

Section IX Financial Statements

Auditor's report	49
The Company's and consolidated balance sheets	50-53
The Company's and consolidated income statements	54-55
The Company's and consolidated cash flow statements	56-59
The Company's and consolidated statements of changes in shareholders' equity	60-63
Notes to the financial statements	64-155
Supplementary Information	156-157

AUDITOR'S REPORT

De Shi Bao (Shen) Zi (14) No.P0618

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

We have audited the accompanying financial statements of Baoshan Iron & Steel Co., Ltd. (the "Company"), which comprise the Company's and consolidated balance sheets as at 31 December 2013, and the Company's and consolidated income statements, the Company's and consolidated statements of changes in shareholders' equity, and the Company's and consolidated cash flow statements for the year then ended, and the notes to the financial statements.

1. Management's responsibility for the financial statements

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

2. Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. China Standards on Auditing require that we comply with the Code of Ethics for Chinese Certified Public Accountants, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

3. Opinion

In our opinion, the financial statements of the Company present fairly, in all material respects, the Company's and consolidated financial position as of 31 December 2013, and the Company's and consolidated results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

Deloitte Touche Tohmatsu CPA LLP

Shanghai, China

Chinese Certified Public Accountant:

Zhu Xiaolan Jiang Jian

28 March 2014

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

Consolidated Balance Sheet

AT 31 DECEMBER 2013

RMB

Item	Notes	Closing Balance	Opening Balance	
			Restated amount after business combination involving entities under common control	Restated amount before business combination involving entities under common control
Current Assets:				
Cash and bank balances	(V)1	12,881,234,298.49	8,851,124,979.28	8,840,469,097.21
Held-for-trading financial assets	(V)2	28,738,843.94	89,577,809.31	89,577,809.31
Notes receivable	(V)3	12,147,274,807.14	12,411,303,185.31	12,411,303,185.31
Accounts receivable	(V)4	11,274,903,876.09	8,551,131,045.38	8,542,193,127.62
Prepayments	(V)5	3,063,667,270.70	3,716,337,443.68	3,716,337,443.68
Interest receivable	(V)6	740,275,608.57	948,484,949.13	948,484,949.13
Dividends receivable	(V)7	60,887,153.28	33,639,886.82	33,639,886.82
Other receivables	(V)8	1,644,745,236.41	1,387,110,820.63	1,127,915,016.72
Financial assets purchased under resale agreements		91,000,000.00	-	-
Inventories	(V)9	31,086,740,188.46	28,872,423,689.21	28,790,882,932.79
Non-current assets due within one year	(V)10	4,760,000,000.00	4,880,000,000.00	4,880,000,000.00
Other current assets	(V)11	277,031,463.05	-	-
Total Current Assets		78,056,498,746.13	69,741,133,808.75	69,380,803,448.59
Non-current Assets:				
Loans and advances to customers	(V)12	3,071,913,823.54	2,763,019,609.19	2,763,019,609.19
Available-for-sale financial assets	(V)13	1,009,142,907.29	1,467,832,301.93	1,467,832,301.93
Long-term receivables	(V)14	13,514,754,636.88	18,035,939,000.00	18,035,939,000.00
Long-term equity investments	(V)15, 16	13,681,009,703.67	10,539,022,615.18	9,118,968,766.28
Investment properties	(V)17	475,625,029.59	477,471,234.63	477,471,234.63
Fixed assets	(V)18	86,218,213,718.97	79,451,375,744.49	79,440,015,016.44
Construction in progress	(V)19	15,173,486,763.50	15,383,749,970.37	9,966,930,139.34
Materials for construction of fixed assets	(V)20	232,296,401.98	111,190,366.94	111,190,366.94
Intangible assets	(V)21	6,878,417,865.39	6,759,050,173.46	6,152,529,015.20
Long-term prepaid expenses	(V)22	886,044,247.32	906,159,533.22	906,159,533.22
Deferred tax assets	(V)23	2,052,778,079.55	2,035,286,047.54	2,026,536,047.54
Other non-current assets	(V)25	5,418,157,904.40	13,204,612,832.56	14,509,906,520.94
Total Non-current Assets		148,611,841,082.08	151,134,709,429.51	144,976,497,551.65
TOTAL ASSETS		226,668,339,828.21	220,875,843,238.26	214,357,301,000.24

Consolidated Balance Sheet (continued)

AT 31 DECEMBER 2013

RMB

Item	Notes	Closing Balance	Opening Balance	
			Restated amount after business combination involving entities under common control	Restated amount before business combination involving entities under common control
Current Liabilities:				
Short-term borrowings	(V)26	34,470,625,308.28	31,647,325,209.64	28,964,525,209.64
Customer deposits and deposits from banks and other financial institutions	(V)27	7,598,875,519.12	8,071,462,806.92	8,071,462,806.92
Taking from banks and other financial institutions	(V)28	300,000,000.00	600,000,000.00	600,000,000.00
Held-for-trading financial liabilities	(V)29	-	20,789,685.96	20,789,685.96
Notes payable	(V)30	2,429,960,640.68	3,494,680,215.46	3,255,540,509.18
Accounts payable	(V)31	18,175,471,239.50	18,658,642,474.67	18,655,403,230.17
Receipts in advance	(V)32	11,971,576,846.67	11,194,906,638.62	11,194,900,927.62
Financial assets sold under repurchase agreements		666,961,287.43	437,705,880.63	437,705,880.63
Employee benefits payable	(V)33	1,696,560,100.99	1,567,218,556.73	1,565,024,385.52
Taxes payable	(V)34	1,781,381,390.45	1,093,465,271.31	1,238,213,835.07
Interest payable	(V)35	226,797,561.21	179,700,527.43	177,928,027.43
Dividends payable	(V)36	14,070,461.91	22,155,313.83	22,155,313.83
Other payables	(V)37	1,225,243,921.84	1,879,933,167.71	681,525,421.62
Non-current liabilities due within one year	(V)38	12,227,658,084.57	4,502,840,000.00	4,402,850,000.00
Other current liabilities	(V)39	1,848,866,666.64	1,017,012,500.06	2,938,659,947.30
Total Current Liabilities		94,634,049,029.29	84,387,838,248.97	82,226,685,180.89
Non-current Liabilities:				
Long-term borrowings	(V)40	4,702,446,502.87	2,731,689,992.42	2,731,689,992.42
Bonds payable	(V)41	3,502,708,347.20	9,835,739,000.07	9,835,739,000.07
Long-term payables	(V)42	-	250,000,000.00	250,000,000.00
Special payables	(V)43	739,598,541.24	688,993,701.54	688,993,701.54
Deferred tax liabilities	(V)23	304,859,283.39	320,632,524.32	320,632,524.32
Other non-current liabilities	(V)44	2,718,747,282.41	2,701,329,376.35	961,802,609.24
Total Non-current Liabilities		11,968,359,957.11	16,528,384,594.70	14,788,857,827.59
TOTAL LIABILITIES		106,602,408,986.40	100,916,222,843.67	97,015,543,008.48
Shareholders' Equity:				
Share capital	(V)45	16,471,724,924.00	17,122,048,088.00	17,122,048,088.00
Capital reserve	(V)46	32,966,712,988.03	36,008,969,346.05	35,892,221,131.19
Less: Treasury shares	(V)47	-	115,785,165.80	115,785,165.80
Special reserve	(V)48	22,160,961.06	17,894,916.86	17,894,916.86
Surplus reserve	(V)49	24,528,201,377.92	23,229,714,608.04	23,229,714,608.04
Retained earnings	(V)50	37,044,549,468.11	34,802,934,026.47	35,540,808,913.80
Translation differences arising on translation of financial statements denominated in foreign currencies		(521,151,950.22)	(299,633,775.37)	(299,633,775.37)
Total shareholders' equity attributable to owners of the Company		110,512,197,768.90	110,766,142,044.25	111,387,268,716.72
Minority interests		9,553,733,072.91	9,193,478,350.34	5,954,489,275.04
TOTAL SHAREHOLDERS' EQUITY		120,065,930,841.81	119,959,620,394.59	117,341,757,991.76
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		226,668,339,828.21	220,875,843,238.26	214,357,301,000.24

The accompanying notes form part of the financial statements.

The financial statements on pages 50 to 157 were signed by the following:

Legal Representative: He Wenbo

Person in Charge of the Accounting Body: Zhu Kebing

Chief Accountant: Wang Juan

Balance Sheet of the Company

AT 31 DECEMBER 2013

RMB

Item	Notes	Closing Balance	Opening Balance
Current Assets:			
Cash and bank balances		6,290,586,489.64	2,036,143,946.73
Notes receivable		12,214,208,950.73	13,473,619,237.43
Accounts receivable	(XI)1	10,715,045,629.19	8,987,172,230.07
Prepayments		1,079,542,213.71	1,557,782,054.86
Interest receivable		729,665,753.38	938,024,383.57
Other receivables	(XI)2	327,858,990.20	315,767,588.48
Inventories		17,033,352,986.60	15,942,719,003.25
Non-current assets due within one year		4,730,392,547.84	4,500,000,000.00
Other current assets		-	1,565,650,761.38
Total Current Assets		53,120,653,561.29	49,316,879,205.77
Non-current Assets:			
Long-term receivables		15,573,532,930.56	18,000,000,000.00
Long-term equity investments	(XI)3,4	44,907,172,562.46	30,281,311,482.70
Fixed assets		51,969,984,620.58	46,760,734,784.44
Construction in progress		2,798,593,355.74	4,260,158,720.45
Materials for construction of fixed assets		25,174,314.02	22,874,297.42
Intangible assets		1,505,904,482.93	1,531,135,771.95
Long-term prepaid expenses		1,511,118.40	1,624,452.28
Deferred tax assets		658,474,261.06	885,652,585.80
Other non-current assets		1,096,036,325.53	14,442,110,959.05
Total Non-current Assets		118,536,383,971.28	116,185,603,054.09
TOTAL ASSETS		171,657,037,532.57	165,502,482,259.86

Balance Sheet of the Company (continued)

AT 31 DECEMBER 2013

RMB

Item	Notes	Closing Balance	Opening Balance
Current Liabilities:			
Short-term borrowings		8,496,748,388.00	9,851,212,641.66
Held-for-trading financial liabilities		-	20,789,685.96
Notes payable		223,523,900.29	40,124,006.24
Accounts payable		27,193,534,207.87	19,832,191,712.82
Receipts in advance		9,032,674,462.93	10,553,642,205.32
Employee benefits payable		1,191,134,290.92	1,067,189,892.33
Taxes payable		2,111,635,461.99	2,322,523,438.08
Interest payable		69,588,411.99	66,764,924.11
Other payables		467,707,218.89	159,471,119.07
Non-current liabilities due within one year		11,003,934,462.35	4,399,850,000.00
Other current liabilities		1,690,778,800.40	1,921,647,447.24
Total Current Liabilities		61,481,259,605.63	50,235,407,072.83
Non-current Liabilities:			
Long-term borrowings		4,267,830,000.00	628,550,000.00
Bonds payable		-	9,339,778,162.83
Special payables		710,710,498.45	627,409,321.54
Deferred tax liabilities		302,407,284.28	298,006,027.57
Other non-current liabilities		592,406,805.09	586,978,435.75
Total Non-current Liabilities		5,873,354,587.82	11,480,721,947.69
TOTAL LIABILITIES		67,354,614,193.45	61,716,129,020.52
Shareholders' Equity:			
Share capital		16,471,724,924.00	17,122,048,088.00
Capital reserve		32,731,184,064.17	35,894,640,824.12
Less: Treasury shares		-	115,785,165.80
Surplus reserve		24,528,201,377.92	23,229,714,608.04
Retained earnings		30,571,312,973.03	27,655,734,884.98
TOTAL SHAREHOLDERS' EQUITY		104,302,423,339.12	103,786,353,239.34
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		171,657,037,532.57	165,502,482,259.86

Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2013

RMB

Item	Notes	Amount for the current period	Amount for the previous period	
			After business combination involving entities under common control	Before business combination involving entities under common control
I. Total operating income		190,025,966,573.58	191,511,796,586.65	191,512,137,670.60
Including: Operating income	(V)51	189,688,379,683.22	191,135,195,744.15	191,135,536,828.10
Interest income		334,537,837.59	371,630,234.13	371,630,234.13
Fee and commission income		3,049,052.77	4,970,608.37	4,970,608.37
Less: Operating costs	(V)51	171,718,199,823.29	176,885,151,589.78	176,879,358,812.58
Interest expenses		233,629,976.26	266,450,869.57	266,450,869.57
Fee and commission expenses		604,451.35	575,355.99	575,355.99
Business taxes and levies	(V)52	413,666,506.19	308,442,627.61	307,987,349.04
Selling expenses		1,963,040,971.61	1,927,678,166.80	1,925,622,030.62
Administrative expenses		6,880,731,290.07	7,443,611,637.26	7,237,559,690.08
Financial expenses	(V)53	(544,131,554.59)	488,576,834.85	415,679,745.91
Impairment losses of assets	(V)54	2,388,317,269.25	2,146,523,788.27	2,084,099,983.65
Add: Gains from changes in fair values (Losses are indicated by "-")	(V)55	27,585,736.16	(12,975,596.11)	(12,975,596.11)
Investment income	(V)56	684,054,175.06	1,076,524,027.40	1,214,690,828.50
Including: Income from investments in associates and joint ventures		174,802,410.63	68,859,832.09	207,026,633.19
II. Operating profit		7,683,547,751.37	3,108,334,147.81	3,596,519,065.55
Add: Non-operating income	(V)57	882,372,341.19	10,519,986,674.00	10,502,489,013.27
Less: Non-operating expenses	(V)58	556,158,742.00	964,650,123.74	959,355,275.97
Including: Losses from disposal of non-current assets		472,234,905.84	779,567,721.43	779,567,721.43
III. Total profit		8,009,761,350.56	12,663,670,698.07	13,139,652,802.85
Less: Income tax expenses	(V)59	1,969,426,727.34	2,708,378,748.65	2,706,697,134.02
IV. Net profit		6,040,334,623.22	9,955,291,949.42	10,432,955,668.83
Net profit attributable to owners of the Company		5,818,471,202.97	10,089,628,467.77	10,386,372,522.05
Profit or loss attributable to minority interests		221,863,420.25	(134,336,518.35)	46,583,146.78
V. Earnings per share				
(I) Basic earnings per share	(V)60	0.35	0.58	0.60
VI. Other comprehensive income	(V)61	(651,599,826.28)	(66,884,221.34)	(66,884,221.34)
VII. Total comprehensive income		5,388,734,796.94	9,888,407,728.08	10,366,071,447.49
Total comprehensive income attributable to owners of the Company		5,196,194,824.77	10,019,085,048.73	10,315,829,103.01
Total comprehensive income attributable to minority interests		192,539,972.17	(130,677,320.65)	50,242,344.48

