,184,917.51	456,217,341.94
Port surcharges	53,812,369.10	52,405,847.32
Import and export agency fee	30,678,165.54	34,174,633.61
Salary and benefits	12,735,597.76	13,553,533.82
Others	9,404,066.26	13,751,821.86
Package fee	3,578,102.61	4,342,020.59
Total	642,393,218.78	574,445,199.14

(35) General and administrative expenses

Items	Current period	Previous period
Salary and benefits	110,662,138.91	122,383,642.39
Repair expense	102,044,859.99	142,464,599.50
Land use right fee	32,611,483.62	27,345,714.30
Others	58,119,763.89	62,667,766.52
Depreciation	18,573,834.52	24,216,703.47
Social insurance fee	18,957,667.84	23,532,872.66
Heating fee	18,050,334.83	22,391,441.18
Water resources fee	12,470,097.22	11,993,951.74
Housing fund	5,056,476.00	4,737,351.00
Amortization	2,975,850.60	2,970,897.50
Entertainment fee	369,545.17	1,070,316.75
Rental fee	661,452.72	643,214.78
Shipping fee	274,811.10	349,339.98

Items	Current period	Previous period
Total	380,828,316.41	446,767,811.77

(36) Research and development expenses

Items	Current period	Previous period
Depreciation, materials and compensation, etc.	20,202,985.20	15,408,472.28
Total	20,202,985.20	15,408,472.28

(37) Financial expenses

Items	Current period	Previous period
Interest expenditure	439,861,353.93	586,490,262.69
Less: Interest income	154,882,284.33	127,083,779.58
Exchange loss	45,932,418.60	-71,095,752.13
Others	24,125,152.20	15,154,975.44
Total	355,036,640.40	403,465,706.42

(38) Other income

Items	Current period	Previous period
Government subsidy	37,894,126.40	41,695,000.00
Others	693,206.00	
Total	38,587,332.40	41,695,000.00

Government subsidies included in other income:

Items	Current period	Previous period	Related to assets or income
Steel for high-strength pipelines under low-temperature and high-pressure service conditions>Project State Support Fund	93,575.00	52,000.00	income
2018 municipal skill master workstation costs	120,423.00		income
Coal-fired boiler desulfurization and denitrification project in high-pressure workshop of Bengang Power Plant	300,000.00	300,000.00	assets
Benxi Iron and Steel Automotive Sheet Engineering Laboratory Project	160,206.60		assets
Flue gas desulfurization project of 7 130-ton combustion boilers in power plant	2,400,000.00	2,400,000.00	assets
Project fund for cogeneration transformation project of power plant's three-electric workshop	1,000,000.00	1,000,000.00	assets
Demonstration project for the construction of energy management center for industrial enterprises	1,160,000.00	1,160,000.00	assets
Air quality automatic monitoring system	35,000.00	35,000.00	assets
Cold rolled high-strength steel renovation project	25,000,000.00	25,000,000.00	assets
Energy saving and environmental protection project of sintering machine in ironworks	580,000.00	580,000.00	assets
Liaoning craftsman subsidy	14,002.80		income
Construction of a new platform for professional technology in the automotive steel industry	300,000.00		income
Special funds for introducing overseas advanced and applicable technologies	1,000,000.00	1,442,000.00	assets
High-grade electro-galvanized sheet production line project for automobiles	4,104,000.00	4,104,000.00	assets

Items	Current period	Previous period	Related to assets or income
Compensation for closing city construction service center	1,626,919.00		income
MES project special funds		860,000.00	assets
Environmental pollution control project		1,810,000.00	assets
Environmental governance project and regional watershed environmental protection comprehensive prevention and control project		170,000.00	assets
Sintering machine waste heat utilization project and desulfurization renovation project		2,102,000.00	assets
Ironworks 360 Sintering Machine Flue Gas Desulfurization Project		100,000.00	assets
Environmental protection special fund		580,000.00	assets
Others	693,206.00		income
Total	38,587,332.40	41,695,000.00	

(39) Income on investment

Items	Current period	Previous period
Income on disposal of long-term equity investment by equity method	29,304.00	25,907.49
Income on bank short-term financial products		
Others		
Total	29,304.00	25,907.49

(40) Credit impairment loss

Items	Current period	Previous period
Loss from bad debts of note receivable		
Loss from bad debts of account receivable	3,266,886.62	3,389,912.79
Loss from bad debts of receivable financing		
Loss from bad debts of other receivables	220,896.80	361,601.04
Loss from bad debts of debt investment		
Loss from bad debts of other debt investment		
Loss from bad debts of long-term receivables		
Total	3,487,783.42	3,751,513.83

(41) Asset impairment loss

Items	Current period	Previous period
Bad debt loss		
Inventory impairment loss	-15,321,598.62	
Impairment of fixed assets		
Total	-15,321,598.62	

(42) Assets disposal gains

Items	Current period	Previous period	The amount recognized in non-recurring profit
Disposal gains or losses arising from disposal of fixed assets not classified for sale	325,651.61	2,418,704.34	325,651.61
Total	325,651.61	2,418,704.34	325,651.61

(43) Non-operating income

Items	Current period	Previous period	The amount recognized in non-recurring profit
Non-current assets scrapped gains	302,362.80	7,955,444.40	302,362.80
Others	805,201.30	204,097.84	805,201.30
Debt restructuring gain	32,800.02	50,640.00	32,800.02
Total	1,140,364.12	8,210,182.24	1,140,364.12

(44) Non-operating expense

Items	Current period	Previous period	The amount recognized in non-recurring profit
Non-current assets scrapped loss	20,035,471.42	57,974,322.05	20,035,471.42
Total	20,035,471.42	57,974,322.05	20,035,471.42

(45) Income tax expense

1. Income tax expense

Items	Current period	Previous period
Income tax payable for the current year	12,626,191.22	9,415,176.70
Adjustment of deferred income tax	-3,388,376.14	16,547,005.03
Total	9,237,815.08	25,962,181.73

2. Accounting profit and income tax expense adjustment process

Items	Current period
Total profit	265,644,665.42
Income tax expense calculate according to the official or applicable tax rate	66,411,166.35
Effect of different tax rates applied by subsidiaries	
Effect of adjustment of the income tax expense of prior period	
Effect of non-taxable income	
Effect of undeductible costs, expenses or losses	

Items	Current period
Effect of use of deductible losses of unrecognized deferred tax asset of prior period	-54,648,936.33
Effect of deductible temporary differences or deductible losses of unrecognized deferred tax asset of current period	
Changes in the balance of deferred income tax assets and liabilities at the beginning of the period due to additional deductible expenses and tax rate adjustments required by the tax law	
Income tax expenses	9,237,815.08

(46) Earning per share

1. Basic earnings per share

The basic earnings per share is calculated by dividing the consolidated net profit attributable to the common stock shareholders of the parent company by the weighted average number of common stocks issued by the company:

Items	Current period	Previous period
Consolidated net profit attributable to ordinary shareholders of parent company	254,644,204.33	453,209,615.76
The weighted average number of common shares issued by the company	3,875,371,532.00	3,813,757,237.67
Basic earnings per share	0.07	0.12
Including: basic earnings per share for continuing operations	0.07	0.12
Basic earnings per share for discontinued operations		

2. Diluted earnings per share

Diluted earnings per share is calculated by dividing the consolidated net profit attributable to the common shareholders of the parent company (diluted) by the weighted average number of ordinary shares issued by the company (diluted):

Items	Current period	Previous period
Consolidated net profit attributable to ordinary shareholders of parent company (diluted)	254,644,204.33	453,209,615.76

Items	Current period	Previous period
The weighted average number of common shares issued by the company (diluted)	3,875,371,532.00	3,813,757,237.67
Basic earnings per share	0.07	0.12
Including: basic earnings per share for continuing operations	0.07	0.12
Basic earnings per share discontinued		

(47) Notes of statement of cash flows

1. Cash received related to other operating activities

Items	Current period	Previous period
Withdraw of current accounts, advance for another	16,851,204.08	17,151,876.47
Interest income	154,882,284.33	127,083,779.58
Special subsidy income	1,626,919.00	428,000.00
Non-operating income	503,009.25	117,870.10
Others	153,380.34	123,098.19
Total	174,016,797.00	144,904,624.34

2. Cash paid related to other operating activities

Items	Current period	Previous period
Current accounts, advance for another	199,605,380.27	221,234,925.29
Sales expenses	4,545,479.59	4,449,939.39
Administrative expenses	18,446,185.30	17,883,394.86
Bank charges	3,331,343.25	3,255,172.22
Others	360,322.84	365,921.44
Total	226,288,711.25	247,189,353.20

(48) Supplementary details of statement of cash flows

1. Supplementary details for statement of cash flows

Items	Current period	Previous period
1. A reconciliation of net profit to cash flows from operating activities:		
Net profit	256,406,850.34	452,934,689.03
Add: Credit impairment loss	3,487,783.42	3,751,513.83

Bengang Steel Plates Co., Ltd.
 For the half year ended 30 June 2020
 Notes to the financial statements

Items	Current period	Previous period
Asset impairment loss	-15,321,598.62	
Depreciation of fixed assets and so on	1,201,263,368.47	1,199,864,248.72
Amortization of intangible assets	3,283,685.40	3,278,732.29
Long-term deferred expenses		
Losses proceeds from disposal of PPE, intangible assets and other long-term assets (Earnings marked“—”)	19,733,108.62	57,974,322.05
Scrapped losses from fixed assets (Earnings marked“—”)		
Change in fair value loss (Earnings marked“—”)		
Financial expenses (Earnings marked“—”)	355,036,640.40	403,465,706.42
Investment losses (Earnings marked“—”)		
Deferred tax assets reduction (Addition marked“—”)	-3,388,376.14	15,928,033.89
Deferred tax liabilities increased (Reduction marked“—”)		
Reduction of inventory (Addition marked“—”)	-1,885,641,689.91	-1,289,831,911.07
Operating receivable items reduction (Addition marked“—”)	-1,938,821,059.08	-908,736,317.08
Operating payable items increase (Less marked" —")	1,852,485,580.02	1,046,157,987.59
Other		
Net cash flows generated from operating activities	-151,475,707.08	984,787,005.67
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 cash	11,417,592,663.52	11,788,922,569.51
Less: Beginning balance of cash	13,441,414,988.58	11,752,548,621.97
Add: Ending balance of cash equivalents		
Less: Opening balance of cash equivalents		
The net increase in cash and cash equivalents	-2,023,822,325.06	36,373,947.54