For business combination involving entities under common control occurred during the period, net profit of the acquiree generated before the business combination is nil. (The net profit in 2012 was reduced by RMB 477,663,719.41 due to the business combination involving entities under common control)

Income Statement of the Company

FOR THE YEAR ENDED 31 DECEMBER 2013

RMB

Item	Notes	Amount for the current period	Amount for the previous period
I. Operating income	(XI)5	114,822,648,812.83	129,732,149,355.48
Less: Operating costs	(XI)5	103,299,412,868.12	120,018,114,042.54
Business taxes and levies		227,193,200.29	132,933,823.08
Selling expenses		633,150,695.94	676,603,354.78
Administrative expenses		4,829,208,781.20	5,248,065,665.68
Financial expenses		(1,504,010,301.21)	(471,572,978.05)
Impairment losses of assets		113,905,152.00	2,338,457,245.04
Add: Gains from changes in fair values (Losses are indicated by "-")		20,789,685.96	(20,789,685.96)
Investment income	(XI)6	1,154,332,320.86	1,844,283,206.76
Including: Income from investments in associates and joint ventures		73,461,094.80	107,617,111.14
II. Operating profit		8,398,910,423.31	3,613,041,723.21
Add: Non-operating income		494,367,912.92	10,182,582,848.03
Less: Non-operating expenses		1,230,071,805.87	861,751,399.07
Including: Losses from disposal of non-current assets		1,191,296,479.38	717,969,530.11
III. Total profit		7,663,206,530.36	12,933,873,172.17
Less: Income tax expenses		1,170,772,680.98	2,446,575,992.84
IV. Net profit		6,492,433,849.38	10,487,297,179.33
V. Other comprehensive income		(13,870,928.84)	(92,180.29)
VI. Total comprehensive income		6,478,562,920.54	10,487,204,999.04

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2013

RMB

Item	Notes	Amount for the current period	Amount for the previous period	
			After business combination involving entities under common control	Before business combination involving entities under common control
I. Cash Flows from Operating Activities:				
Cash receipts from the sale of goods and the rendering of services		217,407,004,289.63	219,992,131,035.47	220,057,231,706.70
Net decrease in loans and advances to customers		-	622,349,829.08	622,349,829.08
Net decrease in balance with the central bank and due from banks and other financial institutions		-	261,004,073.03	261,004,073.03
Cash receipts from interest, fees and commissions		358,269,102.70	380,236,620.78	380,236,620.78
Net increase in taking from banks and other financial institutions		-	300,000,000.00	300,000,000.00
Net increase in financial assets sold under repurchase agreements		229,255,406.80	437,705,880.63	437,705,880.63
Receipts of tax refunds		238,846,824.18	236,335,694.24	236,335,694.24
Other cash receipts relating to operating activities	(V)62(1)	1,194,948,436.94	1,738,689,643.93	1,733,758,724.11
Sub-total of cash inflows from operating activities		219,428,324,060.25	223,968,452,777.16	224,028,622,528.57
Cash payments for goods purchased and services received		188,006,203,558.61	184,043,656,028.89	184,147,619,778.19
Net increase in loans and advances to customers		309,733,952.49	-	-
Net decrease in customer deposits and deposits from banks and other financial institutions		467,641,524.40	362,122,225.29	362,122,225.29
Net decrease in taking from banks and other financial institutions		300,000,000.00	-	-
Net increase in balance with the central bank and due from banks and other financial institutions		154,364,544.15	-	-
Cash payments for interest, fees and commissions		207,481,007.69	234,476,212.22	234,476,212.22
Cash payments to and on behalf of employees		9,058,768,740.54	8,810,189,234.70	8,780,477,553.29
Payments of various types of taxes		6,241,284,298.55	4,438,796,851.04	4,431,758,211.64
Other cash payments relating to operating activities	(V)62(2)	2,592,369,799.77	3,893,320,169.07	3,869,994,679.06
Sub-total of cash outflows from operating activities		207,337,847,426.20	201,782,560,721.21	201,826,448,659.69
Net Cash Flows from Operating Activities		12,090,476,634.05	22,185,892,055.95	22,202,173,868.88
II. Cash Flows from Investing Activities:				
Cash receipts from disposals and recovery of investments		2,473,460,325.78	3,449,444,471.54	3,449,444,471.54
Cash receipts from investment income		714,204,553.22	602,985,116.92	602,985,116.92
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		2,776,539,201.27	21,328,973,756.85	21,328,973,756.85
Net cash receipts from disposals of subsidiaries and other business units		-	1,973,043,650.38	1,973,043,650.38
Other cash receipts relating to investing activities	(V)62(3)	5,913,508,465.43	4,535,068,378.16	413,889,215.27
Sub-total of cash inflows from investing activities		11,877,712,545.70	31,889,515,373.85	27,768,336,210.96
Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets		13,957,701,194.53	14,163,533,757.01	12,343,614,165.20
Cash payments to acquire investments		5,715,168,122.63	12,760,475,730.40	12,760,475,730.40
Net cash payments for acquisitions of subsidiaries and other business units		(2,491,785.46)	(1,422,513.09)	(1,422,513.09)
Other cash payments relating to investing activities	(V)62(4)	924,191,732.71	1,556,744,745.37	16,864,017.29
Sub-total of cash outflows from investing activities		20,594,569,264.41	28,479,331,719.69	25,119,531,399.80
Net Cash Flows from Investing Activities		(8,716,856,718.71)	3,410,183,654.16	2,648,804,811.16
III. Cash Flows from Financing Activities:				

Consolidated Cash Flow Statement (continued)

FOR THE YEAR ENDED 31 DECEMBER 2013

RMB

Item	Notes	Amount for the current period	Amount for the previous period	
			After business combination involving entities under common control	Before business combination involving entities under common control
Cash receipts from capital contributions		164,984,323.04	329,817,398.08	329,817,398.08
Including: cash receipts from capital contributions from minority owners of subsidiaries		164,984,323.04	329,817,398.08	329,817,398.08
Cash receipts from borrowings		80,804,142,620.92	65,234,898,535.16	62,422,098,535.16
Cash receipts from issue of bonds	(V)39(2), (V)41	4,809,160,790.50	1,491,500,000.00	1,491,500,000.00
Other cash receipts relating to financing activities	(V)62(5)	-	1,500,000,000.00	1,921,647,447.24
Sub-total of cash inflows from financing activities		85,778,287,734.46	68,556,215,933.24	66,165,063,380.48
Cash repayments of borrowings		78,436,733,066.28	88,236,420,725.23	86,374,410,725.23
Cash payments for distribution of dividends or profits or settlement of interest expenses		3,658,946,834.30	5,486,687,440.35	5,356,022,090.67
Including: payments for distribution of dividends or profits to minority owner of subsidiaries		150,236,147.39	151,372,940.28	151,372,940.28
Cash paid for Luojing assets		-	2,868,833,680.10	2,868,833,680.10
Cash payments for repurchase of shares	(V)47	3,083,474,132.00	1,916,525,868.00	1,916,525,868.00
Other cash payments relating to financing activities		-	1,257,000,000.00	-
Sub-total of cash outflow from financing activities		85,179,154,032.58	99,765,467,713.68	96,515,792,364.00
Net Cash Flows from Financing Activities		599,133,701.88	(31,209,251,780.44)	(30,350,728,983.52)
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		(6,008,842.15)	(59,021,345.38)	(59,021,345.38)
V. Net Increase (decrease) in Cash and Cash Equivalents		3,966,744,775.07	(5,672,197,415.71)	(5,558,771,648.86)
Add: Opening balance of Cash and Cash Equivalents	(V)63(3)	7,632,107,621.86	13,304,305,037.57	13,180,223,388.65
VI. Closing Balance of Cash and Cash Equivalents	(V)63(3)	11,598,852,396.93	7,632,107,621.86	7,621,451,739.79

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Cash Flow Statement of the Company

FOR THE YEAR ENDED 31 DECEMBER 2013

RMB

Item	Notes	Amount for the current period	Amount for the previous period
I. Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		130,706,073,436.18	145,643,919,653.85
Receipts of tax refunds		69,155,367.20	-
Other cash receipts relating to operating activities		528,432,025.11	1,236,526,157.06
Sub-total of cash inflows from operating activities		131,303,660,828.49	146,880,445,810.91
Cash payments for goods purchased and services received		105,961,945,144.58	128,995,455,330.45
Cash payments to and on behalf of employees		5,345,728,618.80	5,306,606,006.46
Payments of various types of taxes		3,731,356,966.39	1,921,163,987.75
Other cash payments relating to operating activities		804,513,506.28	630,217,540.98
Sub-total of cash outflows from operating activities		115,843,544,236.05	136,853,442,865.64
Net Cash Flows from Operating Activities	(XI)8	15,460,116,592.44	10,027,002,945.27
II. Cash Flows from Investing Activities:			
Cash receipts from disposals and recovery of investments		19,400,000,000.00	5,472,750,841.49
Cash receipts from investment income		1,289,632,510.94	1,088,733,793.46
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		2,736,686,670.05	21,272,625,973.16
Other cash receipts relating to investing activities		5,920,194,837.32	382,824,054.94
Sub-total of cash inflows from investing activities		29,346,514,018.31	28,216,934,663.05
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		6,498,521,066.74	6,014,729,057.22
Cash payments to acquire investments		29,564,836,958.00	12,511,016,506.88
Other cash payments relating to investing activities		24,191,732.71	16,864,017.29
Sub-total of cash outflows from investing activities		36,087,549,757.45	18,542,609,581.39
Net Cash Flows from Investing Activities		(6,741,035,739.14)	9,674,325,081.66
III. Cash Flows from Financing Activities:			
Cash receipts from borrowings		32,798,920,983.11	19,938,015,021.93
Other cash receipts relating to financing activities		1,544,303,933.67	6,545,148,228.87
Sub-total of cash inflows from financing activities		34,343,224,916.78	26,483,163,250.80
Cash repayments of borrowings		33,181,101,000.27	43,759,459,500.20
Cash payments for distribution of dividends or profits or interest expenses		2,666,059,591.23	4,397,828,962.53
Cash paid for Luojing assets		-	2,868,833,680.10
Cash payments for repurchase of shares		3,083,474,132.00	1,916,525,868.00
Sub-total of cash outflow from financing activities		38,930,634,723.50	52,942,648,010.83
Net Cash Flows from Financing Activities		(4,587,409,806.72)	(26,459,484,760.03)
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		122,771,496.33	(31,701,817.41)
V. Net Increase(decrease) in Cash and Cash Equivalents		4,254,442,542.91	(6,789,858,550.51)
Add: Opening balance of Cash and Cash Equivalents		2,036,143,946.73	8,826,002,497.24
VI. Closing Balance of Cash and Cash Equivalents		6,290,586,489.64	2,036,143,946.73

Consolidated Statement of Changes in Owners' Equity

FOR THE YEAR ENDED 31 DECEMBER 2013

Item	Amount for the current year			
	Attributable to owners of the Company			
	Share capital	Capital reserve	Less: Treasury shares	Special reserve
I. Opening balance of the current year	17,122,048,088.00	35,892,221,131.19	(115,785,165.80)	17,894,916.86
I. Influence of business combination involving entities under common control	-	116,748,214.86	-	-
II. Balance on 2013.01.01	17,122,048,088.00	36,008,969,346.05	(115,785,165.80)	17,894,916.86
III. Changes for the year	(650,323,164.00)	(3,042,256,358.02)	115,785,165.80	4,266,044.20
(I) Net profit	-	-	-	-
(II) Other comprehensive income	-	(400,758,203.35)	-	-
Subtotal of (I) and (II)	-	(400,758,203.35)	-	-
(III) Owner's contributions and reduction in capital	-	(92,562,020.87)	(3,083,474,132.00)	-
1. Capital contribution from minority interests	-	-	-	-
2. Purchase of shares from minority interests	-	(142,903,834.26)	-	-
3. Others	-	50,341,813.39	(3,083,474,132.00)	-
(IV) Profit distribution	-	-	-	-
1. Transfer to surplus reserve	-	-	-	-
2. Distribution to owners of the company	-	-	-	-
3. Distribution to minority interests	-	-	-	-
(V) Transfers within owners' equity	(650,323,164.00)	(2,548,936,133.80)	3,199,259,297.80	-
1. Others	(650,323,164.00)	(2,548,936,133.80)	3,199,259,297.80	-
(VI) Special reserve	-	-	-	4,266,044.20
1. Transfer to special reserve in the year	-	-	-	336,082,904.52
2. Amount utilized in the year	-	-	-	(331,816,860.32)
IV. Closing balance of the current year	16,471,724,924.00	32,966,712,988.03	-	22,160,961.06