2. The structure of cash and cash equivalents

Items	30 June 2020	31 December 2019
1. Cash	11,417,592,663.52	13,441,414,988.58
Including: Cash on hand	7,110.40	5,588.98
Bank deposits available on demand	11,417,585,553.12	13,441,409,399.60
Other monetary funds available on demand		
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	11,417,592,663.52	13,441,414,988.58
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	30 June 2020	Reason
Cash at bank and on hand	5,370,886,642.41	Deposit for notes and letter of credit
Accounts receivable financing	759,753,834.45	Pledged for acceptance bill and short term loan
Other equity instrument investments	1,037,735,849.00	Pledged for loans
Total	7,168,376,325.86	

(50) Foreign currency monetary items

1. Foreign currency monetary items

Items	Ending balance in foreign currency	Exchange rate at the end of the period	Ending balance translated to RMB
Cash at bank and on hand			62,843,510.18
Including: USD	8,723,365.02	7.0795	61,757,062.66
EUR	105,097.02	7.9610	836,677.38
HKD	273,451.00	0.9134	249,770.14

Items	Ending balance in foreign currency	Exchange rate at the end of the period	Ending balance translated to RMB
Short-term loans			1,345,105,000.00
Including: USD	190,000,000.00	7.0795	1,345,105,000.00
Non-current liabilities due within one year			1,524,980.80
Including: JPY	23,176,000.00	0.0658	1,524,980.80
Long-term loans			556,295,833.99
Including: USD	18,900,000.00	7.0795	133,802,550.00
EUR	51,825,261.75	7.9610	412,580,908.79
JPY	150,644,000.00	0.0658	9,912,375.20

2. The Company has no overseas operating entities.

(51) Government subsidy

1. Related to assets

Items	Amount	Balance sheet presentation items	The amount included in the current profit and loss or offset the loss of related costs		
			Current period	Previous period	Items
Coal-fired boiler desulfurization and denitrification project in high-pressure workshop of Bengang Power Plant	3,900,000.00	Deferred income	300,000.00	300,000.00	Other income
Benxi Iron and Steel Automotive Sheet Engineering Laboratory Project	1,000,000.00	Deferred income	160,206.60		Other income
Flue gas desulfurization project of 7 130-ton combustion boilers in power plant	12,000,000.00	Deferred income	2,400,000.00	2,400,000.00	Other income
Project fund for cogeneration transformation project of power plant's three-electric workshop	5,000,000.00	Deferred income	1,000,000.00	1,000,000.00	Other income
Demonstration project of construction of energy management center for industrial enterprises	3,480,000.00	Deferred income	1,160,000.00	1,160,000.00	Other income
Air quality automatic monitoring system	70,000.00	Deferred income	35,000.00	35,000.00	Other income
Cold rolled high-strength steel renovation	125,000,000.00	Deferred income	25,000,000.00	25,000,000.00	Other income

Items	Amount	Balance sheet presentation items	The amount included in the current profit and loss or offset the loss of related costs		
			Current period	Previous period	Items
project					
Energy saving and environmental protection project of sintering machine in ironworks	580,000.00	Deferred income	580,000.00	580,000.00	Other income
Construction of a new platform for professional technology in the automotive steel industry	700,000.00	Deferred income	300,000.00		Other income
Special funds for introducing overseas advanced and applicable technologies	3,000,000.00	Deferred income	1,000,000.00	1,442,000.00	Other income
High-grade electro-galvanized sheet production line project for automobiles	4,104,000.00	Deferred income	4,104,000.00	4,104,000.00	Other income
MES project special funds		Deferred income		860,000.00	Other income
Environmental pollution control project		Deferred income		1,810,000.00	Other income
Environmental governance project and regional watershed environmental protection comprehensive prevention and control project		Deferred income		170,000.00	Other income

Items	Amount	Balance sheet presentation items	The amount included in the current profit and loss or offset the loss of related costs		
			Current period	Previous period	Items
Sintering machine waste heat utilization project and desulfurization renovation project		Deferred income		2,102,000.00	Other income
Ironworks 360 Sintering Machine Flue Gas Desulfurization Project		Deferred income		100,000.00	Other income
Environmental protection special fund		Deferred income		580,000.00	Other income
Total	158,834,000.00		36,039,206.60	41,643,000.00	

2. Related to income

Items	Amount	The amount included in the current profit and loss or offset the loss of related costs		
		Current period	Previous period	Items
<High-strength pipeline steel under low-temperature and high-pressure service conditions> project national support funds	27,425.00	3,575.00	52,000.00	Other income
2018 municipal skill master workstation costs	66,616.34	120,423.00		Other income
Liaoning craftsman subsidy	86,000.17	14,002.80		Other income
other		693,206.00		Other income

Items	Amount	The amount included in the current profit and loss or offset the loss of related costs		
		Current period	Previous period	Items
Total	180,041.51	921,206.80	52,000.00	

3. Return of government subsidies during the reporting period

None

6. Changes in the scope of consolidation

There is no changes to the scope of consolidation during the current period.

7. Equity in other entities

(1) Equity in subsidiaries

1. Constitution of enterprise group

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

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

The proportion of shares held in subsidiaries is different from the proportion of voting rights: the company does not have such matters.

Basis for holding half or less of the voting rights but still controlling the investee, and holding more than half of the voting rights but not controlling the investee: The company does not have such matters.

For important structured entities included in the scope of consolidation, the basis for control: The company does not have such matters.

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	3,121,127.48		499,174,786.40

The minority shareholder's shareholding ratio is different from the voting rights ratio: the company does not have such matters.

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

Name of the subsidiaries	30 June 2020					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Bengang Posco Cold-rolled Sheet Co., Ltd.	3,576,435,100.80	1,409,255,518.34	4,985,690,619.14	2,988,991,473.55		2,988,991,473.55

Name of the subsidiaries	31 December 2019					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Bengang Posco Cold-rolled Sheet Co., Ltd.	4,305,831,723.982	1,509,417,518.88	5,815,249,242.86	3,832,718,789.47		3,832,718,789.47

Name of the subsidiaries	Current period			
	Operating income	Net profit	Total comprehensive income	Net cash flows from operating activities
Bengang Posco Cold-rolled Sheet Co., Ltd.	3,483,712,504.36	12,484,509.92	12,484,509.92	389,115,477.57

Name of the subsidiaries	Previous period			
	Operating income	Net profit	Total comprehensive income	Net cash flows from operating activities
Bengang Posco Cold-rolled Sheet Co., Ltd.	3,720,975,482.91	7,704,734.61	7,704,734.61	1,318,506,299.45

4. Significant restrictions on the use of corporate group assets and the settlement of corporate group debts

None.

5. Financial support or other support provided to structured entities included in the scope of consolidated financial statements

None.

(2) The share of owner's equity in the subsidiary changes and the subsidiary still controls the transaction

None.

(3) Equity in joint venture or associates

1. Summary of financial information of important joint ventures and associates

The company has no important joint ventures or associates.

2. Summary of financial information of unimportant joint ventures and associates

Items	30 June 2020/Current period	31 December 2019/Previous period
Joint ventures:		
Total book value of investment:	2,672,302.70	2,642,998.70
The total amount of the following items calculated according to the shareholding ratio		
—Net profit	29,304.00	452,582.71
—Other comprehensive income		
—Total comprehensive income	29,304.00	452,582.71

3. Explanation of significant restrictions on the ability of joint ventures or associates to transfer funds to the company

None.

4. Excess losses incurred by joint ventures or associates

None.

5. Unconfirmed commitments related to joint venture investment

None.

6. Contingent liabilities related to investment in joint ventures or associates

None.

(4) Important joint operations

None.

(5) Equity in structured entities not included in the scope of consolidated financial statements

None.

8. Risks associated with financial instruments

The company faces various financial risks in its operation: credit risk, market risk and liquidity risk. The company's board of directors is fully responsible for the determination of risk management objectives and policies, and assumes ultimate responsibility for the risk management objectives and policies. However, the board of directors has authorized the company's planning and development department to design and implement procedures that ensure the effective implementation of risk management objectives and policies. The board of directors reviews the effectiveness of the implemented procedures and the rationality of risk management objectives and policies through reports submitted by the planning and development department. The company's internal auditors also audit risk management policies and procedures, and report relevant findings to the audit committee.

The overall goal of the company's risk management is to formulate a risk management policy that minimizes risks without excessively affecting the company's competitiveness and resilience.

(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. Before signing a new contract, the company will evaluate the credit risk of the new customer, including the external credit rating and in some cases the bank credit certificate (when this information is available). The company has set a credit sales limit for each customer, which is the maximum amount without additional approval.

The Company ensures that the company's overall credit risk is within a controllable range through regular monitoring of existing customer credit ratings and regular review of accounts receivable aging analysis. 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.