Item	Amount for the same period of last year			
	Attributable to owners of the Company			
	Share capital	Capital reserve	Less: Treasury shares	Special reserve
I. Opening balance of the current year	17,512,048,088.00	37,330,639,029.54	-	11,788,986.69
I. influence of business combination involving entities under common control	-	6,569,992,800.00	-	-
II. Balance on 2012.01.01	17,512,048,088.00	43,900,631,829.54	-	11,788,986.69
III. Changes for the year	(390,000,000.00)	(7,891,662,483.49)	(115,785,165.80)	6,105,930.17
(I) Net profit	-	-	-	-
(II) Other comprehensive income	-	(16,455,482.36)	-	-
Subtotal of (I) and (II)	-	(16,455,482.36)	-	-
(III) Owner's contributions and reduction in capital	-	(6,464,466,298.93)	(1,916,525,868.00)	-
1. Capital contribution from minority interests	-	-	-	-
2. Influence of business combination involving entities under common control	-	(6,453,244,585.14)	-	-
3. Others	-	(11,221,713.79)	(1,916,525,868.00)	-
(IV) Profit distribution	-	-	-	-
1. Transfer to surplus reserve	-	-	-	-
2. Distribution to owners of the company	-	-	-	-
3. Distribution to minority interests	-	-	-	-
(V) Transfers within owners' equity	(390,000,000.00)	(1,410,740,702.20)	1,800,740,702.20	-
1. Others	(390,000,000.00)	(1,410,740,702.20)	1,800,740,702.20	-
(VI) Special reserve	-	-	-	6,105,930.17
1. Transfer to special reserve in the period	-	-	-	166,742,174.93
2. Amount utilized in the period	-	-	-	(160,636,244.76)
IV. Closing balance of the current year	17,122,048,088.00	36,008,969,346.05	(115,785,165.80)	17,894,916.86

RMB

Amount for the current year						
Attributable to owners of the Company						
Surplus reserves	General reserve	Retained earnings	Translation differences arising on translation of financial statements denominated in foreign currencies	Subtotal	Minority interest	Total owners' equity
23,229,714,608.04	-	35,540,808,913.80	(299,633,775.37)	111,387,268,716.72	5,954,489,275.04	117,341,757,991.76
-	-	(737,874,887.33)	-	(621,126,672.47)	3,238,989,075.30	2,617,862,402.83
23,229,714,608.04	-	34,802,934,026.47	(299,633,775.37)	110,766,142,044.25	9,193,478,350.34	119,959,620,394.59
1,298,486,769.88	-	2,241,615,441.64	(221,518,174.85)	(253,944,275.35)	360,254,722.57	106,310,447.22
-	-	5,818,471,202.97	-	5,818,471,202.97	221,863,420.25	6,040,334,623.22
-	-	-	(221,518,174.85)	(622,276,378.20)	(29,323,448.08)	(651,599,826.28)
-	-	5,818,471,202.97	(221,518,174.85)	5,196,194,824.77	192,539,972.17	5,388,734,796.94
-	-	-	-	(3,176,036,152.87)	310,045,796.73	(2,865,990,356.14)
-	-	-	-	-	343,232,523.21	343,232,523.21
-	-	-	-	(142,903,834.26)	(33,186,726.48)	(176,090,560.74)
-	-	-	-	(3,033,132,318.61)	-	(3,033,132,318.61)
1,298,486,769.88	-	(3,576,855,761.33)	-	(2,278,368,991.45)	(143,887,860.22)	(2,422,256,851.67)
1,298,486,769.88	-	(1,298,486,769.88)	-	-	-	-
-	-	(2,278,368,991.45)	-	(2,278,368,991.45)	-	(2,278,368,991.45)
-	-	-	-	-	(143,887,860.22)	(143,887,860.22)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	4,266,044.20	1,556,813.89	5,822,858.09
-	-	-	-	336,082,904.52	9,421,821.58	345,504,726.10
-	-	-	-	(331,816,860.32)	(7,865,007.69)	(339,681,868.01)
24,528,201,377.92	-	37,044,549,468.11	(521,151,950.22)	110,512,197,768.90	9,553,733,072.91	120,065,930,841.81

Amount for the same period of last year						
Attributable to owners of the Company						
Surplus reserves	General reserve	Retained earnings	Translation differences arising on translation of financial statements denominated in foreign currencies	Subtotal	Minority interest	Total owners' equity
21,132,255,172.18	-	30,754,305,445.21	(245,545,838.69)	106,495,490,882.93	6,974,505,417.34	113,469,996,300.27
-	-	(405,891,494.19)	-	6,164,101,305.81	2,471,537,728.31	8,635,639,034.12
21,132,255,172.18	-	30,348,413,951.02	(245,545,838.69)	112,659,592,188.74	9,446,043,145.65	122,105,635,334.39
2,097,459,435.86	-	4,454,520,075.45	(54,087,936.68)	(1,893,450,144.49)	(252,564,795.31)	(2,146,014,939.80)
-	-	10,089,628,467.77	-	10,089,628,467.77	(134,336,518.35)	9,955,291,949.42
-	-	-	(54,087,936.68)	(70,543,419.04)	3,659,197.70	(66,884,221.34)
-	-	10,089,628,467.77	(54,087,936.68)	10,019,085,048.73	(130,677,320.65)	9,888,407,728.08
-	-	(35,239,338.86)	-	(8,416,231,505.79)	73,110,085.16	(8,343,121,420.63)
-	-	-	-	-	359,470,173.87	359,470,173.87
-	-	(35,239,338.86)	-	(6,488,483,924.00)	948,371,012.12	(5,540,112,911.88)
-	-	-	-	(1,927,747,581.79)	(1,234,731,100.83)	(3,162,478,682.62)
2,097,459,435.86	-	(5,599,869,053.46)	-	(3,502,409,617.60)	(195,106,029.81)	(3,697,515,647.41)
2,097,459,435.86	-	(2,097,459,435.86)	-	-	-	-
-	-	(3,502,409,617.60)	-	(3,502,409,617.60)	-	(3,502,409,617.60)
-	-	-	-	-	(195,106,029.81)	(195,106,029.81)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	6,105,930.17	108,469.99	6,214,400.16
-	-	-	-	166,742,174.93	8,134,643.93	174,876,818.86
-	-	-	-	(160,636,244.76)	(8,026,173.94)	(168,662,418.70)
23,229,714,608.04	-	34,802,934,026.47	(299,633,775.37)	110,766,142,044.25	9,193,478,350.34	119,959,620,394.59

Statement of Changes in Owners' Equity of the Company

FOR THE YEAR ENDED 31 DECEMBER 2013

Item	Amount for the current year			
	Share capital	Capital reserve	Less: Treasury shares	Special reserve
I. Opening balance of the current year	17,122,048,088.00	35,894,640,824.12	(115,785,165.80)	-
II. Changes for the year	(650,323,164.00)	(3,163,456,759.95)	115,785,165.80	-
(I) Net profit	-	-	-	-
(II) Other comprehensive income	-	(13,870,928.84)	-	-
Subtotal of (I) and (II)	-	(13,870,928.84)	-	-
(III) Owner's contributions and reduction in capital	-	(600,649,697.31)	(3,083,474,132.00)	-
1. Influence of business combination involving entities under common control	-	(621,126,672.47)	-	-
2. Others	-	20,476,975.16	(3,083,474,132.00)	-
(IV) Profit distribution	-	-	-	-
1. Transfer to surplus reserve	-	-	-	-
2. Distribution to owners	-	-	-	-
(V) Transfers within owners' equity	(650,323,164.00)	(2,548,936,133.80)	3,199,259,297.80	-
1. Others	(650,323,164.00)	(2,548,936,133.80)	3,199,259,297.80	-
(VI) Special reserve	-	-	-	-
1. Transfer to special reserve in the year	-	-	-	248,583,387.38
2. Amount utilized in the year	-	-	-	(248,583,387.38)
III. Closing balance of the current year	16,471,724,924.00	32,731,184,064.17	-	-

Item	Amount for the same period of last year			
	Share capital	Capital reserve	Less: Treasury shares	Special reserve
I. Opening balance of the current period	17,512,048,088.00	37,207,402,138.54	-	-
II. Changes for the year	(390,000,000.00)	(1,312,761,314.42)	(115,785,165.80)	-
(I) Net profit	-	-	-	-
(II) Other comprehensive income	-	(92,180.29)	-	-
Subtotal of (I) and (II)	-	(92,180.29)	-	-
(III) Owner's contributions and reduction in capital	-	98,071,568.07	(1,916,525,868.00)	-
1. Others	-	98,071,568.07	(1,916,525,868.00)	-
(IV) Profit distribution	-	-	-	-
1. Transfer to surplus reserve	-	-	-	-
2. Distribution to owners	-	-	-	-
(V) Transfers within owners' equity	(390,000,000.00)	(1,410,740,702.20)	1,800,740,702.20	-
1. Others	(390,000,000.00)	(1,410,740,702.20)	1,800,740,702.20	-
(VI) Special reserve	-	-	-	-
1. Transfer to special reserve in the year	-	-	-	105,699,301.51
2. Amount utilized in the year	-	-	-	(105,699,301.51)
III. Closing balance of the current year	17,122,048,088.00	35,894,640,824.12	(115,785,165.80)	-

RMB

Amount for the current year			
Surplus reserves	General reserve	Retained earnings	Total owners' equity
23,229,714,608.04	-	27,655,734,884.98	103,786,353,239.34
1,298,486,769.88	-	2,915,578,088.05	516,070,099.78
-	-	6,492,433,849.38	6,492,433,849.38
-	-	-	(13,870,928.84)
-	-	6,492,433,849.38	6,478,562,920.54
-	-	-	(3,684,123,829.31)
-	-	-	(621,126,672.47)
-	-	-	(3,062,997,156.84)
1,298,486,769.88	-	(3,576,855,761.33)	(2,278,368,991.45)
1,298,486,769.88	-	(1,298,486,769.88)	-
-	-	(2,278,368,991.45)	(2,278,368,991.45)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	248,583,387.38
-	-	-	(248,583,387.38)
24,528,201,377.92	-	30,571,312,973.03	104,302,423,339.12

Amount for the same period of last year			
Surplus reserves	General reserve	Retained earnings	Total owners' equity
21,132,255,172.18	-	22,768,306,759.11	98,620,012,157.83
2,097,459,435.86	-	4,887,428,125.87	5,166,341,081.51
-	-	10,487,297,179.33	10,487,297,179.33
-	-	-	(92,180.29)
-	-	10,487,297,179.33	10,487,204,999.04
-	-	-	(1,818,454,299.93)
-	-	-	(1,818,454,299.93)
2,097,459,435.86	-	(5,599,869,053.46)	(3,502,409,617.60)
2,097,459,435.86	-	(2,097,459,435.86)	-
-	-	(3,502,409,617.60)	(3,502,409,617.60)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	105,699,301.51
-	-	-	(105,699,301.51)
23,229,714,608.04	-	27,655,734,884.98	103,786,353,239.34

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

(I) COMPANY PROFILE

Baoshan Iron & Steel Company Limited (the "Company") was incorporated and registered on 3 February 2000 in Shanghai, the People's Republic of China ("PRC"), as a limited company, with the registration number of 310000000074519, under the law of the PRC. The Company was established by Shanghai Baosteel Group Corporation Ltd. (formerly "Shanghai Baosteel Group Corporation"; hereinafter "Baosteel Group") as the sole investor, under the official approval document No. [1999] 1266, as issued by the State Economic & Trade Commission of China.

The Company took over related businesses, assets and liabilities from Baosteel Group by means of issuing 10,635,000,000 ordinary shares to Baosteel Group with a par value of RMB 1.00 each on the date of establishment.

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

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

Approved by the CSRC (No. 739 document in 2008), the Company issued RMB10 billion convertible loan notes featuring the separation between liability and conversion option components on 20 June 2008. In this issuance, the original circulating shareholders for unlimited sale (of shares) conditions were given the priority for placing, and the rest of the notes were sold to institutional investors through price inquiry and to online applicants. The notes were issued based on the face value, which was RMB100.00 per stock. The dividend was paid once a year and the principal was returned once and for all when the time expired. The annual contract interest rate was 0.8%. The purchaser of the note was able to obtain 16 copies of stock purchase components issued by the issuer; the duration of the component was 24 months from the day when it was listed, and the exercising period was the last 5 trading days of the duration. The exercise proportion was 2:1 and the initial exercise price was RMB12.50 per stock. The liability and conversion option components were listed and traded on Shanghai Stock Exchange on 4 July 2008. The exercise price was then adjusted to RMB11.80 per stock due to dividend. The exercising period was from 28 June to 3 July 2010. A total of 113,785 components were successfully exercised before the stock market closed on 2 July 2010, the last effective exercise date for "Baosteel CWB1", increasing 48,088 shares of the Company.

According to "The Board's Resolution on the motion of repurchase shares of the company by centralized bidding", "The creditors' notice about repurchase shares of Baoshan Iron & Steel Co., Ltd.", "The 2012 second Resolution of extraordinary shareholders meeting of Baoshan Iron & Steel Co., Ltd." and the Company's revised articles of association, the Company repurchased A-shares on Shanghai Stock Exchange by centralized bidding with price no more than RMB5 per share and amount no more than RMB5 billion in total. The first repurchase began on 21 September 2012, and the Company has repurchased 414,055,508 shares by the end of 2012. According to the resolution and the Company's revised articles of association, the Company applied for reduction of share capital RMB0.39 billion and finished all procedures with China Securities Depository and Clearing Corporation Limited., Shanghai Branch on 20 December 2012. The Company renewed all commercial registration in December 2012, and the updated registered share capital is RMB17,122,048,088 as at 31 December 2012.

During the reporting period, the Company has repurchased 626,267,656 shares and completed the implementation of the repurchase scheme. In accordance with the resolution of the general shareholders' meeting of the Company and the regulations of the revised articles of association, the Company has applied for the decrease of the capital of RMB 650,323,164 and completed the cancellation of 650,323,164 shares with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited (CSDC) on 23 May, 2013. The Company completed procedures on industrial and commercial registration on 24 June, 2013, and the updated registered share capital is RMB 16,471,724,924.