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 and Euro. The ending balance of foreign currency financial assets and foreign currency financial liabilities after converted in RMB is shown as below:

(In 10 Thousand)

Items	30 June 2020				
	USD	Euro	HKD	Japanese Yen	Total
Assets	6,175.71	83.67	24.98		6,284.35
Liabilities	147,890.76	41,258.09		1,143.74	190,292.58

Items	31 December 2019				
	USD	Euro	HKD	Japanese Yen	Total
Assets	8,990.85	1,109.84	22.90		10,123.59
Liabilities	147,372.23	45,006.35		1,188.28	193,566.86

On June 30, 2020, with all other variables remaining unchanged, if the relevant currency appreciates or depreciates against the RMB by 5%, the company will increase or decrease its net profit by RMB 92,041 (on December 31, 2019: RMB 91,721,600). Management believes that 5% reasonably reflects a reasonable range of possible changes in the relevant currency against RMB in the next year.

(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	30 June 2020				
	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
Trade and other payables	1,958,097.40			50,904.06	2,009,001.46
Loans and interests	1,186,571.99	281,545.02	144,198.26	19,401.64	1,631,716.89
Total	3,144,669.38	281,545.02	144,198.26	70,305.69	3,640,718.35

(In 10 Thousand Yuan)

Items	31 December 2019				
	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
Trade and other payables	1,700,791.05			51,693.94	1,752,484.99

Items	31 December 2019				
	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
Loans and interests	1,339,677.16	328,523.94	133,765.16	22,678.49	1,824,644.75
Total	3,040,468.21	328,523.94	133,765.16	74,372.43	3,577,129.74

9. Disclosure of fair value

The input value used in fair value measurement is divided into three levels:

The input value of the first level is the unadjusted quotation of the same asset or liability that can be obtained on the measurement date in an active market.

The input value of the second level is the input value of the related assets or liabilities that is directly or indirectly observable except the input value of the first level.

The third level of input value is the unobservable input value of related assets or liabilities.

The level to which the fair value measurement result belongs is determined by the lowest level to which the input value that is important to the fair value measurement as a whole belongs.

(1) Fair value of assets and liabilities measured at fair value

Item	Fair value at the end of the period			
	Fair value measurement in the first level	Fair value measurement in the second level	Fair value measurement in the third level	Total
1. Continuous fair value measurement				
◆Financial assets held for trading				
(1) Financial assets measured at fair value and whose changes are included in the current profit and loss				
(a) Investment in debt				

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Item	Fair value at the end of the period			
	Fair value measurement in the first level	Fair value measurement in the second level	Fair value measurement in the third level	Total
instruments				
(b) Investment in equity instruments				
(c) Derivative financial assets				
(d) Others				
(2) Designated as a financial asset measured at fair value and its changes are included in the current profit and loss				
(1) Investment in debt instruments				
(2) Others				
◆ Accounts receivable financing			4,382,121,949.97	4,382,121,949.97
◆ Other debt investments				
◆ Investment in other equity instruments			1,041,824,829.00	1,041,824,829.00
◆ Other non-current financial assets				
(1) Financial assets measured at fair value and whose changes are included in the current profit and loss				
(a) Investment in debt instruments				
(b) Investment in equity				

Item	Fair value at the end of the period			
	Fair value measurement in the first level	Fair value measurement in the second level	Fair value measurement in the third level	Total
instruments				
(c) Derivative financial assets				
(d) Others				
(2) Designated as a financial asset measured at fair value and its changes are included in the current profit and loss				
(a) Investment in debt instruments				
(b) Others				
Total assets continuously measured at fair value			5,423,946,778.97	5,423,946,778.97
◆ Financial liabilities held for trading				
Including:				
Issued trading bonds				
Derivative financial liabilities				
Others				
◆ Designated as a financial liability measured at fair value and its changes included in the current profit and loss				
Total liabilities continuously				

Item	Fair value at the end of the period			
	Fair value measurement in the first level	Fair value measurement in the second level	Fair value measurement in the third level	Total
measured at fair value				
2. Non-continuous fair value measurement				
(1) Assets held for sale				
Total assets not measured continuously at fair value				
For example: Liabilities held for sale				
Total liabilities not measured continuously at fair value				

(2) The basis for determining the market value of the continuous and non-continuous first-level fair value measurement projects

The company has no first level fair value measurement project.

(3) Continuous and non-continuous second-level fair value measurement items, using valuation techniques and qualitative and quantitative information on important parameters

The company has no second level fair value measurement items.

(4) Continuous and non-continuous third-level fair value measurement items, using valuation techniques and qualitative and quantitative information on important parameters

The other equity instruments that continue the third level of fair value measurement are mainly unlisted equity investments held by the company. The company adopted valuation techniques for fair value measurement, mainly using valuation techniques of listed company comparison method,

(5) For continuous fair value measurement projects, where conversion between various levels occurs during the period, the reason for the conversion and the policy for determining the timing of conversion

During the current period, there was no conversion between various levels

(6) Changes in valuation techniques and reasons for changes during the period

No changes during the period.

(7) Fair value of financial assets and financial liabilities not measured at fair value

No

10. Related party transactions

(1) Details of parent company

(In 100 Million Yuan)

Name of parent company	Place of Registry	Notes of Business	Registered capital	Share proportion (%)	Voting rights (%)
Benxi Steel (Group) Co., Ltd.	Benxi	Manufacturing	62.92	62.11	62.11

Note: 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) The company's joint ventures and associates

Name of joint ventures and associates	Relationship
Zhejiang Bengang Jingrui Steel Processing Co., Ltd.	Associate

(4) Details of other related parties

Name of Other related parties	Relationship

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Name of Other related parties	Relationship
Bengang Group Co., Ltd. (Hereinafter referred to as "Bengang Group")	Controlling shareholder of parent company.
Bengang Group International Economic and Trading Co., Ltd.	Belongs to Bengang Group Co., Ltd.
Bengang Cold-rolled Stainless Steel Dandong Co., Ltd.	Same parent company
Benxi Beiying Steel & Iron (Group) Co., Ltd. (Hereinafter referred to as "Beiying Steel")	Belongs to Bengang Group Co., Ltd.
Bengang Electronics and Gas Co., Ltd.	Associate of parent company
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 Iron and Steel (Group) Engineering Construction Supervision Co., Ltd.	Same parent company
Benxi Steel & Iron (Group) Zhengtai Construction Materials Co., Ltd.	Same parent company
Benxi High-tech Drilling Tools Manufacture Co., Ltd.	Belongs to Bengang Group Co., Ltd.
Benxi New Career Development Co., Ltd.	Same parent company
Dalian Boluole Steel Tube Co., Ltd.	Belongs to Benxi Steel and Iron (Group) Co., Ltd.
Guangzhou Free Trade Zone Bengang Sales Co., Ltd.	Belongs to Benxi Steel and Iron (Group) Co., Ltd.

Name of Other related parties	Relationship
Benxi Steel & Iron (Group) General Hospital	Belongs 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
Benxi Steel & Iron (Group) Medical Services Department	Associate of parent company
Bengang Group Finance Co., Ltd.	Belongs to Bengang Group Co., Ltd.
Liaoning Hengyi Financial Leasing Co., Ltd.	Belongs to Bengang Group Co., Ltd.

(5) 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	Current period	Previous period
Benxi Steel & Iron (Group) Co., Ltd.	Repair expense	15,947.21	14,299.69
Benxi Steel & Iron (Group) Co., Ltd.	Land lease fee	3,261.15	2,734.57
Bengang Cold-rolled Stainless Steel Dandong Co., Ltd.	Products	7.95	82.25
Benxi Steel & Iron (Group) Mining Co., Ltd.	Labor cost	361.10	391.41
Benxi Steel & Iron (Group) Mining Co., Ltd.	Raw material and supplementary material	280,270.14	215,655.53
Benxi Steel & Iron (Group) Mining Co., Ltd.	Freight	87.47	85.36
Benxi Steel & Iron (Group) Metallurgy Residues Co., Ltd.	Raw material and supplementary material	14,869.84	11,056.03
Benxi Steel & Iron (Group) Steel & Iron	Processing fee	23.81	84.61

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Name	The content of related party transactions	Current period	Previous period
Process and Logistics Co., Ltd.			
Benxi Steel & Iron (Group) Real-estate Development Co., Ltd.	Raw materials		3,418.04
Benxi Steel & Iron (Group) Machinery Manufacture Co., Ltd.	Spare parts	2,296.73	3,341.85
Benxi Steel & Iron (Group) Machinery Manufacture Co., Ltd.	Repair services	330.54	370.37
Benxi Steel & Iron (Group) Construction Co., Ltd.	Spare parts	19.75	424.68
Benxi Steel & Iron (Group) Construction Co., Ltd.	Project fee	7,490.59	7,123.75
Benxi Steel & Iron (Group) Construction Co., Ltd.	Repair services	3,660.09	7,085.65
Benxi Steel & Iron (Group) Construction Co., Ltd.	Raw material and supplementary material	367.31	332.06
Benxi Steel & Iron (Group) Construction Co., Ltd.	Freight	87.94	152.48
Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	Spare parts	2,568.90	2,896.02
Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	Raw material and supplementary material	5,906.02	6,106.81
Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	Repair services	790.53	940.92
Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	Freight	188.69	349.19
Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	Project fee	332.00	15.80

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Name	The content of related party transactions	Current period	Previous period
Benxi Steel & Iron (Group) Construction and Repairing Co., Ltd.	Raw material & supplementary materials & spare parts	128.19	88.60
Benxi Steel & Iron (Group) Construction and Repairing Co., Ltd.	Project fee	2,992.87	453.18
Benxi Steel & Iron (Group) Construction and Repairing Co., Ltd.	Repair expense	2,673.04	5,520.77
Bengang Electronics and Gas Co., Ltd.	Raw material and supplementary material	6,886.40	5,873.36
Bengang Electronics and Gas Co., Ltd.	Repair services	1,168.35	252.09
Benxi High-tech Drilling Tools Manufacture Co., Ltd.	Spare parts	6.22	4.47
Benxi New Career Development Co., Ltd.	Labor protection fee	22.45	47.20
Benxi New Career Development Co., Ltd.	Raw material and supplementary material and food	107.92	48.42
Liaoning Metallurgy Technician College	Spare parts	117.57	699.54
Bengang Group International Economic and Trading Co., Ltd.	Agency fee	3,067.82	3,417.46
Bengang Group International Economic and Trading Co., Ltd.	Port surcharges	5,381.24	5,240.58
Benxi Steel & Iron (Group) Information and Automatic Tech Co., Ltd.	Spare parts	285.13	226.21
Benxi Steel & Iron (Group) Information and Automatic Tech Co., Ltd.	Project fee	1,368.24	2,191.45
Benxi Steel & Iron (Group) Thermal Power Development Co., Ltd.	Heating costs	18.98	27.20