By the end of the reporting period, out of the RMB 16,471,724,924 ordinary shares without sales restriction of the Company, Baosteel Group has held 13,128,825,267 shares with an equity interest of 79.71%.

The business scope of the Company covers iron and steel production and its related processing, power generation, coal, industrial-gas generation, port terminals, warehouse storage and transport. It is also engaged in technology development and transfer; technology services and consulting, automobile maintenance, exports of steel products and technology, imports of related materials, machinery, equipment, parts and components, as well as technology(except for restricted items, i.e. where imports and exports prohibited by the Government).

The Company is also engaged in import processing as well as a subsidized trading business. In summary, the principal activities of the Company are the manufacture and sales of iron and steel products as well as the sales and services of the by-products generated during the process of steel production and sales.

The controlling shareholder of the Company is Baosteel Group, while its actual controller is the State-owned Assets Supervision and Administration Commission of the State Council (SASAC).

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(II) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PREVIOUS PERIOD ADJUSTMENTS

1. Basis of Preparation of Financial Statements

The Group adopts the Accounting Standards for Business Enterprises ("ASBE") issued by the Ministry of Finance ("MOF") on 15 February 2006. In addition, the Group has disclosed relevant financial information in accordance with Information Disclosure and Presentation Rules for Companies Offering Securities to the Public No. 15-General Provisions on Financial Reporting (Revised in 2010).

Basis of accounting and principle of measurement

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

2. Statement of compliance with the ASBE

The financial statements of the Company have been prepared in accordance with ASBE, and present truly and completely, the Company's and consolidated financial position as of 31 December 2013, and the Company's and consolidated results of operations and cash flows for the year then ended.

3. Accounting year

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

4. Functional currency

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

5. The accounting treatment of business combinations involving enterprises under common control and business combinations not involving enterprises under common control

5.1 Business combinations involving enterprises under common control

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

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

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

5.2 Business combinations involving enterprises not under common control

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(II) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PREVIOUS PERIOD ADJUSTMENTS (Continued)

The acquiree's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria, which are acquired in a business combination not involving enterprises under common control, are measured at their fair value at the acquisition date. Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognized as goodwill as an asset and measured at cost. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is accounted for as follows: firstly, the acquirer reassesses the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination; then, if after that reassessment, the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer recognizes the remaining difference immediately in profit or loss for the current period.

6. Preparation of consolidated financial statements

The scope of consolidated financial statements is determined on the basis of control. Control is the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its operating activities.

For a subsidiary disposed of by the Group, the operating results and cash flows before the date of disposal (the date when control is lost) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

For a subsidiary acquired through a business combination not involving enterprises under common control, the operating results and cash flows from the acquisition date (the date when control is obtained) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate, and no adjustment is made to the opening balances and comparative figures in the consolidated financial statements.

No matter when the business combination occurs in the reporting period, subsidiaries acquired through a business combination involving enterprises under common control are included in the Group's scope of consolidation as if they had been included in the scope of consolidation from the date when they first came under the common control of the ultimate controlling party. Their operating results and cash flows from the beginning of the earliest reporting period are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

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

All significant intra-group balances and transactions are eliminated on consolidation.

The portion of subsidiaries' equity that is not attributable to the Company is treated as minority interests and presented as "minority interests" in the consolidated balance sheet within shareholders' equity. The portion of net profits or losses of subsidiaries for the period attributable to minority interests is presented as "minority interests" in the consolidated income statement below the "net profit" line item.

When the amount of loss for the period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess amount are still allocated against minority interests.

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

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

7. Recognition criteria of cash and cash equivalents

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

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

8.1 Transactions denominated in foreign currencies

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

At the balance sheet date, foreign currency monetary items are translated into RMB using the spot exchange rates at the balance sheet date. Exchange differences arising from the differences between the spot exchange rates prevailing at the balance sheet date and those on initial recognition or at the previous balance sheet date are recognized in profit or loss for the period, except that (1) exchange differences related to a

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(II) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PREVIOUS PERIOD ADJUSTMENTS (Continued)

specific-purpose borrowing denominated in foreign currency that qualify for capitalization are capitalized as part of the cost of the qualifying asset during the capitalization period; (2) exchange differences related to hedging instruments for the purpose of hedging against foreign currency risks are accounted for using hedge accounting; (3) exchange differences arising from available-for-sale non-monetary items (such as shares) denominated in foreign currencies and changes in the carrying amounts (other than the amortized cost) of available-for-sale monetary items are recognized as other comprehensive income and included in capital reserve.

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

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

8.2 Translation of financial statements denominated in foreign currencies

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

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

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

9. Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual.

Provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. For financial assets and financial liabilities at fair value through profit or loss, transaction costs are immediately recognized in profit or loss. For other financial assets and financial liabilities, transaction costs are included in their initial recognized amounts.

9.1 Determination of fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. For a financial instrument which has an active market, the Group uses the quoted price in the active market to establish its fair value. For a financial instrument which has no active market, the Group establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

9.2 Effective interest method

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(II) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PREVIOUS PERIOD ADJUSTMENTS (Continued)

9.3 Classification, recognition and measurement of financial assets

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

9.3.1 Financial Assets at Fair Value through Profit or Loss ("FVTPL")

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

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

A financial asset may be designated as at FVTPL upon initial recognition only when one of the following conditions is satisfied: (1) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise result from measuring assets or recognizing the gains or losses on them on different bases; or (2) The financial asset forms part of a group of financial assets or a group of financial assets and financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is reported to key management personnel on that basis; or (3) Financial assets that are designated at fair value through profit or loss and hybrid instruments related to embedded derivatives allowed under Accounting Standard for Business Enterprises NO. 22.

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

9.3.2 Held-to-maturity investments

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

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

9.3.3 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified as loans and receivables by the Group include notes receivable, accounts receivable, interest receivable, dividends receivable, other receivables and loans and advances to customers.

Loans and receivables are subsequently measured at amortized cost using the effective interest method. Gains or losses arising from derecognition, impairment or amortization are recognized in profit or loss for the current period.

9.3.4 Available-for-sale financial assets

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

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

Interests obtained and the dividends declared by the investee during the period in which the available-for-sale financial assets are held, are recognized in investment gains.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(II) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PREVIOUS PERIOD ADJUSTMENTS (Continued)

9.4 Impairment of financial assets

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

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

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

- Impairment of financial assets measured at amortized cost

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

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

- Impairment of available-for-sale financial assets

The objective evidence of impairment of available-for-sale equity instruments includes the continuous or significant drop of their fair value. Impairment of available-for-sale equity instruments should be determined by the analysis of relevant information. The Fair value of available-for-sale equity instruments falling below their cost does not constitute the indication of impairment.

Impairment of available-for-sale equity instruments which are hold for strategic purpose and will not be sold based on the fluctuation of the stock price should be determined by the analysis of the investees' operation. If the investee was suffering from a serious deteriorated situation, such as the minimum 10% annual decreases of revenue or minimum 20% decrease of EBITDA for three consecutive years, impairment of available-for-sale equity instrument in such investee should be considered.

Impairment of available-for-sale equity instruments which are hold for trading should be considered when the fair value of such instruments fall below 50% of their original investment or the fair value of such instruments fall below their original investment longer than 24 months.

When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value previously recognized directly in capital reserve is reclassified from the capital reserve to profit or loss. The amount of the cumulative loss that is reclassified from capital reserve to profit or loss is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(II) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PREVIOUS PERIOD ADJUSTMENTS (Continued)

If, subsequent to the recognition of an impairment loss on available-for-sale financial assets, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognized, the previously recognized impairment loss is reversed. The amount of reversal of impairment loss on available-for-sale equity instruments is recognized as other comprehensive income and included in the capital reserve, while the amount of reversal of impairment loss on available-for-sale debt instruments is recognized in profit or loss.

- Impairment of financial assets measure at cost

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

9.5 Transfer of financial assets

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

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

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

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

9.6 Classification, recognition and measurement of financial liabilities

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

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

9.6.1 Financial liabilities at fair value through profit or loss

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

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

A financial liability may be designated as at FVTPL upon initial recognition only when one of the following conditions is satisfied: (1) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise result from measuring liabilities or recognizing the gains or losses on them on different bases; or (2) The financial liability forms part of a group of financial liabilities or a group of financial assets and financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is reported to key management personnel on that basis; or (3) Financial assets that are designated at fair value through profit or loss and hybrid instruments related to embedded derivatives allowed under Accounting Standard for Business Enterprises NO. 22.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(II) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PREVIOUS PERIOD ADJUSTMENTS (Continued)

9.6.2 Other financial liabilities

For a derivative liability that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured, it is subsequently measured at cost. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with gain or loss arising from derecognition or amortization recognized in profit or loss.

9.7 Derecognition of Financial Liabilities

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

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

9.8 Derivatives and embedded derivatives

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

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

9.9 Offsetting financial assets and a financial liabilities

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

9.10 Equity instruments

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

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

9.10.1 Repurchase of share capital

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

9.11 Convertible loan notes

The Group confirms whether the issued convertible loan notes contain both liability and conversion option components. Convertible loan notes issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible loan notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity instrument, is included in capital reserve (other capital reserve - share conversion option). In subsequent periods, the liability component of the convertible loan notes is carried at amortised cost using the effective interest method. The conversion option classified as equity remains in equity. Transaction costs incurred for the issue of convertible loan notes are allocated to the liability component and equity component in proportion to their respective fair values. In subsequent periods, the

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(II) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PREVIOUS PERIOD ADJUSTMENTS (Continued)

liability component of the convertible loan notes is carried as liability at amortized cost. The conversion option classified as equity remains in equity and does not need subsequent measurement.

Where the conversion option components remain unexercised at the maturity date of the convertible loan notes issued by the Group, the balance recognized in capital reserve (other capital reserve) will be transferred to capital reserve (capital premium). Once the conversion option components are exercised, the equity component recognized in capital reserve (other capital reserve) will be transferred to capital reserve (capital premium); the aggregate nominal amount of shares are credited to share capital at par value of the stock multiplied by the number of shares; the difference between the total funds raised by conversion option components and share capital is credited to capital reserve (capital premium).

10. Accounts receivable

10.1 Receivables that are individually significant and for which bad debt provision is individually assessed

Basis for determining an individually significant receivable	A receivable that ranks top five largest is deemed as an individually significant receivable by the Group.
Method of determining provision for receivables that are individually significant and for which bad debt provision is individually assessed	The Group assessing the receivables individually on third party companies who are individually significant and receivables from Baosteel Group in the scope of consolidated statements, assesses the receivables individually on third party companies without impairment, is included in doing impairment assessment on the financial assets with similar credit risk characteristics; Assessing the receivables from Baosteel Group in the scope of consolidated statements without impairment is no longer included in a collective assessment by aging analysis method. Assessing the receivables which had confirmed impairment is no longer included in doing impairment assessment on the financial assets with similar credit risk characteristics.

10.2 Receivables for which bad debt provision is collectively assessed on a portfolio basis

Method of determining provision for receivables that are not individually significant and receivables that are individually significant but are not impaired individually	The Group regards age of accounts receivable as credit risk characteristics and divide the balance of accounts receivables into several aging groups according to the same or similar credit risk characteristics of aging group of accounts receivable of previous year; determines the bad debts rate for each aging group on the basis of the actual loss rate combined with the current situation of the aging group, and makes bad debts provision on the basis of calculation. Individual significant or insignificant accounts receivable with no credit risk and that can be collected within short term is not assessed.
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Portfolios that aging analysis is used for bad debt provision:

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

10.3 Receivables that are individually not significant but for which bad debt provision is individually assessed

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

11. Inventories

11.1 Categories of inventories

The Group's inventories mainly include raw materials, work in progress, finished goods, spare parts and others, etc. Inventories are initially measured at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other expenditures incurred in bringing the inventories to their present location and condition.

11.2 Valuation method of inventories upon delivery

The actual cost of inventories upon delivery is calculated using the weighted average method.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(II) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PREVIOUS PERIOD ADJUSTMENTS (Continued)

11.3 Basis for determining net realizable value of inventories and provision methods for decline in value of inventories

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

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

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

11.4 Stock count system

The perpetual inventory system is maintained for stock system.

11.5 Amortization method for low cost and short-lived consumable items and packaging materials

Packaging materials and low cost and short-lived consumable items are amortized using the immediate write-off method.

12. Long-term equity investments

12.1 Determination of investment cost

For a long-term equity investment acquired through a business combination involving enterprises under common control, the investment cost of the long-term equity investment is the attributable share of the carrying amount of the shareholders' equity of the acquiree at the date of combination. For a long-term equity investment acquired through business combination not involving enterprises under common control, the investment cost of the long-term equity investment is the cost of acquisition. For a long-term equity investment acquired through business combination not involving enterprises under common control and achieved in stages, the investment cost of the long-term equity investment is the aggregate of the carrying amount of the equity interest held in the acquiree prior to the acquisition date and the cost of the additional investment at the acquisition date. The long-term equity investment acquired otherwise than through a business combination is initially measured at its cost.

12.2 Subsequent measurement and recognition of profit or loss

12.2.1 Long-term equity investment accounted for using the cost method

For long-term equity investments over which the Group does not have joint control or significant influence and without quoted prices in an active market and that fair values cannot be reliably measured, the Group accounts for such long-term equity investments using the cost method. Besides, long-term equity investments in subsidiaries are accounted for using the cost method in the Company's separate financial statements. A subsidiary is an investee that is controlled by the Group.

Under the cost method, a long-term equity investment is measured at initial investment cost. Except for cash dividends or profits already declared but not yet paid that are included in the price or consideration actually paid upon acquisition of the long-term equity investment, investment income is recognized in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

12.2.2 Long-term equity investment accounted for using the equity method

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

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

Under the equity method, the Group recognizes its share of the net profit or loss of the investee for the period as investment income or loss for the period. The Group recognizes its share of the investee's net profit or loss based on the fair value of the investee's individual separately identifiable assets at the acquisition date after making appropriate adjustments to conform with the Group's accounting policies and accounting period. Unrealized profits or losses resulting from the Group's transactions with its associates and joint ventures are recognized as investment income or loss to the extent that those attributable to the Group's equity interest are eliminated. However, unrealized losses resulting from the Group's transactions with its associates and joint ventures which represent impairment losses on the transferred assets are not eliminated. Changes in owners' equity of the investee other than net profit or loss are correspondingly adjusted to the carrying amount of the long-term equity investment, and recognized as other comprehensive income which is included in the capital reserve.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(II) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PREVIOUS PERIOD ADJUSTMENTS (Continued)

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

For long-term equity investments in associates and joint ventures which had been held by the Group before its first-time adoption of Accounting Standards for Business Enterprises on 1 January 2007, where the initial investment cost of a long-term equity investment exceeds the Group's interest in the investee's net assets at the time of acquisition, the excess is amortized and is recognized in profit or loss on a straight line basis over the original remaining life.

12.2.3 Disposal of long-term equity investments

On disposal of a long term equity investment, the difference between the proceeds actually received and receivable and the carrying amount is recognized in profit or loss for the period. For a long-term equity investment accounted for using the equity method, the amount included in the shareholders' equity attributable to the percentage interest disposed is transferred to profit or loss for the period.

12.3 Basis for determining joint control and significant influence over investee

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

12.4 Methods of impairment assessment and determining the provision for impairment loss

The Group reviews the long-term equity investments at each balance sheet date to determine whether there is any indication that they have suffered an impairment loss. If an impairment indication exists, the recoverable amount is estimated. If such recoverable amount is less than its carrying amount, a provision for impairment losses in respect of the deficit is recognized in profit or loss for the period.

Once an impairment loss is recognized for a long-term equity investment, it will not be reversed in any subsequent period.

13. Investment properties

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

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

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

The Group reviews the investment properties at each balance sheet date to determine whether there is any indication that they have suffered an impairment loss. If there is any indication that such assets may be impaired, the recoverable amounts are estimated for such assets. Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. If the recoverable amount of an asset or an asset group is less than its carrying amount, the deficit is accounted for as an impairment loss and is recognized in profit or loss for the period.

Once an impairment loss is recognized for an investment property, it will not be reversed in any subsequent period.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(II) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PREVIOUS PERIOD ADJUSTMENTS (Continued)

14. Fixed assets

14.1 Recognition criteria for fixed assets

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

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

14.2 Depreciation of each category of fixed assets

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

Category of fixed assets	Depreciation period (years)	Residual value (%)	Annual depreciation rate (%)
Buildings	15-35	4	2.7-6.4
Machinery and equipment	7-15	4	6.4-13.7
Transportation vehicles	5-10	4	9.6-19.2
Office and other equipment	4-9	4	10.7-24.0

Estimated net residual value of a fixed asset is the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

14.3 Methods of impairment assessment and determining the provision for impairment losses of fixed assets

The Group assesses at each balance sheet date whether there is any indication that the fixed assets may be impaired. If there is any indication that such assets may be impaired, recoverable amounts are estimated for such assets. Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. If the recoverable amount of an asset or an asset group is less than its carrying amount, the deficit is accounted for as an impairment loss and is recognized in profit or loss for the period.

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

14.4 Other explanations

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

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

15. Construction in progress

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

The Group assesses at each balance sheet date whether there is any indication that construction in progress may be impaired. If there is any indication that such assets may be impaired, recoverable amounts are estimated for such assets. Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. If the recoverable amount of an asset or an asset group is less than its carrying amount, the deficit is accounted for as an impairment loss and is recognized in profit or loss for the period.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(II) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PREVIOUS PERIOD ADJUSTMENTS (Continued)

16. Borrowing costs

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

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

During the capitalization period, exchange differences related to a specific-purpose borrowing denominated in foreign currency are all capitalized. Exchange differences in connection with general-purpose borrowings are recognized in profit or loss in the period in which they are incurred.

Assets eligible for capitalization refers to the fixed assets, investment properties, inventories and other assets, of which the acquisition, construction and production takes a substantial period of time to get ready for its intended use or for sale.

17. Intangible assets

17.1 Intangible assets

Intangible asset includes land use rights, software, and etc.

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

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

17.2 Research and development expenditure

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

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

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

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

17.3 Methods of impairment assessment and determining the provision for impairment losses of intangible assets

The Group assesses at each balance sheet date whether there is any indication that the intangible assets with a finite useful life may be impaired. If there is any indication that such assets may be impaired, recoverable amounts are estimated for such assets. Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. If the recoverable amount of an asset or an asset group is less than its carrying amount, the deficit is accounted for as an impairment loss and is recognized in profit or loss for the period.

Intangible assets with indefinite useful life and intangible assets not yet available for use are tested for impairment annually, irrespective of

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(II) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PREVIOUS PERIOD ADJUSTMENTS (Continued)

whether there is any indication that the assets may be impaired.

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

18. Long-term prepaid expenses

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

19. Assets transferred under repurchase agreements

19.1 Financial assets purchased under resale agreements

Financial assets that have been purchased under agreements with a commitment to resell at a specific future date are not recognized in the balance sheet. The cost of purchasing such assets is presented under "financial assets purchased under resale agreements" in the balance sheet. The difference between the purchasing price and reselling price is recognized as interest income during the term of the agreement using the effective interest method.

19.2 Financial assets sold under repurchase agreements

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

20. Shares repurchase

Cost and transaction fee associated with the shares repurchase are recognized as the decreases of shareholder's equity. Cost and transaction fee of repurchase, transfer or cancellation of the Company shares are not recognized as profit or loss.

21. Revenue

21.1 Revenue from sales of goods

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

21.2 Revenue arising from the rendering of services

Revenue from rendering of services is recognized when (1) the amount of revenue can be measured reliably; (2) it is probable that the associated economic benefits will flow to the enterprise; (3) the stage of completion of the transaction can be determined reliably; and (4) the associated costs incurred or to be incurred can be measured reliably. Revenue from rendering of services is recognized using the percentage of completion method at the balance sheet date. The stage of completion of a transaction for rendering for services is determined based on the proportion that costs incurred to date bear to the estimated total costs of the transaction.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognized only to the extent of the costs incurred that will be recoverable, and the costs incurred are recognised as expenses for the period. When it is not probable that the costs incurred will be recovered, revenue is not recognized.

When a contract or agreement signed between the Group and another enterprise contains both sales of goods and rendering of services, the sales of goods and the rendering of services are distinguished from each other and measured separately. If the sales of goods and the rendering of services cannot be distinguished from each other, or when the two can be distinguished from each other but cannot be measured respectively, they are treated as the sales of goods.

21.3 Royalty Revenue

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

21.4 Interest Revenue

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(II) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PREVIOUS PERIOD ADJUSTMENTS (Continued)

22. Government grants

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

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable.

A government grant related to an asset is recognized as deferred income, and evenly amortized to profit or loss over the useful life of the related asset. For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognized as deferred income, and recognized in profit or loss over the periods in which the related costs are recognized. If the grant is a compensation for related expenses or losses already incurred, the grant is recognized immediately in profit or loss for the period.

For repayment of a government grant already recognized, if there is related deferred income, the repayment is offset against the carrying amount of the deferred income, and any excess is recognized in profit or loss for the period. If there is no related deferred income, the repayment is recognized immediately in profit or loss for the period.

Relocation compensation received for relocation in public interests

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

23. Deferred tax assets / deferred tax liabilities

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

23.1 Current income tax

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

23.2 Deferred tax assets and deferred tax liabilities

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

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

For deductible losses and tax credits that can be carried forward, deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilized.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(II) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PREVIOUS PERIOD ADJUSTMENTS (Continued)

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

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

24. Operating leases

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

24.1 The Group as lessee under operating leases

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

24.2 The Group as lessor under operating leases

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

24.3 The Group as lessor under finance leases

At the commencement of the lease term, the aggregate of the minimum lease receivable at the inception of the lease and the initial direct costs is recognized as a finance lease receivable, and the unguaranteed residual value is recorded at the same time. The difference between the aggregate of the minimum lease receivable, the initial direct costs and the unguaranteed residual value, and the aggregate of their present values is recognized as unearned finance income.

Unearned finance income is recognized as finance income for the period using the effective interest method over the lease term. Contingent rents are credited to profit or loss in the period in which they are actually incurred.

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

25. Changes in accounting estimates

Changes in accounting estimates and reasons	Approval procedures	Financial statements items affected	Amount affected
Whereas it is less likely that the bad debt loss on the accounts receivable from Baosteel Group in the scope of consolidated statements, with approval of the sixth meeting of the fifth board of directors of the Company, the Group shall, since 2013, perform independent impairment test for all accounts receivable from Baosteel Group in the scope of consolidated statement and make bad-debt provisions using the specific identification method, and shall not make the bad-debt provision for the risk-free receivables, nor incorporate such accounts receivable in combination to make bad-debt provisions using the aging analysis method. This accounting estimate change involves the accounting treatment related to the bad-debt provisions for the unit accounts receivable by the Group and its subsidiaries from Baosteel Group in the scope of consolidated statement. This change employs prospective application, having an influence on the Group and the Company as follows.	The sixth meeting of the fifth board of directors of the Company	Accounts receivable	Increased by RMB 9.19 million
		Other receivables	Increased by RMB 3.44 million
		Deferred tax assets	Decreased by RMB 3.16 million
		Income tax expenses	Increased by RMB 3.16 million
		Retained earnings	Increased by RMB 9.47 million

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(II) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PREVIOUS PERIOD ADJUSTMENTS (Continued)

26. Other significant accounting policies, accounting estimates and preparation of consolidated financial statements

Employee benefit

In an accounting period in which an employee has rendered service to the Group, the Group recognizes the employee benefits for that service as a liability, except for compensation for termination of employment relationship with the employees.

The Group participates in the employee social security systems, such as basic pensions, medical insurance, unemployment insurance, housing funds and other social securities established by the government in accordance with relevant requirements. The related expenditures are either included in cost of related assets or charged to profit or loss in the period when they are incurred.

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

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

27. Basis of determining significant accounting policies and key assumptions and uncertainties in accounting estimates

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

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

Key assumptions and uncertainties in accounting estimates

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

27.1 Inventory Provision

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

Operational procedures have been in place to monitor this risk as a significant proportion of the Group's working capital is devoted to inventories. Physical counts on all inventories are carried out by the management on a periodical basis in order to determine whether it is necessary to make provision in respect of any obsolete and defective inventories identified. This involves comparison of carrying amount of the aged inventory items with the respective net realizable value. The purpose is to ascertain whether provision is required to be made in the financial statements for any obsolete and slow-moving items. In this regard, the management is satisfied that adequate inventory provision has been made for obsolete and slow-moving inventories.

27.2 Bad debt provision

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

27.3 Deferred tax assets

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

27.4 Fixed assets provision

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

27.5 Impairment of available-for-sale financial assets

On the financial statement date, the Group investigates the impairment risk of its available-for-sale financial assets. Those assets are held by the Group for the purpose of strategic investment, and the Group will not decide to sell them due to temporary fluctuation on the stock price. The Group accrues the impairment of the asset when the asset meets the quantified impairment standard (Notes (2), 9) set out by the Group. After considering all the complications, the management of the group believes that it is not necessary to accrual the impairment of the available-for-sale financial asset on the financial statement date.

(III) TAXES

Major categories of taxes and tax rates

Category of tax	Basis of tax computation	Tax rate
Value-added tax	Taxable revenue of goods sales	6%, 11%, 13% or 17%
Business tax	Taxable revenue	3% or 5%
City maintenance and construction tax	Actual turnover tax	1%~7%
Educational surtax and surcharge	Actual turnover tax	1%~5%
Enterprise income tax	Taxable income	Note
Levies	Actual turnover tax	Applicable rates set by the government
Property tax	Residual value of the taxable buildings or rental income	Applicable rates set by the government
Individual income tax	Taxable individual income	Applicable rates set by the government

Note: The Company is subjected to 25% income tax rate on its taxable income. Subsidiaries of the Group are subjected to respective applicable income tax rates on taxable income. The income taxes of overseas subsidiaries of the Group are based on the relevant local laws and regulations on taxation.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(IV) BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS

1. Information of primary subsidiaries

(1) Subsidiaries acquired through business combinations involving enterprises under common control

Full name of subsidiaries	Type	Place of incorporation	Nature of business	Registered capital ('000)
Yantai Lubao Steel Tubes Co., Ltd. (Lubao Steel Tubes)	LLC	Yantai	Manufacturing	RMB 100,000
Baosteel Huangshi Coating & Galvanizing Co., Ltd. (Huangshi Coating & Galvanizing)	LLC	Huangshi	Manufacturing	RMB 144,647
Shanghai Baosteel International Economic & Trading Co., Ltd. (Baosteel International)	LLC	Shanghai	Steel trading	RMB 2,248,879
Shanghai Meishan Iron & Steel Co., Ltd. (Meishan Steel)	LLC	Nanjing	Manufacturing	RMB 7,081,426
Shanghai Baosight Software Co., Ltd. (Baosight Software)	LLC	Shanghai	IT	RMB 340,917
Baosteel America Inc. (Baosteel America)	LLC	Texas, USA	Steel trading	USD 980
Howa Trading Co., Ltd. (Howa Trading)	LLC	Tokyo, Japan	Steel trading	JPY 876,000
Baosteel Europe GmbH (Baosteel Europe)	LLC	Hamburg, Germany	Steel trading	EUR 2,050
Baosteel Singapore PTE Ltd. (Baosteel Singapore)	LLC	Singapore	Steel trading	SGD 1,500
Bao-Trans Enterprises Ltd. (Bao-Trans Enterprises)	LLC	Hong Kong	Steel trading	HKD 360,190
Baosteel Do Brazil Ltd. (Baosteel Brazil Trading)	LLC	Rio de Janeiro, Brazil	Steel trading	BRL 1,253
Shanghai Baosteel Chemical Co., Ltd. (Baosteel Chemical)	LLC	Shanghai	Manufacturing	RMB 2,110,047
Baosteel Group Finance Co. Ltd. (Finance. Co.)	LLC	Shanghai	Finance	RMB 1,100,000
Nantong Baosteel Iron & Steel Co., Ltd. (Baotong Steel)	LLC	Nantong	Manufacturing	RMB 620,532
Baosteel Zhanjiang Iron & Steel Co., Ltd. ("Zhanjiang Iron & Steel") ^(Note 1)	LLC	Zhanjiang	Manufacturing	RMB20,000,000

(2) Subsidiaries acquired through establishment, investment and etc.