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Name	The content of related party transactions	Current period	Previous period
Benxi Steel & Iron (Group) Thermal Power Development Co., Ltd.	Raw material and supplementary material	55.00	2.84
Benxi Steel & Iron (Group) Designing Institute	Design fees	28.77	29.24
Benxi Beiying Steel & Iron (Group) Co., Ltd.	Raw material and supplementary material	466,858.50	591,426.43
Benxi Beiying Steel & Iron (Group) Co., Ltd.	Energy & Power	21,856.41	31,906.75
Benxi Beiying Steel & Iron (Group) Co., Ltd.	Freight	166.79	234.47
Benxi Beiying Steel & Iron (Group) Co., Ltd.	Labor cost	2,016.35	4,250.18
Benxi Beiying Steel & Iron (Group) Co., Ltd.	Spare parts	897.66	758.28
Liaoning Hengtong Metallurgical Equipment Manufacture Co., Ltd.	Raw material and spare parts	5,120.05	4,493.46
Liaoning Hengtai Heavy Machinery Co., Ltd.	Raw material and spare parts	43.48	171.84
Liaoning Hengtai Heavy Machinery Co., Ltd.	Repair and labor cost	509.57	1,133.13
Bengang Group Co., Ltd.	House renting fee	37.61	37.61

Company as the seller

(In 10 Thousand Yuan)

Name	The content of related party transactions	Current period	Previous period
Bengang Electronics and Gas Co., Ltd.	Energy & Power	38.10	50.42
Benxi Beiying Steel & Iron (Group) Co.,	Raw material &	135,340.23	60,230.78

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Name	The content of related party transactions	Current period	Previous period
Ltd.	supplementary materials & spare parts		
Benxi Beiying Steel & Iron (Group) Co., Ltd.	Products	1,271.42	792.19
Benxi Beiying Steel & Iron (Group) Co., Ltd.	Energy & Power	6,882.65	7,565.39
Benxi Steel & Iron (Group) Real-estate Development Co., Ltd.	Energy & Power	6.25	6.20
Benxi Steel & Iron (Group) Steel & Iron Process and Logistics Co., Ltd.	Energy & Power	20.39	27.47
Benxi Steel & Iron (Group) Machinery Manufacture Co., Ltd.	Products	1,014.55	995.77
Benxi Steel & Iron (Group) Machinery Manufacture Co., Ltd.	Energy & Power	1,216.43	716.43
Benxi Steel & Iron (Group) Machinery Manufacture Co., Ltd.	Raw material & supplementary materials & spare parts	139.52	605.66
Benxi Steel & Iron (Group) Construction Co., Ltd.	Energy & Power	335.07	19.45
Benxi Steel & Iron (Group) Construction Co., Ltd.	Raw material & supplementary materials & spare parts	15.12	108.13
Benxi Steel & Iron (Group) Mining Co., Ltd.	Energy & Power	33,585.45	34,182.02
Benxi Steel & Iron (Group) Mining Co., Ltd.	Raw material & supplementary materials & spare parts	512.75	3,156.26

Bengang Steel Plates Co., Ltd.
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Name	The content of related party transactions	Current period	Previous period
Benxi Steel & Iron (Group) Mining Co., Ltd.	Freight revenue	497.33	487.08
Benxi Steel & Iron (Group) Thermal Power Development Co., Ltd.	Energy & Power	2,264.65	2,289.99
Benxi Steel & Iron (Group) Thermal Power Development Co., Ltd.	Raw material & supplementary materials & spare parts	682.22	994.94
Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	Energy & Power	409.62	407.66
Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	Products	912.10	12.46
Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	Raw material & supplementary materials & spare parts	936.70	717.36
Benxi Steel & Iron (Group) Information and Automatic Tech Co., Ltd.	Energy & Power	11.69	7.68
Benxi Steel & Iron (Group) Construction and Repairing Co., Ltd.	Energy & Power	66.60	79.48
Benxi Steel & Iron (Group) Construction and Repairing Co., Ltd.	Raw material & supplementary materials & spare parts	-	248.68
Benxi Steel & Iron (Group) Metallurgy Residues Co., Ltd.	Energy & Power	105.91	302.41
Benxi Steel & Iron (Group) Metallurgy Residues Co., Ltd.	Raw material & supplementary materials & spare parts	13,364.82	9,363.79
Benxi Steel & Iron (Group) Co., Ltd.	Energy & Power	430.55	147.07

Name	The content of related party transactions	Current period	Previous period
Benxi Steel & Iron (Group) Co., Ltd.	Raw material & supplementary materials & spare parts	308.79	156.10
Benxi New Career Development Co., Ltd.	Energy & Power	381.86	15.13
Dalian Boluole Steel Tube Co., Ltd.	Products	279.34	188.32
Benxi Steel & Iron (Group) General Hospital	Energy & Power	1.06	3.09
Benxi Steel & Iron (Group) Zhengtai Construction Materials Co., Ltd.	Energy & Power	3.20	0.27
Liaoning Hengtong Metallurgical Equipment Manufacture Co., Ltd.	Raw material & supplementary materials & spare parts	493.65	832.61
Bengang Cold-rolled Stainless Steel Dandong Co., Ltd.	Raw material & supplementary materials & spare parts	736.33	24.14
Suzhou Bengang Industrial Co., Ltd.	Products	19,082.32	16,362.43
Bengang Group Finance Co., Ltd.	Energy & Power	0.65	0.69
Bengang Group Co., Ltd.	Energy & Power	8.82	7.79

Notes:

The pricing policy is based on the transaction content and pricing principles specified in the "Raw Material and Service Supply Agreement" and "Land Use Right Leasing Contract" and supplementary agreements entered into between the Company and Bengang Group and Benxi Steel and Iron (Group) Co., Ltd. The main pricing principle is that if there is a market price, the market price will be used. If there is no market price, then the full cost plus the national additional tax plus a reasonable profit will be used as the pricing standard.

2. Lease information of related parties

Company as the lessor

Lessee	Lease capital category	Lease income of current period	Lease income of previous period
Benxi Steel & Iron (Group) Steel & Iron Process and Logistics Co., Ltd.	Warehouse and machinery	250,000.00	250,000.00
Benxi Steel & Iron (Group) Machinery Manufacture Co., Ltd.	Plants and machinery		245,000.00

Company as the lessee

Lessor	Lease capital category	Lease charges of current period (Without tax)	Lease charges of previous period (Without tax)
Benxi Steel & Iron (Group) Co., Ltd.	Land use right 7,669,068.17 sq.m.	8,049,080.52	123,426,656.64
Benxi Steel & Iron (Group) Co., Ltd.	Land use right 42,920.00 sq.m.		
Benxi Beiying Steel & Iron (Group) Co., Ltd.	2300 Hot rolling product line, related real estate	27,638,772.06	27,345,714.30
Bengang Group Co., Ltd.	1780 Hot rolling product line, related real estate	5,002,327.68	59,013,278.16
	Land use right 728,282.30 sq.m.	4,972,711.56	

Notes:

- According to the "Land Use Right Leasing Contract" and subsequent supplementary agreements signed between the Company and Bengang Steel and Iron (Group) Co., Ltd. on April 7, 1997, December 30, 2005, the Company leases land from Bengang Group, with a monthly rent of 0.594 yuan per square meter. The leased land is 7,669,068.17 square meters and the annual rent is 54,665.10 thousand yuan.
- On August 14, 2019, the company signed the "House Lease Agreement" with Bengang Steel and Iron (Group) Co., Ltd. and Beiying Iron and Steel Company, and leased the houses and auxiliary facilities occupied by the 2300 hot rolling mill production line and the 1780 hot rolling mill production line. The lease term of the houses and ancillary facilities is until December 31, 2038. For details, please refer to note '11 – (1) - 1 – (2)'.
- On July 15, 2019, the company signed "Land Lease Agreement" with Bengang Group and

Bengang Steel and Iron (Group) Co., Ltd. respectively, leased and used a total of 8 pieces of land from Bengang Group and Bengang Steel and Iron (Group) Co., Ltd., with leased areas of 42,920.00 square meters, and 728,282.30 square meters, respectively. The lease term is 20 years, the rental price is 1.138 yuan per square meter per month. For details, please refer to note '11 – (1) - 1 – (3)'.

Financial leasing:

During the reporting period, the company leased machinery and equipment from Liaoning Hengyi Finance Leasing Co., Ltd. in the form of financial leasing. From January to June 2020, the purchase amount is RMB 509,841,317.15, and the amount of interest and commission is RMB 8,880,409.61 (The aforementioned amounts are all include tax.)