Full name of subsidiaries	Type	Place of incorporation	Nature of business	Registered capital ('000)
Yantai Baosteel Steel Tubes Co., Ltd. (Yantai Baosteel)	LLC	Yantai	Manufacturing	RMB 2,000,000
Shanghai Bao Chemical E-commerce Co., Ltd. (Bao Chemical)	LLC	Shanghai	E-commerce	RMB 5,000
Xinjiang Karamay Steel Pipe Ltd. (Baoma Tube)	LLC	Karamay	Manufacturing	RMB 48,898
Poly Pipe (Thailand) Co., Ltd. (Poly Pipe)	LLC	Thailand	Manufacturing	THB 2,800,000
BGM Co., Ltd. (BGM)	LLC	Gyeonggi-do, South Korea	Manufacturing	KRW10,000,000

Note 1: Zhanjiang Iron & Steel is a subsidiary newly incorporated into the scope of consolidation during this reporting period. In accordance with the *Proposal on Acquisition of Zhanjiang Iron & Steel Equity* approved at the third meeting of the fifth board of directors of the Company, and the *Equity Transfer Agreement of Baosteel Zhanjiang Iron & Steel Co., Ltd.*, the Company acquired 71.8032 % equity of Zhanjiang Iron & Steel Co., Ltd. held by Baosteel Group. Although the Company made the above payment on October 31, 2012, however, the Company took over the control on Zhanjiang Iron & Steel Co., Ltd. in January 2013. Therefore, the Company incorporated Zhanjiang Iron & Steel Co., Ltd. into the scope of consolidation since January 1, 2013. Since the establishment date, Zhanjiang Iron & Steel Co., Ltd. has been controlled by Baosteel Group, the equity acquired was identified as the business combination under common control. According to Accounting standard for business enterprises, the opening balance of the consolidated balance sheet, consolidated income statement, consolidated cash flow statement and consolidated statement of changes in shareholders' equity have been restated. Unless otherwise stated, the opening amount of the year involved in this Report has been restated. During this reporting period, the Company increased a capital of RMB 6.907 billion for Zhanjiang Iron & Steel Co., Ltd., after which the Company holds 85.71% equity interests of Zhanjiang Iron & Steel Co., Ltd. and the actual capital contribution to Zhanjiang Iron & Steel Co., Ltd. increased to RMB 14 billion.

Note 2: The equity interest in BGM is 50% at the balance sheet date. However, the Group has more than half of voting power in the board of directors of BGM. Therefore, the Group includes BGM in the scope of consolidation.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(IV) BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Business scope	Actual capital contribution at the end of the period ('000)	Balance of other items, that in substance, constitutes net investment in the subsidiary	Proportion of equity interest (%)	Proportion of voting power (%)	Consolidated or not consolidated	Minority interest (RMB'000)	Amount of the minority interests used to absorb profits or losses attributable to minority interests
Production & sales of steel tubes	RMB 79,820	-	79.82%	79.82%	Y	109,478	-
Production & sales of galvanized sheets	RMB 84,542	-	58.45%	More than half of voting power	Y	141,153	-
Steel trading	RMB 2,248,879	-	100%	100%	Y	1,254,433	-
Steel processing & sales	RMB 5,455,836	-	77.04%	77.04%	Y	2,565,011	-
Software development	RMB 145,545	-	55.5%	55.5%	Y	809,872	-
Steel trading	USD 980	-	100%	100%	Y	-	-
Steel trading	JPY 876,000	-	100%	100%	Y	-	-
Steel trading	EUR 2,050	-	100%	100%	Y	63,511	-
Steel trading	SGD 1,500	-	100%	100%	Y	-	-
Steel trading	HKD 360,190	-	100%	100%	Y	-	-
Steel trading	USD 980	-	100%	100%	Y	-	-
Production and sales of chemical products	RMB 2,110,047	-	100%	100%	Y	292,047	-
Financial & foreign exchange	RMB 310,500	-	62.1%	62.1%	Y	667,316	-
Steel processing & sales	RMB 594,582	-	95.82%	95.82%	Y	4,755	-
Steel melting and processing	RMB 12,000,000	-	85.71%	85.71%	Y	3,391,703	-

Business scope	Actual capital contribution at the end of the period ('000)	Balance of other items, that in substance, constitutes net investment in the subsidiary	Proportion of equity interest (%)	Proportion of voting power (%)	Consolidated or not consolidated	Minority interest (RMB'000)	Amount of the minority interests used to absorb profits or losses attributable to minority interests
Steel tube production & sales	RMB 2,000,000	-	100%	100%	Y	-	-
E-commerce	RMB 3,500	-	70%	70%	Y	1,271	-
Steel tube production & sales	RMB 36,674	-	75%	75%	Y	11,491	-
Steel tube processing	USD 46,252	-	51%	51%	Y	216,664	-
Steel product processing & sales	KRW 5,000,000	-	50%	Over half (Note2)	Y	25,028	-

2. Business combination involving entity under common control

RMB

Combined party	Criterion for business combination under common control	Actual controller of the common control	Net income from the beginning of the period to the combination date	Net profit from the beginning of the period to the combination date	Net cash flow from operating activities from the beginning of the period to the combination date
Zhanjiang Iron & Steel	Under common control before and after combination	Baosteel Group	-	-	-

Note: Details of subsidiary newly incorporated into the scope of consolidation during this reporting period refer to Note(X).4.

3. Exchange rates for translating major financial statement items of oversea entities.

RMB

Currency	Average exchange rate		Exchange rate at end of period	
	2013	2012	2013	2012
USD	6.1912	6.2932	6.0969	6.2855
EUR	8.36825	8.2401	8.4189	8.3176
JPY	0.0654	0.0771	0.0578	0.0730
BRL	2.82597	3.22436	2.581354	3.07059
THB	0.1957	0.2023	0.1849	0.2054
KRW	0.005804	0.005672	0.005740	0.005868

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

Item	Closing balance			Restated opening balance after business combination involving entities under common control		
	Foreign Currency	Exchange Rate	Amount in RMB	Foreign Currency	Exchange Rate	Amount in RMB
RMB						
Cash:						
RMB			862,784.89			894,131.30
Bank:						
RMB			8,712,911,595.21			5,085,022,468.29
USD	309,946,263.41	6.0969	1,889,711,373.41	252,487,143.37	6.2855	1,587,007,939.68
JPY	6,522,202,259.93	0.0578	376,794,424.53	5,387,440,116.00	0.0730	393,547,113.06
EUR	42,397,306.39	8.4189	356,937,436.23	37,014,591.59	8.3176	307,872,567.02
HKD	1,345,837.74	0.7862	1,051,979.25	2,573,170.14	0.8109	2,086,455.01
THB	-	0.1849	-	406,286,396.84	0.2054	83,451,225.91
Other currencies			98,392,763.62			78,908,329.11
Other currency funds:						
RMB			71,190,039.79			93,317,392.48
Deposit reserve in central bank by Finance Co.			1,373,381,901.56			1,219,017,357.42
Total			12,881,234,298.49			8,851,124,979.28

Details of restricted bank balance are shown as follows:

Item	Closing balance		Restated opening balance after business combination involving entities under common control	
	Foreign Currency	Amount in RMB	Foreign Currency	Amount in RMB
RMB				
Deposit reserve in central bank by Finance Co.		1,373,381,901.56		1,219,017,357.42

At 31 December 2013, RMB 2,018,653,824.16 (at 31 December 2012: RMB1,714,803,262.36) was deposited in overseas banks. At 31 December 2013, other currency funds of the Group mainly consist of cash for investment of RMB4,406,913.56 (at 31 December 2012: RMB4,217,506.91), bank acceptance bill's guarantee deposit of RMB56,178,621.04 (at 31 December 2012: RMB85,282,497.06), letter of credit's deposit of RMB9,301,224.54 (at 31 December 2012: RMB1,605,092.40) and credit card deposit of RMB443,801.80 (at 31 December 2012: RMB148,573.77), and etc.

2. Held-for-trading financial assets

Details of held-for-trading financial assets are as follows:

Item	Closing fair value		Restated opening fair value after business combination involving entities under common control	
	Foreign Currency	Amount in RMB	Foreign Currency	Amount in RMB
RMB				
Held-for-trading bond investment		25,870,987.96		51,729,760.16
Held-for-trading fund investment		-		30,000,000.00
Derivative financial assets		2,867,855.98		7,848,049.15
Total		28,738,843.94		89,577,809.31

The management of the Company believes that there exists no significant obstacle in realizing the held-for-trading financial assets.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Notes receivable

(1) Categories of notes receivable

Category	Closing balance	RMB	
		Restated opening balance after business combination involving entities under common control	
Bank acceptance	11,761,459,876.16	11,852,905,308.99	
Commercial acceptance	385,814,930.98	558,397,876.32	
Total	12,147,274,807.14	12,411,303,185.31	

As at 31 December 2013, a carrying amount of RMB 127,874,776.03 of the bank acceptance is being discounted. According to relevant acceptance discount contract, no short term borrowing is recognized due to lacking of recourse right. (at 31 December 2012: RMB746,165,373.27 of the bank acceptance is being discounted for a short term borrowing of RMB746,165,373.27 due to the recourse right)

- (2) At the opening and closing of the year, no notes receivables were reclassified to accounts receivable due to the drawers' inability to settle the notes on maturity.
- (3) At the opening and closing of the year, there are no notes receivables due to any shareholders holding at least 5% of the Company's shares with voting power.
- (4) Notes receivable due from related parties refer to Note (VI). 6 (1).
- (5) As at 31 December 2013, no notes receivable discounted was reclassified as short-term borrowings.

Name of drawer	Date of issue	Maturity Date	RMB	
			Amount	
Jinxi Jinlan Cold-rolled Sheets Co., Ltd.	14 August 2012	14 February 2013	40,000,000.00	
Jinxi Jinlan Cold-rolled Sheets Co., Ltd.	14 August 2012	14 February 2013	39,461,493.00	
Shanghai Gutai Metal Materials Co., Ltd.	17 September 2012	17 March 2013	24,000,000.00	
Jiangsu Yulong Steel Pipe Co., Ltd.	20 September 2012	20 March 2013	21,332,000.00	
China Railway Materials Company Limited	6 August 2012	6 February 2013	20,586,011.00	
Total			145,379,504.00	

4. Accounts receivable

(1) Disclosure of accounts receivable by categories:

Category	Closing balance				Restated opening balance after business combination involving entities under common control				RMB
	Carrying amount		Bad debt provision		Carrying amount		Bad debt provision		
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	
	Accounts receivable that are individually significant and for which bad debt provision has been assessed individually	3,044,601,900.92	26	25,008,593.45	5	2,092,051,700.36	23	104,602,585.02	
Accounts receivables with provision accrued collectively on a portfolio basis	8,618,747,809.20	73	363,437,240.58	79	6,766,491,715.40	76	202,809,785.36	55	
Accounts receivable that are not individually significant but for which bad debt provision has been assessed individually	71,750,227.37	1	71,750,227.37	16	59,812,102.36	1	59,812,102.36	17	
Total	11,735,099,937.49	100	460,196,061.40	100	8,918,355,518.12	100	367,224,472.74	100	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The aging analysis of accounts receivable is as follows:

Aging	Closing balance				Restated opening balance after business combination involving entities under common control			
	Amount	Proportion (%)	Bad debt provision	Carrying amount	Amount	Proportion (%)	Bad debt provision	Carrying amount
	Within 1 year	11,219,773,991.28	95	302,399,229.99	10,917,374,761.29	8,444,404,488.72	94	267,537,990.34
More than 1 year but not exceeding 2 years	314,018,773.51	3	25,531,020.75	288,487,752.76	323,807,678.02	4	21,664,769.93	302,142,908.09
More than 2 years but not exceeding 3 years	101,846,406.72	1	60,515,583.29	41,330,823.43	71,624,990.42	1	18,209,610.11	53,415,380.31
More than 3 years	99,460,765.98	1	71,750,227.37	27,710,538.61	78,518,360.96	1	59,812,102.36	18,706,258.60
Total	11,735,099,937.49	100	460,196,061.40	11,274,903,876.09	8,918,355,518.12	100	367,224,472.74	8,551,131,045.38

- (2) Accounts receivable that are individually significant or not individually significant but for which bad debts has been assessed individually as at 31 December 2013:

Content of accounts receivable	Amount	Bad debt provision	Proportion of provision (%)	Reasons for provision
Accounts receivable that are individually significant	3,044,601,900.92	25,008,593.45	0.82	Note 1
Accounts receivable with long aging	71,750,227.37	71,750,227.37	100	Note 2
Total	3,116,352,128.29	96,758,820.82		

Accounts receivable that are individually significant or not individually significant but for which bad debts have been assessed individually as at 31 December 2012:

Content of accounts receivable	Amount	Bad debt provision	Proportion of provision (%)	Reasons for provision
Accounts receivable that are individually significant	2,092,051,700.36	104,602,585.02	5	Note 1
Accounts receivable with long aging	59,812,102.36	59,812,102.36	100	Note 2
Total	2,151,863,802.72	164,414,687.38		

Note 1: The Group assessed the bad debt provision of accounts receivable which are individually significant separately. As at 31 December 2013, nil of bad debt provision is accrued for accounts receivable that are individually significant (as at 31 December 2012: Nil). By reference to the Note (II).10 (2), receivables for which bad debt provision is collectively assessed on a portfolio basis, as at 31 December 2013, an amount of RMB 25,008,593.45 is accrued as bad debt provision (at 31 December 2012: RMB104,602,585.02).