3. Information of Guarantee among related parties

(1) Company as the warrantee

Guarantee of loans:

Warrantor	Amount of guarantee	Starting date of Guarantee	Ending date of Guarantee	Has the guarantee been fulfilled
Bengang Group Co., Ltd.	€183,237.83	2015/6/25	2025/9/30	No
Bengang Group Co., Ltd.	€6,162.48	2015/6/25	2026/4/30	No
Bengang Group Co., Ltd.	€444,736.12	2015/6/25	2026/4/30	No
Bengang Group Co., Ltd.	€372,157.59	2015/6/25	2025/6/30	No
Bengang Group Co., Ltd.	€10,641,920.02	2015/6/25	2025/6/30	No
Bengang Group Co., Ltd.	€719,075.68	2015/6/25	2025/10/31	No
Bengang Group Co., Ltd.	€7,625,460.88	2015/6/25	2025/10/31	No
Bengang Group Co., Ltd.	€609,296.41	2015/6/25	2025/8/31	No
Bengang Group Co., Ltd.	€9,290,610.97	2015/6/25	2025/8/31	No
Bengang Group Co., Ltd.	€6,260,281.50	2015/8/20	2025/9/30	No
Bengang Group Co., Ltd.	€198,880.00	2015/12/28	2025/8/31	No
Bengang Group Co., Ltd.	€3,598,451.12	2015/12/28	2025/10/31	No
Bengang Group Co., Ltd.	€326,681.92	2015/12/28	2025/6/30	No
Bengang Group Co., Ltd.	€5,438,280.80	2015/12/28	2026/4/30	No
Bengang Group Co., Ltd.	€4,069.11	2015/12/28	2026/4/30	No

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Warrantor	Amount of guarantee	Starting date of Guarantee	Ending date of Guarantee	Has the guarantee been fulfilled
Bengang Group Co., Ltd.	€2,981,698.20	2016/6/27	2026/4/30	No
Bengang Group Co., Ltd.	€2,266,546.78	2016/12/14	2026/4/30	No
Bengang Group Co., Ltd.	€857,708.44	2017/6/30	2025/10/31	No
Bengang Group Co., Ltd.	\$18,900,000	2016/12/27	2024/6/21	No
Bengang Group Co., Ltd.	¥75,990,000.00	2015/6/25	2021/9/21	No
Bengang Group Co., Ltd.	¥129,750,000.00	2016/12/27	2024/6/21	No
Bengang Group Co., Ltd. and Benxi Steel & Iron (Group) Co., Ltd.	¥75,000,000.00	2016/3/30	2025/3/20	No
Bengang Group Co., Ltd. and Benxi Steel & Iron (Group) Co., Ltd.	¥475,000,000.00	2017/2/27	2025/2/20	No
Benxi Steel & Iron (Group) Co., Ltd.	¥340,000,000.00	2019/12/17	2020/12/17	No
Benxi Steel & Iron (Group) Co., Ltd.	¥31,000,000.00	2020/3/20	2021/3/20	No
Benxi Steel & Iron (Group) Co., Ltd.	¥500,000,000.00	2019/11/19	2020/11/19	No
Benxi Steel & Iron (Group) Co., Ltd.	¥480,000,000.00	2019/12/13	2020/12/13	No
Benxi Steel & Iron (Group) Co., Ltd.	¥300,000,000.00	2019/12/13	2020/12/13	No
Benxi Steel & Iron (Group) Co., Ltd.	¥147,000,000.00	2019/12/16	2020/12/16	No
Benxi Steel & Iron (Group) Co., Ltd.	\$90,000,000.00	2020/3/17	2021/3/17	No
Benxi Steel & Iron (Group) Co., Ltd.	\$100,000,000.00	2019/12/18	2020/12/18	No
Bengang Group Co., Ltd. and	¥200,000,000.00	2019/9/9	2020/9/8	No

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Warrantor	Amount of guarantee	Starting date of Guarantee	Ending date of Guarantee	Has the guarantee been fulfilled
Benxi Steel & Iron (Group) Co., Ltd.				
Bengang Group Co., Ltd. and Benxi Steel & Iron (Group) Co., Ltd.	¥150,000,000.00	2019/10/10	2020/10/8	No
Bengang Group Co., Ltd. and Benxi Steel & Iron (Group) Co., Ltd.	¥200,000,000.00	2019/10/11	2020/10/9	No
Bengang Group Co., Ltd. and Benxi Steel & Iron (Group) Co., Ltd.	¥200,000,000.00	2019/9/19	2020/9/17	No
Bengang Group Co., Ltd. and Benxi Steel & Iron (Group) Co., Ltd.	¥200,000,000.00	2019/9/24	2020/9/23	No
Bengang Group Co., Ltd. and Benxi Steel & Iron (Group) Co., Ltd.	¥178,000,000.00	2019/12/12	2020/12/12	No
Bengang Group Co., Ltd. and Benxi Steel & Iron (Group) Co., Ltd.	¥100,000,000.00	2019/7/8	2020/7/7	No
Bengang Group Co., Ltd.	¥1,200,000,000.00	2020/4/30	2020/12/8	No
Bengang Group Co., Ltd.	¥490,000,000.00	2019/9/5	2020/9/5	No
Bengang Group Co., Ltd.	¥480,000,000.00	2020/1/20	2020/10/19	No
Bengang Group Co., Ltd.	¥800,000,000.00	2020/3/4	2020/9/3	No
Bengang Group Co., Ltd.	¥500,000,000.00	2020/6/19	2021/6/18	No
Bengang Group Co., Ltd.	¥310,000,000.00	2020/5/27	2021/5/25	No
Bengang Group Co., Ltd.	¥670,000,000.00	2020/5/27	2021/5/25	No
Bengang Group Co., Ltd.; Benxi Beiyang Steel & Iron	¥480,000,000.00	2019/12/12	2020/11/3	No

Warrantor	Amount of guarantee	Starting date of Guarantee	Ending date of Guarantee	Has the guarantee been fulfilled
(Group) Co., Ltd.				
Bengang Group Co., Ltd.;				
Benxi Beiying Steel & Iron	¥490,000,000.00	2019/12/12	2020/11/10	No
(Group) Co., Ltd.				
Bengang Group Co., Ltd.;				
Benxi Beiying Steel & Iron	¥320,000,000.00	2019/12/13	2020/12/3	No
(Group) Co., Ltd.				
Bengang Group Co., Ltd.;				
Benxi Beiying Steel & Iron	¥710,000,000.00	2019/12/16	2020/12/10	No
(Group) Co., Ltd.				
Bengang Group Co., Ltd.	¥350,000,000.00	2019/10/11	2020/9/10	No
Bengang Group Co., Ltd.	¥15,600,000.00	2020/1/16	2020/7/16	No
Benxi Steel & Iron (Group) Co., Ltd.	JPY 173,820,000	1997/10/10	2027/9/10	No
Bengang Group Co., Ltd. and Benxi Steel & Iron (Group) Co., Ltd.	¥100,000,000.00	2020/1/9	2020/10/9	No
Bengang Group Co., Ltd. and Benxi Steel & Iron (Group) Co., Ltd.	¥100,000,000.00	2019/10/11	2020/10/9	No
Bengang Group Co., Ltd.	¥220,000,000.00	2019/9/25	2020/9/25	No
Bengang Group Co., Ltd.	¥340,000,000.00	2019/9/6	2020/9/6	No
Bengang Group Co., Ltd.	¥140,000,000.00	2020/1/17	2021/1/17	No

4. Other related party transactions

(1) Loan from and deposits in Bengang Group Finance Co., Ltd.

(In 10 Thousand Yuan)

Item	Beginning balance	Increase	Decrease	Ending balance	Notes
Deposits	1,364,312.51	9,638,807.40	9,774,864.22	1,228,255.69	

1. The interests of deposits in Bengang Group Finance Co., Ltd. is RMB 148,923 thousand from January to June in 2020. As at 30 June 2020, the interest receivable from Bengang Group Finance Co., Ltd. is RMB 32,395.8 thousand.
2. As at 30 June 2020, the restricted deposits in Bengang Group Finance Co., Ltd. is RMB 1,886,440 thousand.
3. From January to June in 2020, the company and its subsidiaries did not borrow money from financial companies.
4. Bengang Group Finance Co., Ltd. granted the company an unsecured credit line of RMB 4.5 billion from January to June in 2020. As at 30 June 2020, the amount of acceptance bill opened by Bengang Group Finance Co., Ltd. was RMB 2.71 billion, and the amount of the acceptance bill that had been opened and unpaid by Bengang Group Finance Co., Ltd. is RMB 3.099 billion, and the proportion of deposit is 98.61%.
5. From January to June in 2020, the Company did not apply for bill discounting to the finance company.

(2) The company's loan and interest payment to Benxi Steel and Iron (Group) Co., Ltd.

(In 10 Thousand yuan).

Item	Beginning balance	Increase	Decrease	Ending balance
Capital lending	7,500.00			7,500.00
Total	7,500.00			7,500.00

Notes: The interest accrued is RMB 1,763,125.00 during the current period, and as at 30 June 2020, the interest that has not been paid is RMB 1,763,125.00.

(6) Receivables and payables of the related parties

1. Receivables of the Company

(in 10 thousand yuan)

Items Name	Name	30 June 2020		31 December 2019	
		Gross carrying amount	Provision for bad debts	Gross carrying amount	Provision for bad debts
Accounts receivable					
	Bengang Group	5,118.68	58.92	5,892.34	58.92

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Items Name	Name	30 June 2020		31 December 2019	
		Gross carrying amount	Provision for bad debts	Gross carrying amount	Provision for bad debts
	International Economic and Trading Co., Ltd.				
	Benxi Steel & Iron (Group) Thermal Power Development Co., Ltd.	1,152.45	13.01	1,301.32	13.01
	Bengang Cold-rolled Stainless Steel Dandong Co., Ltd.	185.97	1.89	188.8	1.89
	Benxi Steel & Iron (Group) Machinery Manufacture Co., Ltd.	6.68	0.08	7.7	0.08
	Benxi Steel & Iron (Group) Metallurgy Residues Co., Ltd.	0.14		0.14	
Prepayments					
	Benxi Beiyang Steel & Iron (Group) Co., Ltd.	81,385.62		93,762.24	
	Benxi Steel & Iron (Group) Machinery Manufacture Co., Ltd.	3,548.95		3,559.63	
Other receivables					
	Bengang Group				
	International Economic and Trading Co., Ltd.	375.64	0.2	432.77	0.2
	Benxi Steel & Iron (Group) Real-estate Development Co., Ltd.	266.12	246.52	270.17	246.52
	Benxi Steel & Iron (Group) Medical Services Department;	94.46	85.27	94.75	85.27

Items Name	Name	30 June 2020		31 December 2019	
		Gross carrying amount	Provision for bad debts	Gross carrying amount	Provision for bad debts
	Benxi Steel & Iron (Group) Zhengtai Construction Materials Co., Ltd.	18.26	12.3	24.6	12.3
	Liaoning Metallurgy Technician College	14.15	4.58	14.2	4.58
	Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	0.01		0.02	
Other non-current assets					
	Liaoning Hengyi Financial Leasing Co., Ltd.	84,111.31		58,419.72	
Notes receivable					
	Benxi Beiying Steel & Iron (Group) Co., Ltd.	39,958.98		41,739.59	
	Benxi Steel (Group) Co., Ltd.			402.17	
	Zhejiang Bengang Jingrui Steel Processing Co., Ltd.			400	

2. Payables of the Company

(in 10 thousand yuan)

Items	Name	30 June 2020	31 December 2019
Accounts payables			
	Bengang Group International Economic and Trading Co., Ltd.	78,932.33	70,193.27
	Benxi Steel & Iron (Group) Industrial	10,768.78	11,311.75

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Items	Name	30 June 2020	31 December 2019
	Development Co., Ltd.		
	Benxi Steel & Iron (Group) Construction Co., Ltd.	12,253.65	10,331.91
	Benxi Steel & Iron (Group) Mining Co., Ltd.	9,365.32	8,524.77
	Benxi Steel & Iron (Group) Information and Automatic Tech Co., Ltd.	7,302.57	6,567.06
	Benxi Steel & Iron (Group) Construction and Repairing Co., Ltd.	4,430.36	4,443.69
	Liaoning Hengtai Heavy Machinery Co., Ltd.	3,213.82	3,246.28
	Bengang Group Co., Ltd.	3,139.46	3,148.91
	Liaoning Hengtong Metallurgical Equipment Manufacture Co., Ltd.	1,432.13	1,487.15
	Bengang Electronics and Gas Co., Ltd.	998.36	1,149.26
	Benxi Steel & Iron (Group) Machinery Manufacture Co., Ltd.	1,012.81	1,143.65
	Benxi Steel & Iron (Group) Metallurgy Residues Co., Ltd.	1,197.39	1,033.48
	Liaoning Metallurgy Technician College	629.17	724.86
	Liaoning Metallurgy Vocational Technical College	650.43	671.93
	Bengang Cold-rolled Stainless Steel Dandong Co., Ltd.	520.07	521.64
	Benxi New Career Development Co., Ltd.	217.15	292.66
	Benxi Steel & Iron (Group) Thermal Power Development Co., Ltd.	171.46	144.24
	Benxi Steel & Iron (Group) Real-estate Development Co., Ltd.	54.38	62.65
	Benxi High-tech Drilling Tools Manufacture Co., Ltd.	32.15	33.77
	Benxi Iron and Steel (Group) Engineering Construction Supervision Co., Ltd.	15.68	16.28

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Items	Name	30 June 2020	31 December 2019
	Benxi Steel & Iron (Group) Medical Services Department;	1.78	2.04
	Benxi Steel & Iron (Group) Zhengtai Construction Materials Co., Ltd.	0.21	0.24
Advance from customers			
	Suzhou Bengang Industrial Co., Ltd.	5,387.92	1,635.62
	Benxi Steel & Iron (Group) Steel & Iron Process and Logistics Co., Ltd.	741.11	1,582.14
	Benxi Steel & Iron (Group) Metallurgy Residues Co., Ltd.		126.57
	Dalian Boluole Steel Tube Co., Ltd.	99.58	85.93
	Liaoning Hengtong Metallurgical Equipment Manufacture Co., Ltd.		82.00
	Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	23.36	35.79
Other payables			
	Benxi Steel (Group) Co., Ltd.	16,187.24	18,278.27
	Bengang Group International Economic and Trading Co., Ltd.	1,411.25	1,432.74
	Benxi Steel & Iron (Group) Construction Co., Ltd.	456.69	526.14
	Benxi Steel & Iron (Group) Thermal Power Development Co., Ltd.	423.69	437.69
	Guangzhou Free Trade Zone Bengang Sales Co., Ltd.	266.64	267.44
	Benxi New Career Development Co., Ltd.	166.09	223.84
	Benxi Steel & Iron (Group) Real-estate Development Co., Ltd.	127.36	143.59
	Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	26.40	30.42
	Benxi Beiying Steel & Iron (Group) Co.,	4.45	6.00

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Items	Name	30 June 2020	31 December 2019
	Ltd.		
	Liaoning Metallurgy Technician College	1.19	1.34
	Benxi Steel & Iron (Group) Machinery Manufacture Co., Ltd.	0.97	1.01
	Bengang Group Finance Co., Ltd.	0.52	0.60
	Liaoning Hengyi Financial Leasing Co., Ltd.	0.35	0.39
Long-term payables			
	Liaoning Hengyi Financial Leasing Co., Ltd.	105,074.88	51,693.94
Notes payables			
	Benxi Beiyang Steel & Iron (Group) Co., Ltd.	625,805.90	508,775.58
	Benxi Steel & Iron (Group) Mining Co., Ltd.	53,545.40	69,292.59
	Benxi Steel & Iron (Group) Industrial Development Co., Ltd.	691.00	3,203.52
	Bengang Electronics and Gas Co., Ltd.	6,116.16	2,285.78
	Liaoning Hengyi Financial Leasing Co., Ltd.	6,126.45	1,758.01
	Benxi Steel & Iron (Group) Real-estate Development Co., Ltd.		684.81
	Liaoning Metallurgy Technician College		195.91
	Benxi Steel & Iron (Group) Information and Automatic Tech Co., Ltd.	189.02	189.02
	Benxi Steel & Iron (Group) Machinery Manufacture Co., Ltd.	254.75	186.51
	Bengang Cold-rolled Stainless Steel Dandong Co., Ltd.	71.84	71.84
	Liaoning Metallurgy Vocational Technical College		43.55
	Benxi Steel & Iron (Group) Construction and Repairing Co., Ltd.	22.04	14.82
	Benxi Steel & Iron (Group) Construction Co., Ltd.		13.05
	Benxi High-tech Drilling Tools Manufacture	5.71	5.71

Items	Name	30 June 2020	31 December 2019
Co., Ltd.			

11. Commitments and Contingencies

(1) Commitments

1. Lease contracts in progress or to be performed and their financial impacts

(1) According to the "Land Use Right Leasing Contract" and subsequent supplementary agreements signed by the company and Benxi Steel (Group) on April 7, 1997, December 30, 2005, the Company leased land from Benxi Steel (Group). The monthly rent is 0.594 yuan per square meters, the leased land area is 7,669,068.17 square meters, and the annual rent is 54,665,100 yuan.

(2) On August 14, 2019, the Company signed the "House Lease Agreement" with Benxi Steel (Group) and Beiying Steel respectively, leasing the houses and auxiliary facilities occupied by 2300 and 1780 hot rolling mill production lines, and the lease term ends on December 31, 2038. The rental fee is based on the depreciation of the original rent value and the national additional tax, plus reasonable profit negotiation. The estimated annual rent is not more than 20 million yuan and 18 million yuan respectively. The rental fee is settled and paid monthly. This related party transaction has been reviewed and approved at the fourth meeting of the eighth board of directors of the Company.

(3) On July 15, 2019, the Company signed "Land Lease Agreement" with Bengang Group and Benxi Steel (Group) respectively, and leased and used a total of 8 pieces of land of the two companies. The lease areas are 42,920.00 square meters and 728,282.30 square meters respectively, with a lease term of 20 years, and a rental price of 1.138 yuan per square meter per month. After the agreement comes into effect, considering the national law and policy adjustments every five years, both parties should determine whether the rent needs to be adjusted according to the pricing basis stipulated in Article 2 of this agreement. This related party transaction has been reviewed and approved at the third meeting of the eighth board of directors of the company.

(4) As of June 30, 2020, the amount of financial lease contracts that the Company and Liaoning Hengyi Financial Leasing Co., Ltd. had signed but had not yet started to execute was 2.108 billion yuan.

2. Irrevocable letter of credit

As at June 30, 2020, the amount of irrevocable letter of credit that was not fulfilled is RMB 2.599 billion.

(2) Contingencies

At the balance sheet date, no significant contingencies need to be disclosed.

12. Subsequent events

(1) Important non-adjustment matters

Impact of the COVID-19

Since the outbreak of the COVID-19, the consumption, investment and exports in our country have been affected to a certain extent. The Company pays close attention to the progress of the epidemic. As of the date of this report, the situation of domestic epidemic prevention and control continues to improve, but the situation of overseas epidemic prevention and control is still grim. Iron ore imports, direct and indirect exports of products have been affected to a certain extent. The Company will continually and actively evaluate the development situation of the epidemic situation, scientifically respond to the challenges of the epidemic situation, and ensure the stability of production and operation.

(2) Profit distribution

Not applicable.

(3) Sales Return

Not applicable.

(4) Divided into assets held for sale and disposal portfolio

Not applicable.

(5) Other subsequent events

Not applicable.

13. Other significant events

(1) Correction of previous accounting errors

None.

(2) Debt restructuring

None.

(3) Asset replacement

None.

(4) Termination of business

None.

(5) Segment information

Since the Company's main product is steel with other products accounting for only a small proportion of sales, and the main production base is located in Liaoning area, segmented reporting is not applicable.

(6) Other material issues that will influence investors' decisions

1. Financing Lease

For prioritizing the capital structure and exploring financing channel, 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 billion per year. 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 lease security ratio is not higher than 30% of the lease principal amount.

2. Shares pledged by the Controlling Shareholders

As at 30 June 2020, the total 2,407,002,394 shares were held by the controlling shareholder Benxi Steel & Iron (Group) Co., Ltd., of which 712,545,000 shares were pledged and 102,100,000 shares were frozen.