Note 2: Bad debt provision is fully made due to long aging and a slim chance of recollection.

- (3) Accounts receivable due from shareholders holding at least 5% of the Company's shares with voting power in the current period refer to Note (VI). 6 (2).

- (4) Top five customers with the largest balances are set out below:

Name of customer	Relationship with the Company	Amount	Age	Proportion to the total accounts receivable (%)
Entity one	Related party	775,168,436.49	Within 1 year	7
Entity two	Related party	720,130,592.04	Within 1 year	6
Entity three	Related party	631,605,490.56	Within 1 year	5
Entity four	Third party	500,171,869.00	Within 1 year	4
Entity five	Related party	417,525,512.83	Within 1 year	4
Total		3,044,601,900.92		26

- (5) As at 31 December 2013, a total carrying amount of RMB1,370,000,000.00 (31 December 2012: RMB1,370,000,000.00) of accounts receivable is mortgaged for a short-term borrowing of RMB1,370,000,000.00 by means of bank guarantee (31 December 2012: RMB1,370,000,000.00).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Prepayments

(1) Aging analysis of prepayments is as follows:

Aging	Closing balance		Restated opening balance after business combination involving entities under common control	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	2,904,024,382.90	95	3,612,030,958.89	97
More than 1 year but not exceeding 2 years	75,644,388.11	2	93,434,794.28	3
More than 2 years but not exceeding 3 years	62,844,831.81	2	10,385,058.49	-
More than 3 years	21,153,667.88	1	486,632.02	-
Total	3,063,667,270.70	100	3,716,337,443.68	100

As at 31 December 2013, prepayments with more than one year are mainly intended for purchase of large equipment used for projects under construction.

(2) Top five suppliers with the largest balances are set out below:

Name of supplier	Relationship with the Company	Amount	Aging
Entity one	Related party	366,690,275.56	Within 1 year
Entity two	Related party	354,039,702.56	Within 1 year
Entity three	Related party	209,331,981.56	Within 1 year
Entity four	Related party	172,817,093.94	Within 1 year
Entity five	Third party	140,111,398.99	Within 1 year
Total		1,242,990,452.61	

(3) At the opening and closing of the year, there is no prepayment to any shareholder holding at least 5% of the Company's shares with voting power.

(4) Disclosure of prepayments by supplier categories is as follows:

Category	Closing balance	Restated opening balance after business combination involving entities under common control
Individually significant prepayments	1,242,990,452.61	1,491,789,693.40
Other insignificant prepayments	1,820,676,818.09	2,224,547,750.28
Total	3,063,667,270.70	3,716,337,443.68

(5) Prepayments due to related parties refer to Note (VI). 6 (3).

6. Interest receivable

(1) Interest receivable

Item	Restated opening balance after business combination involving entities under common control	Increase for the year	Decrease for the year	Closing balance
Interest receivable	948,484,949.13	1,297,497,190.55	1,505,706,531.11	740,275,608.57

(2) Explanations for interest receivable:

At the balance sheet date, the aging of interest receivable is within one year.

(3) Interest receivable due to related parties refer to note (VI), 6(4).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Dividends receivable

Item	Restated opening balance after business combination involving entities under common control	Increase in the current period	Decrease in the current period	Closing balance	Reasons for uncollected amounts	Whether the amount is impaired	RMB
Dividends receivable aged within 1 year	5,649,323.48	60,887,153.28	5,649,323.48	60,887,153.28	-	No	
Dividends receivable aged More than 1 year	27,990,563.34	-	27,990,563.34	-	-	No	
Total	33,639,886.82	60,887,153.28	33,639,886.82	60,887,153.28	-		

8. Other receivables

(1) Disclosure of other receivables by categories:

Category	Closing balance				Restated opening balance after business combination involving entities under common control				RMB
	Carrying amount		Bad debt provision		Carrying amount		Bad debt provision		
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables that are individually significant and for which bad debt provision has been assessed individually	435,869,833.04	26	-	-	466,624,437.44	32	2,330,038.88	6	
Other receivables with provision accrued collectively on a portfolio basis	1,265,502,592.79	73	56,627,189.42	69	932,340,306.65	66	9,523,884.58	27	
Other receivables that are not individually significant but for which bad debt provision has been assessed individually	25,031,256.94	1	25,031,256.94	31	24,220,931.54	2	24,220,931.54	67	
Total	1,726,403,682.77	100	81,658,446.36	100	1,423,185,675.63	100	36,074,855.00	100	

Aging analysis of other receivables is as follows:

Aging	Closing balance				Restated opening balance after business combination involving entities under common control				RMB
	Amount	Proportion (%)	Bad debt provision	Carrying amount	Amount	Proportion (%)	Bad debt provision	Carrying amount	
Within 1 year	1,299,454,657.38	75	9,352,699.87	1,290,101,957.51	1,069,443,372.69	75	7,211,357.38	1,062,232,015.31	
More than 1 year but not exceeding 2 years	110,083,127.79	6	45,848,624.96	64,234,502.83	24,793,620.57	2	2,614,178.68	22,179,441.89	
More than 2 years but not exceeding 3 years	4,964,522.61	-	1,425,864.59	3,538,658.02	8,979,361.67	1	2,028,387.40	6,950,974.27	
More than 3 years	311,901,374.99	19	25,031,256.94	286,870,118.05	319,969,320.70	22	24,220,931.54	295,748,389.16	
Total	1,726,403,682.77	100	81,658,446.36	1,644,745,236.41	1,423,185,675.63	100	36,074,855.00	1,387,110,820.63	

(2) Other receivables that are individually significant or not individually significant but for which bad debt provision has been assessed individually as at 31 December 2013:

Content of other receivables	Amount	Bad debt provision	Proportion of provision (%)	Reasons	RMB
Other receivables with significant balances	435,869,833.04	-	-	Note 1	
Other receivables with long aging	25,031,256.94	25,031,256.94	100	Note 2	
Total	460,901,089.98	25,031,256.94			

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Other receivables that are individually significant or not individually significant but for which bad debt provision has been assessed individually as at 31 December 2012:

	RMB			
Content of other receivables	Amount	Bad debt provision	Proportion of provision (%)	Reasons
Other receivables with significant balances	466,624,437.44	2,330,038.88	0.5	Note 1
Other receivables with long aging	24,220,931.54	24,220,931.54	100	Note 2
Total	490,845,368.98	26,550,970.42		

Note 1: Other receivables with significant balances mainly consist of R&D expense receivable from Baosteel Group, custom's deposit, advances of project expense and government compensation for relocation. The Company did not make bad debt provision on custom's deposit, advances of project expense and government compensation for relocation in view of the low risk of collection, of which the book balance is RMB435,869,833.04 (RMB420,023,659.92 on 31 December 2012).

Note 2: The possibility of collecting the other receivables with long aging is very small. Therefore, the Company made full bad debt provision on the above other receivables.

(3) Other receivables due to shareholders holding at least 5% of the Company's shares with voting power in the current period refer to Note (VI). 6(5)

(4) Top five entities with the largest balances are set out below:

	RMB			
Name of Entity	Relationship with the Company	Amount	Age	Proportion to the total other receivables (%)
Entity one	Third party	198,911,326.43	Note	12
Entity two	Third party	112,050,640.10	Within 1 year	7
Entity three	Third party	52,810,650.00	Within 1 year	3
Entity four	Third party	37,110,397.88	Within 1 year	2
Entity five	Related party	34,986,818.63	Within 1 year	2
Total		435,869,833.04		26

Note: The amount aged more than 3 years is RMB198,911,326.43.

9. Inventories

(1) Categories of inventories

Item	Closing balance			Restated opening balance after business combination involving entities under common control		
	Gross carrying amount	Provision for decline in value of inventories	Net carrying amount	Gross carrying amount	Provision for decline in value of inventories	Net carrying amount
Raw materials	7,653,352,540.31	167,249,239.32	7,486,103,300.99	7,310,245,911.40	22,419,384.55	7,287,826,526.85
Work-in-progress	9,207,303,898.78	393,120,379.69	8,814,183,519.09	7,771,738,033.33	180,588,026.30	7,591,150,007.03
Finished goods	11,798,045,628.55	590,592,927.36	11,207,452,701.19	10,534,004,003.87	348,474,943.23	10,185,529,060.64
Spare parts and others	3,640,280,331.31	61,279,664.12	3,579,000,667.19	3,870,142,701.45	62,224,606.76	3,807,918,094.69
Total	32,298,982,398.95	1,212,242,210.49	31,086,740,188.46	29,486,130,650.05	613,706,960.84	28,872,423,689.21

(2) Provision for decline in value of inventories

Category of inventories	Restated opening carrying amount after business combination involving entities under common control	Increase in the current period	Decrease in the current period		Exchange differences arising on translation of financial statements denominated in foreign currencies	Closing carrying amount
			Reversals	Write-off		
Raw materials	22,419,384.55	264,820,062.47	119,990,207.70	-	-	167,249,239.32
Work-in-progress	180,588,026.30	286,771,345.56	74,238,992.17	-	-	393,120,379.69
Finished goods	348,474,943.23	456,886,107.65	213,522,056.33	1,027,450.08	(218,617.11)	590,592,927.36
Spare parts and others	62,224,606.76	1,878,146.48	895,480.03	1,927,609.09	-	61,279,664.12
Total	613,706,960.84	1,010,355,662.16	408,646,736.23	2,955,059.17	(218,617.11)	1,212,242,210.49

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(3) Provision for decline in value of inventories

Item	Basis of making provision for decline in value of inventories	Reasons for reversal of decline in value of inventories for the period	Proportion of amount of reversal for the period to the closing balance of the relevant category of inventories
Raw materials	Lower of cost and net realizable value	Increase in price	2%
Work-in-progress	Lower of cost and net realizable value	Increase in price	1%
Finished goods	Lower of cost and net realizable value	Increase in price	2%
Spare parts and others	Lower of cost and net realizable value	Increase in price	-

No inventory was used for guarantee as at 31 December 2013. And no interest expense was capitalized in the closing balance of inventory as at 31 December 2013.

10. Non-current assets due within one year

Item	Closing balance	Restated opening balance after business combination involving entities under common control
Trust financial products	260,000,000.00	380,000,000.00
Accounts receivable from disposal of assets ^(note)	4,500,000,000.00	4,500,000,000.00
Total	4,760,000,000.00	4,880,000,000.00

Note: Accounts receivable from disposal of assets due within one year is RMB4.5 billion, including RMB2.6 billion from Shanghai Baosteel Stainless Co., Ltd. and 1.9 billion from Baosteel Special Steel Co., Ltd. refer to Note (V), 14(1).

Accounts receivable due from related parties in non-current assets due within one year refer to Note (VI).6(6).

11. Other current assets

Item	Closing balance	Restated opening balance after business combination involving entities under common control
Financial products - Trust	277,031,463.05	-

12. Loans and advances to customers

(1) Category of loans and advances to customers

Item	Closing balance	Restated opening balance after business combination involving entities under common control
Loans	2,192,214,717.69	2,237,151,741.38
Discounts	1,005,039,105.85	624,042,867.81
Provision for loan impairment	(125,340,000.00)	(98,175,000.00)
Total	3,071,913,823.54	2,763,019,609.19

(2) Provision for short-term, medium-term, and long-term loans

Item	Restated opening carrying amount after business combination involving entities under common control	Increase in the current period	Decrease in the current period		Exchange differences arising on translation of financial statements denominated in foreign currencies	Closing carrying amount
			Reversals	Write-off		
Provision for short-term, medium-term, and long-term loans losses	98,175,000.00	27,165,000.00	-	-	-	125,340,000.00

Loans and advances to customers due to shareholders holding at least 5% of the Company's shares with voting power at the beginning and closing of the current period are nil.

Loans and advances to customers due to related party at the beginning and closing of the current period refer to Note (VI). 6(7).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Available-for-sale financial assets

(1) Available-for-sale financial assets

Item	Closing fair value	Restated opening fair value after business combination involving entities under common control	RMB
Available-for-sale bonds	478,263,350.00	398,845,360.00	
Available-for-sale equity instruments	530,879,557.29	1,068,986,941.93	
Total	1,009,142,907.29	1,467,832,301.93	

(2) Available-for-sale financial assets details are set out below:

Classification of available-for-sale financial assets	Available-for-sale bonds	Available-for-sale equity instruments	Total	RMB
Cost of available-for-sale equity instruments / Closing amortized cost of available-for-sale bonds	480,466,789.90	958,334,067.87	1,438,800,857.77	
Closing fair value	478,263,350.00	530,879,557.29	1,009,142,907.29	
Accumulated amount recognized in other comprehensive income arising from the change of fair value	(2,203,439.90)	(427,454,510.58)	(429,657,950.48)	
Impairment provision accrued	-	-	-	

Note: The above-mentioned available-for-sale equity instruments primarily consisted of the 42,658,306 shares of equity investment in Shanxi Xishan Coal Electricity LLC ("Xishan CE") (000983), which was purchased by Baosteel International, a subsidiary of the Company, gradually since 2010 from Shenzhen Stock Exchange with a total cost of RMB 941,660,003.69 and unit cost of RMB 22.10 per share. Up to 31 December 2013, the closing stock price of Xishan CE dropped to RMB 7.1 per share and the total closing value of this financial asset depreciated to RMB 302,873,972.60 with the accumulated decline of RMB 638,786,031.09.