3. The controlling shareholder completes the increase in the company's shares

Benxi Steel (Group) Co., Ltd., the Company's controlling shareholder, plans to increase its shareholding in the Company within 6 months from February 14, 2020. The total amount of this shareholding increasing plan is no more than RMB 100 million. As of August 12, 2020, Benxi Steel (Group)'s shareholding increase plan was completed. Benxi Steel (Group) has accumulatively increased its holdings of 28,523,000 shares of the Company, accounting for 0.66% of the Company's total share capital, and the total amount of additional holdings was RMB 99.98 million.

4. Accounting estimates adjustment

On January 31, 2020, the eighth meeting of the eighth session of the company's board of directors passed a resolution of the "Proposal on Adjusting the Depreciation Period of Certain Fixed Assets."

Reasons for changes in accounting estimates: According to Article 19 of the "Accounting Standards for Business Enterprises No. 4 - Fixed Assets", "Enterprises should review the useful life, estimated net residual value and depreciation method of fixed assets at least at the end of each year. If there is a difference between the estimated amount and the original estimated amount, the useful life of the fixed asset shall be adjusted". In order to fairly reflect the company's financial status and operating results, make the fixed asset depreciation life closer to its actual useful life, and adapt to the company's business development and fixed asset management needs, the company assessed the use and useful life of fixed assets. After the company's evaluation of the actual status and depreciation period of fixed assets, it is concluded that the company's production equipment has a high level of equipment and technical content, and the maintenance is in good condition. During the period from 2010 to 2019, the company's cumulative investment in equipment maintenance costs was 11.959

billion yuan. In order to make the depreciation life of fixed assets closer to the actual service life, it is necessary to adjust the depreciation life of some fixed assets of the company. Accounting estimates used before and after the change:

The company decided to adjust the useful life of some fixed assets from January 1, 2020. The specific adjustment plan is as follows:

Accounting estimates used before and after the change:

Fixed asset category	Original depreciation period (years)	Adjusted depreciation period (years)
1. Mechanical equipment	14	21
2. Power equipment	18	19
3. Conduction equipment	18	28
4. Transportation equipment	6	12
5. Tools and other production utensils	9	14
6. Non-production equipment and appliances		
(1) Equipment and tools	18	22
(2) Copiers, word processors	5	8
7. Houses and buildings		
(1) Houses for production	40	40
(2) Corroded production houses	25	25
(3) Production houses subject to strong corrosion	10	15
(4) Non-production houses	30	45
(5) Simple houses	8	10
(6) Buildings	25	25

5. Issuance of convertible corporate bonds

The Company plans to publicly issue convertible corporate bonds that can be converted into company's A shares. The total amount of convertible bonds issued this time will not exceed

RMB 6.8 billion (inclusive RMB 6.8 billion). The specific amount of funds raised is to be confirmed determined within the aforementioned quota by the Company's board of directors or persons authorized by the board of directors under the authorization of the Company's general meeting of shareholders.

After deducting the issuance expenses, the proceeds will be fully invested in the following projects:

No.	Projects	Unit: in 10 thousand yuan	
		Total Investment	Proposed investment
1	High grade high magnetic induction non-oriented silicon steel project	114,500.00	105,700.00
2	Steelworks No. 8 Casting Machine Project	39,500.00	33,500.00
3	Energy-saving renovation project of No. 5 blast furnace in ironworks	150,000.00	96,000.00
4	Special Steel Electric Furnace Upgrading Project	160,000.00	141,600.00
5	CCPP power generation project	98,826.80	83,300.00
6	No. 4-No. 6 converter environmental protection renovation project	27,000.00	19,900.00
7	Repayment of bank loan	200,000.00	200,000.00
Total		789,826.80	680,000.00

The relevant proposal of the Company's public issuance of A-share convertible corporate bonds was reviewed and approved by the second meeting of the eighth board of directors of the Company on May 22 2019, and was resolved by the Company's second extraordinary general meeting of shareholders on June 10, 2019.

In June 2019, the State-owned Assets Supervision and Administration Commission of the People 's Government of Liaoning Province issued the "Response for the Public Issuance of Convertible Corporate Bonds of Bengang Steel Plates Co., Ltd." (Liao-Guo-Zi-Chan-Quan

[2019] No. 110), which approved the Company's application for public offering of no more than RMB 6.8 billion (inclusive) convertible corporate bonds with a term of 6 years.

The "Proposal on the Company's Public Offering of A Share Convertible Corporate Bonds (Revised Draft) was reviewed and approved by the sixth meeting of the eighth board of directors on October 8, 2019.

The "Proposal on the Company's Public Offering of A Share Convertible Corporate Bonds (Second Revision)" was reviewed and approved by the seventh meeting of the eighth board of directors on October 28, 2019.

The "Proposal on the Company's Public Offering of A Share Convertible Corporate Bonds (Second Revision)" was passed by the resolution made by the fourth extraordinary general meeting of shareholders in 2019 on November 14, 2019.

On December 20, 2019, the Issuance Review Committee of the China Securities Regulatory Commission (hereinafter referred to as the "China Securities Regulatory Commission") reviewed the company's application for public issuance of A-share convertible corporate bonds. According to the results of the meeting, the Company's public offering for A-share convertible corporate bonds was approved. On January 22, 2020, the Company received the "Response for Approving the Public Issuance of Convertible Corporate Bonds of Bengang Steel Plate Co., Ltd." issued by the China Securities Regulatory Commission (Zhongjian License [2020] No. 46) (hereinafter referred to as "Response"), which approved Company's publicly issuance of convertible corporate bonds with a total face value of RMB 6.8 billion to the public for a period of 6 years. This approval is valid for 6 months from the date of approval of the issuance.

RMB 6.8 billion convertible bonds of the Company, each with a face value of RMB 100, totaling 68 million in quantity, are issued at face value.

14. Capital management

The main objectives of the company's capital management are as following:

- to ensure the Company's ability to continue to operate in order to provide returns to shareholders and other stakeholders continuously;
- to price the products and services accordingly according to the risk level, so as to provide sufficient returns to shareholders.

The Company has set a capital amount proportional to the risk, and manages and adjusts the capital structure according to changes in the economic environment and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce liabilities.

The company monitors capital based on the adjusted liability / capital ratio.

Liability/capital ratio after adjustment as of the balance sheet date is showed as follows:

Items	30 June 2020	31 December 2019
Short-term loans	12,506,705,000.00	13,151,478,000.00
Long-term loans due within one year	1,201,524,980.80	234,474,657.99
Long-term loans	3,810,463,934.18	4,849,675,910.73
Total amount of loans	17,518,693,914.98	18,235,628,568.72
Minus: cash and cash equivalent	11,417,592,663.52	13,441,414,988.58
Net value of liabilities	6,101,101,251.46	4,794,213,580.14
Shareholder's equity	20,291,922,235.34	20,012,826,841.40
Liability/capital ratio after adjustment	30.07%	23.96%

15. Notes to the financial statements of parent company

(1) Accounts receivable

1. Accounts receivable disclosed by aging

Items	30 June 2020	31 December 2019
Within 1 year (inclusive)	326,463,297.85	339,851,051.52
1-2 years (inclusive)	32,410,975.65	31,642,073.27
2-3 years (inclusive)	24,355,924.19	24,708,264.04
Over 3 years	170,785,391.75	175,744,519.91
Sub-total	554,015,589.45	571,945,908.74
Less: Provision for bad debts	180,541,758.35	182,948,800.28
Total:	373,473,831.10	388,997,108.46

2. Accounts receivable disclosed by category

Items	30 June 2020				
	Gross 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	8.62	47,762,337.18	100.00	
Accounts receivable tested for impairment by portfolio	506,253,252.27	91.38	132,779,421.17	25.79	373,473,831.10
Include:					
Portfolio 1: Aging	253,577,229.31	45.77	132,779,421.17	52.36	
Portfolio 2: Related party within consolidation scope	252,676,022.96	45.61			
Total	554,015,589.45	100.00	180,541,758.35		373,473,831.10

Items	31 December 2019				
	Gross 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	8.35	47,762,337.18	100.00	
Accounts receivable tested for impairment by portfolio	524,183,571.56	91.65	135,186,463.10	25.79	388,997,108.46
Include:					
Portfolio 1: Aging	268,981,818.03	47.03	135,186,463.10	50.26	133,795,354.93
Portfolio 2: Related party within consolidation scope	255,201,753.53	44.62			255,201,753.53
Total	571,945,908.74	100.00	182,948,800.28		388,997,108.46

Receivables individually insignificant but tested for impairment individually:

Items	30 June 2020			
	Accounts receivable	Provision for bad debts	Bad debts ratio (%)	Reason
Benxi Nanfen Metallurgical Co., Ltd.	Xinhe	47,762,337.18	47,762,337.18	100.00
Total		47,762,337.18	47,762,337.18	

Accounts receivable tested for impairment by portfolio

Portfolio tested by aging

Items	30 June 2020		
	Gross carrying amount	Provision for bad debts	Bad debts ratio (%)

Items	30 June 2020		
	Gross carrying amount	Provision for bad debts	Bad debts ratio (%)
Within 1 year	326,463,297.86	3,264,632.98	1.00
1-2 years	32,410,975.65	1,620,548.78	5.00
2-3 years	24,355,924.19	4,871,184.84	20.00
Over 3 years	123,023,054.57	123,023,054.57	100.00
Total	506,253,252.27	132,779,421.17	

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

The reversal of bad debts of current period is RMB 2,407,041.93.

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

5. Top five debtors at the end of the period

Company	30 June 2020		
	Amount	Percentage of total accounts receivable (%)	Provision for bad debts
No.1	51,186,799.05	12.25	589,234.48
No.2	47,762,337.18	11.43	47,762,337.18
No.3	14,246,791.47	3.41	
No.4	13,192,766.29	3.16	
No.5	11,524,466.74	2.76	130,131.74
Total	137,913,160.74	33.00	48,481,703.40

6. There is no account receivables be derecognized due to the transfer of financial assets at the end of the period.

7. There is no account receivables be transferred and further involved in assets and liabilities during the current period.

(2) Accounts receivable financing

1. Details of accounts receivable financing

Items	30 June 2020	31 December 2019
Notes receivable	3,997,787,483.35	2,193,319,842.60
Include: Bank acceptance bill	3,984,477,483.35	2,184,526,834.33
Commercial acceptance bill	13,310,000.00	8,793,008.27
Total	3,997,787,483.35	2,193,319,842.60

Notes: Accounts receivable financing reflects notes receivable and accounts receivable that are measured at fair value through other comprehensive income.

2. Provision for financing impairment of receivables

None.

3. The pledged acceptance bill at the end of the period

Items	Pledged amount
Bank acceptance bill	759,753,834.45
Commercial acceptance bill	
Total	759,753,834.45

4. The amount of notes receivable endorsed over or discounted but not yet matured at the end of the period

Items	Derecognized amount	Not derecognized amount
Bank acceptance bill	4,879,438,530.74	
Commercial acceptance bill		
Total	4,879,438,530.74	

5. There is no notes receivable has been transferred into accounts receivable due to inability of drawer to meet acceptance bill at the year-end.

(3) Other receivables

Items	30 June 2020	31 December 2019
Interest receivables	31,655,295.18	19,658,230.77
Dividend receivables		
Other receivables	226,277,114.59	247,005,005.04
Total	257,932,409.77	266,663,235.81

1. Interest receivable

(1) Interest receivable disclosed by category

Items	30 June 2020	31 December 2019
Deposit interest	31,655,295.18	19,658,230.77
Subtotal	31,655,295.18	19,658,230.77
Less: provision for bad debt		
Total	31,655,295.18	19,658,230.77

(2) There is no significant provision for overdue interest and bad debt provision.

2. Other receivables

(1) Other receivables disclosed by Aging

Items	30 June 2020	31 December 2019
Within 1 year (inclusive)	96,502,772.71	115,480,359.05
1-2 years (inclusive)	16,100,882.51	15,711,856.93
2-3 years (inclusive)	3,394,063.57	3,479,413.59
Over 3 years	175,449,847.41	177,724,723.88
Sub-total	291,447,566.20	312,396,353.45
Less: Provision for bad debts	65,170,451.61	65,391,348.41
Total	226,277,114.59	247,005,005.04

(2) Provision for bad debt provision

	Stage one	Stage two	Stage three	Total
			Lifetime expected credit losses (no credit impairment occurred)	
Provision for bad debts	12-month expected credit losses	Lifetime expected credit losses (no credit impairment occurred)		
Beginning balance		9,179,698.89	56,211,649.52	65,391,348.41
Current period provision, write-back, transfer-in.		-220,896.80		-220,896.80
transfer-out				
Current period				

	Stage one	Stage two	Stage three	
Provision for bad debts	12-month expected credit losses	Lifetime expected credit losses (no credit impairment)	Lifetime expected credit losses (credit impairment occurred)	Total
reversal				
Current period write-off				
Other changes				
Ending balance		8,958,802.09	56,211,649.52	65,170,451.61

Changes in the gross carrying amount of other receivables are as follows

	Stage one	Stage two	Stage three	
Gross carrying amount	12-month expected credit losses	Lifetime expected credit losses (no credit impairment)	Lifetime expected credit losses (credit impairment occurred)	Total
Beginning balance	232,528,777.63	23,655,926.30	56,211,649.52	312,396,353.45
Current period increase				-
Current period decrease	20,727,890.45	220,896.80		20,948,787.25
Other change				
Ending balance	211,800,887.18	23,435,029.50	56,211,649.52	291,447,566.20

(3) Other receivables disclosed by nature

Nature	30 June 2020	31 December 2019
Receivable and payable	283,339,342.69	304,483,575.55
Other	8,108,223.51	7,912,777.90
Total	291,447,566.20	312,396,353.45

(4) Top five debtors at the year-end

Company	Nature or content	Amount	Aging	Percentage of total other receivables (%)	Provision for bad debts
The First	Receivable and payable	9,648,111.00	Within 1 year	3.31	
The Second	Receivable and payable	9,505,576.53	Within 1 year	3.26	
The Third	Receivable and payable	6,804,946.27	Within 1 year	2.33	
The Fourth	Receivable and payable	3,756,448.28	1-2 years	1.29	2,000.00
The Fifth	Receivable and payable	2,661,194.04	Within 1 year and over 3 years	0.91	2,465,166.01
Total		32,376,276.12		11.11	2,467,166.01

(5) There is no other receivables relates to government subsidies at the end of the reporting period.

(6) There is no other receivables derecognized due to the transfer of financial assets at the end of the reporting period.

(7) There is no transfer of other receivables and continued involvement in the amount of assets and liabilities formed at the end of the reporting period.

(4) Long-term equity investment

Items	30 June 2020	31 December 2019

	Gross carrying amount	Impairment	Book value	Gross carrying amount	Impairment	Book value
Subsidiaries	2,016,281,902.16		2,016,281,902.16	2,016,281,902.16		2,016,281,902.16
Joint ventures						
Total	2,016,281,902.16		2,016,281,902.16	2,016,281,902.16		2,016,281,902.16

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.	30,000,000.00			30,000,000.00		
Shanghai Bengang Metallurgy Science and Technology Co., Ltd.	30,000,000.00			30,000,000.00		
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.	28,144,875.36			28,144,875.36		
Harbin Bengang Economic and Trading Co., Ltd.	29,923,398.23			29,923,398.23		
Nanjing Bengang Materials Sales Co., Ltd.	2,081,400.65			2,081,400.65		
Wuxi Bengang Steel & Iron Sales Co., Ltd.	29,936,718.57			29,936,718.57		
Xiamen Bengang Steel & Iron Sales Co., Ltd.	1,095,711.66			1,095,711.66		
Yantai Bengang Steel & Iron Sales Co., Ltd.	49,100,329.41			49,100,329.41		
Tianjin Bengang Steel & Iron Trading Co., Ltd.	60,318,095.80			60,318,095.80		
Benxi Bengang Steel Sales Co., Ltd	5,000,000.00			5,000,000.00		
Shenyang Bengang Metallurgical Science and Technology Co., Ltd.	30,000,000.00			30,000,000.00		
Chongqing Liaoben Steel & Iron	30,000,000.00			30,000,000.00		

Trade Co., Ltd.					
Bengang Baojin (Shenyang) Automobile New Materials Technology Co., Ltd.	76,000,000.00			76,000,000.00	
Total	2,016,281,902.16			2,016,281,902.16	

(5) Operating income and operating cost

Items	Current period		Previous period	
	Revenue	Cost	Revenue	Cost
Principal business	19,591,244,860.47	18,369,564,255.82	21,327,519,597.49	19,894,713,843.28
Other business	2,168,536,821.65	2,009,584,025.45	2,119,696,260.44	1,862,576,153.90
Total	21,759,781,682.12	20,379,148,281.27	23,447,215,857.93	21,757,289,997.18

Details of operating income:

Items	Current period	Previous period
Principal business	19,591,244,860.47	21,327,519,597.49
Including: Domestic	17,433,565,833.49	18,051,675,852.17
Overseas	2,157,679,026.98	3,275,843,745.32
Other business	2,168,536,821.65	2,119,696,260.44
Including: Domestic	2,168,536,821.65	2,119,696,260.44
Overseas		
Total	21,759,781,682.12	23,447,215,857.93

16. Supplementary information

(1) Details of non-recurring profit and loss

Items	Amount	Notes
Profit or loss from disposal of non-current assets	-19,733,108.62	
Tax refund, reduction or exemption of unauthorized approval or no formal approval document		
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)	38,587,332.40	

Items	Amount	Notes
in certain quota or quantity according to a certain standard)		
Fund occupation fee charged to non-financial enterprises included in current profit and loss		
The investment cost of an enterprise acquiring subsidiaries, associates and joint ventures is less than the income from the fair value of the identifiable net assets of the investee when obtaining the investment		
Non-monetary asset exchange gains and losses		
Profit or loss from investment or assets entrusted to others		
Provision for asset impairment due to unavoidable factors such as natural disasters		
Profit or loss from debt restructuring		
Restructuring costs, such as the cost of relocating employees, integration costs, etc.		
Profits and losses in excess of fair value from unfair transaction		
Subsidiary companies arising from business combinations under the same control		
Profits and losses from contingencies are not related to the company's normal business operations		
Profits excluded effective hedging business related to the company's normal business operations, from holding transactional financial assets, derivative financial assets, transactional financial liabilities, fair value changes in derivative financial liabilities, and disposal of transactional financial assets and derivative financial Investment income from assets, trading financial liabilities, derivative financial liabilities and other debt investments		
Reversal of impairment provision for individually tested impairment of receivables		
Profits and losses from external entrusted loans		
Profits and losses from changes in fair value of investment real estate that use the fair value model for subsequent measurement		
Profit and loss affected due to the adjustments of requirements of taxation, accounting and other laws and regulations		
Trustee income from trust operations		

Items	Amount	Notes
Other non-operating revenue and expenditure other than above items	838,001.32	
Other non-recurring profit and loss		
Subtotal	19,692,225.10	
Impact of income tax	4,923,056.28	
Impact of minority interests	10,437.03	
Total	14,758,731.79	

(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	1.30	0.07	0.12
Net profit attributable to ordinary shareholders after deducting non-recurring profit and loss	1.22	0.06	0.12

(3) Differences between Domestic and Foreign Accounting Standards

Not applicable.

Bengang Steel Plates Co., Ltd.

(Seal)

24 August 2020