Such equity investment in Xishan CE is held for strategic purpose and will not be traded based on the temporary fluctuation of stock price. Therefore, the Group accounts for the equity investment as available-for-sale financial assets.

According to ASBE, as available-for-sale financial assets, the Group recognized the price fluctuation in capital surplus. In assessing whether there is any objective evidence of impairment on such available-for-sale financial assets, the Company mainly analyzed the operation of the investee. The management of the Company believes that no impairment shall be recognized on 31 December, 2013 for such available-for-sale financial assets based on the predetermined criteria of available-for-sale financial assets impairment (Note II(9)) by considering the following relevant factors:

1) Xishan CE is the biggest giant in the coal industry with dominance of high quality metallurgical coking coal; 2) In addition to coal industry, Xishan CE developed two industry chains, coal-electricity-material chain and coal-carbon-chemistry chain, separately; 3) The decline of price of Xishan CE was primarily due to the bear capital market. And the decline was random and temporary; 4) The operation of Xishan CE has been stable for the past several years. No significant drop of revenue and EBITDA or significant deterioration of operation has occurred to Xishan CE during the past three years, and; 5) The strategic purpose of the Company to hold the equity investment in Xishan CE remains unchanged.

14. Long-term receivables

	Closing balance	Restated opening balance after business combination involving entities under common control	RMB
Accounts receivable from disposal of assets ^(Note 1)	18,000,000,000.00	22,500,000,000.00	
Finance leases receivables	13,648,375.00	43,013,996.26	
including: Unrealized finance income	(648,375.00)	(2,993,996.26)	
Bad debt provision	(1,950,000.00)	(4,081,000.00)	
Others	3,704,636.88	-	
Less: Accounts receivable from disposal of assets due within one year ^(Note 1)	4,500,000,000.00	4,500,000,000.00	
Total	13,514,754,636.88	18,035,939,000.00	

Note 1: In accordance with the *Connected Transaction Bulletin* (Lin 2012-05) issued by the Company on February 29, 2012, and the *Supplementary Bulletin of Proposal on Sales of Related Assets of Stainless Steel and Special Steel Business Units* issued by the Company on March 14, 2012, the Company transferred the assets and equities of the Stainless and Special Steel Business Units at the evaluation value based on 31 December 2011 on the asset evaluation report issued by China Assets Appraisal Co., Ltd..

The Company completed the above-mentioned assets transfer on April 1, 2012. The accounts receivable from disposal of assets is RMB22.5 billion and will be paid in five equal instalments in five years. From 2013 onwards, the Company will receive both the interest and principal on the accounts receivable from disposal of assets on April 1 every year and the final payment on April 1, 2017. As of December 31, 2013, the closing balance of accounts receivable from disposal of assets is RMB 18 billion, RMB 10.4 billion from Baosteel Stainless and RMB 7.6 billion from Baosteel Special Steel. RMB 4.5 billion of the accounts receivable mentioned above from disposal of assets will be due within one year, RMB 2.6 billion from Baosteel Stainless and RMB 1.9 billion from Baosteel Special Steel, respectively.

Note 2: Long-term receivables due from shareholders holding at least 5% of the Company's shares with voting power in beginning and end of the current period are nil.

Note 3: Long-term receivables due from related parties in beginning and end of the current period refer to Note (VI). 6(8).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Investments in joint ventures and associates

Name of investee	Type	Place of incorporation	Legal representative	Nature of business
I. Joint ventures				
Baosteel-NSC/Arcelor Automotive Steel Sheets Co., Ltd. (BNA)	LLC	Shanghai	Shinya Higuchi	Manufacturing
Bao-Island Enterprise Co., Ltd. (Bao-Island Enterprise)	LLC	Hong Kong	Not applicable	Ship chartering
Shanghai China Shipping-Baosteel Steel Processing Co., Ltd. (Shipping-Baosteel) ^(Note 2)	LLC	Shanghai	Zhang Yong	Manufacturing
Shandong Baohua wear-resistant steel Co. Ltd. (Shandong Baohua)	LLC	Linyi	Yao Linlong	Manufacturing
Guangzhou JFE Steel Sheet Co., Ltd. (JFE Steel Sheet)	LLC	Guangzhou	Huang Zhiyong	Steel Manufacturing
Hangzhou Baowei Auto Part Co., Ltd. (Baowei Auto Part) ^(Note 3)	LLC	Hangzhou	Hu Hong	Processing
Changsha Baosheng Steel Processing and Distribution Co., Ltd. (Changsha Baosheng) ^(Note 3)	LLC	Changsha	Yao Linlong	Manufacturing
Changshu Baosheng Fine Blanking Material Co., Ltd. (Baosheng Fine Blanking) ^(Note 3)	LLC	Changshu	Yao Linlong	Manufacturing
II. Associates				
Shanghai Baosteel & Arcelor-Tailor Metal Co., Ltd. (Welding Co.)	LLC	Shanghai	Hou Xiangdong	Manufacturing
Shanghai Renwei Software Co., Ltd. (Renwei Software)	LLC	Shanghai	Song Jianhai	IT
Henan Pingbao Coal Co., Ltd. (Henan Pingbao)	LLC	Xuchang	Chen Jiansheng	Mining
Tianjin BCM Distribution Co., Ltd. (Tianjin BCM)	LLC	Tianjin	Pan Zhijun	Iron & steel trading
Wuxi Baomit Steel Processing and Delivery Co., Ltd. (Wuxi Baomit) ^(Note 1)	LLC	Wuxi	Ogiwara Shinichi	Iron & steel trading
Sichuan Daxing Baohua Chemical Co., Ltd. (Sichuan Daxing)	LLC	Dazhou	Tang Chun	Manufacturing
NSM Siderurgica Modenese SPA ("NSM")	LLC	Modena Italy	Not applicable	Steel extension
Baosteel Can Making (Vietnam) Co., Ltd. (Vietnam Can Making)	LLC	Binh Duong Vietnam	Not applicable	Package industry
Beijing Qingkechuangong Information and Technology Co., Ltd. (Qingke Chuangong)	LLC	Beijing	Fan Jianming	IT
Zhengzhou Hongzhongbao Metal Processing Co., Ltd. (Zhengzhou Hongzhongbao)	LLC	Zhengzhou	Qi Tengzi	Manufacturing
Guangzhou Guangqibaoshang Steel Processing Co., Ltd. (Guangqibaoshang)	LLC	Guangzhou	Liang Danqing	Manufacturing
Wuxi Baomeifeng Steel Processing Co., Ltd. (Wuxi Baomeifeng)	LLC	Wuxi	Sakata Chicheng	Manufacturing
Shanghai Foreign Service Baosight Information Technology Co., Ltd. (Foreign Service Baosight)	LLC	Shanghai	Bi Peiwen	IT

Note 1: At the balance sheet date, although the Group owns 51% equity interest of Wuxi Baomit, the Group only has half of the directors on its board. The board is chaired by one of the directors appointed by Mitsui & Co., Ltd.. In accordance with the articles of association of Wuxi Baomit, the chairman has the final decision when votes for or against a decision are equal in number. As a result, Wuxi Baomit has been regarded as an associate of the Group and is accounted for by using equity method.

Note 2: These investments were disposed of by the Group in 2013. Hence, no financial information is disclosed.

Note 3: The share capital has not yet been fully contributed. Also, no operation is being launched in 2013.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Paid-in capital		Proportion of equity interest held by the Group (%)	Proportion of voting power in the investee held by the Group (%)	Investee's total assets at the end of the period	Investee's total liabilities at the end of the period	Total net assets at the end of the period	Total operating income for the period	Net profit for the period	RMB
Currency	'000								
RMB	3,000,000	50	50	4,391,343,722.06	1,078,016,004.30	3,313,327,717.76	12,498,745,154.08	119,067,164.28	
HKD	3,300	50	50	1,691,255,672.40	518,504,763.60	1,172,750,908.80	755,338,844.10	30,191,848.80	
RMB	199,930	-	-	-	-	-	-	-	
RMB	200,000	50	50	344,933,296.78	145,294,188.16	199,639,108.62	137,260,477.33	643,554.43	
RMB	442,800.00	50	50	7,413,621,116.03	5,174,921,483.69	2,238,699,632.34	3,636,508,532.87	48,226,453.00	
RMB	180,000.00	50	50	177,299,799.15	2,371,537.86	174,928,261.29	-	(328,662.99)	
RMB	20,000.00	50	50	21,605,822.67	2,111,124.61	19,494,698.06	-	(505,301.94)	
RMB	60,000.00	50	50	73,693,555.90	13,788,200.48	59,905,355.42	-	(94,644.58)	
RMB	121,500	38	38	712,748,637.22	383,806,050.85	328,942,586.37	1,142,566,878.14	67,525,976.92	
USD	1,500	41.33	41.33	8,924,002.33	3,337,340.62	5,586,661.71	38,132,693.74	56,328.11	
RMB	800,000	40	40	1,767,959,111.02	871,699,840.04	896,259,270.98	900,028,149.71	176,428,588.74	
RMB	140,000	40	40	149,770,314.97	20,126,704.86	129,643,610.11	255,684,952.89	13,789.34	
RMB	640,710	51	Note 1	279,140,099.27	138,399,054.61	140,741,044.66	278,899,090.59	4,029,721.95	
RMB	5,000	45	45	122,173,760.15	57,430,634.89	64,743,125.26	235,546,943.25	7,248,208.28	
EUR	1,500	35	35	267,131,697.00	239,366,164.80	27,765,532.20	538,563,833.50	(9,305,494.00)	
USD	35,600	30	30	376,741,386.93	180,707,361.27	196,034,025.66	74,481,636.41	7,803,875.92	
RMB	20,000	35	35	27,199,055.13	11,808,412.60	15,390,642.53	27,030,153.20	1,890,642.53	
RMB	55,000	49	49	229,795,967.64	182,473,606.19	47,322,361.45	108,356,961.82	(4,997,152.46)	
RMB	68,000	35	35	391,571,460.09	322,447,382.35	69,124,077.74	456,413,294.32	1,124,077.74	
USD	8,000	35	35	311,541,836.73	250,680,442.08	60,861,394.65	362,407,169.85	3,466,467.36	
RMB	10,200	40	40	10,931,491.06	717,344.32	10,214,146.74	1,097,283.02	14,146.74	

Where the equity method of accounting is adopted, there is no significant difference in the accounting policies of the Group and its associates and joint ventures. No significant limitation exists regarding cash and investment income repatriation from these associates.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Long-term equity investment

(1) Details of long-term equity investments are as follows:

Name of investee	Accounting method	Initial investment cost	Restated opening balance after business combination involving entities under common control	Increase/ (decrease)	Closing balance
Joint ventures					
BNA	Equity method	1,500,000,000.00	1,779,116,617.94	(122,452,759.05)	1,656,663,858.89
Bao-Island Enterprise	Equity method	143,084,132.00	588,951,350.00	(2,575,895.60)	586,375,454.40
Shipping-Baosteel ^(Note3)	Equity method	99,965,000.00	106,999,583.95	(106,999,583.95)	-
Shandong Baohua	Equity method	100,000,000.00	99,497,777.09	321,777.22	99,819,554.31
JFE Steel Sheet	Equity method	1,593,220,650.00	1,455,053,848.90	13,308,650.60	1,468,362,499.50
Baowei Auto Part	Equity method	90,000,000.00	-	89,835,668.50	89,835,668.50
Changsha Baosheng	Equity method	10,000,000.00	-	9,747,349.03	9,747,349.03
Baosheng Fine Blanking	Equity method	30,000,000.00	-	29,952,677.71	29,952,677.71
Subtotal of joint ventures	Equity method	3,566,269,782.00	4,029,619,177.88	(88,862,115.54)	3,940,757,062.34
Associates					
Welding Co.	Equity method	74,102,784.20	125,780,231.56	(948,386.39)	124,831,845.17
Renwei Software	Equity method	5,131,591.00	2,285,686.88	23,280.41	2,308,967.29
Henan Pingbao	Equity method	320,000,000.00	314,699,782.40	43,803,925.98	358,503,708.38
Tianjin BCM	Equity method	56,000,000.00	52,012,241.29	180,265.49	52,192,506.78
Wuxi Baomit	Equity method	32,522,976.15	68,788,330.31	1,363,532.53	70,151,862.84
Sichuan Daxing	Equity method	22,500,000.00	25,234,160.90	3,900,245.47	29,134,406.37
NSM	Equity method	74,784,021.08	66,542,463.52	(13,148,115.94)	53,394,347.58
Vietnam Can Making	Equity method	65,176,492.00	63,043,011.88	(4,232,804.18)	58,810,207.70
Qingke Chuangtong	Equity method	3,500,000.00	3,500,000.00	4,161,724.89	7,661,724.89
Zhengzhou Hongzhong	Equity method	26,950,000.00	25,638,789.33	(2,450,832.22)	23,187,957.11
Guangqi Baoshang	Equity method	23,800,000.00	23,800,000.00	393,427.21	24,193,427.21
Wuxi Baomeifeng	Equity method	35,173,600.00	29,118,497.35	1,015,239.88	30,133,737.23
Foreign Service Baosight	Equity method	10,000,000.00	-	4,085,658.70	4,085,658.70
Subtotal of associates	Equity method	749,641,464.43	800,443,195.42	38,147,161.83	838,590,357.25
Others					
Baovale Mining Co., Ltd.	Cost method	-	103,282,213.00	-	103,282,213.00
Taiyuan Baoyuan Chemical Co., Ltd.	Cost method	-	9,000,000.00	(9,000,000.00)	-
CISDI Engineering Co., Ltd.	Cost method	-	9,508,999.34	-	9,508,999.34
Jinchuan Group Automation Engineering Co., Ltd.	Cost method	-	1,000,000.00	-	1,000,000.00
Zhongjijing Investment Consultancy Stock Co., Ltd.	Cost method	-	3,000,000.00	-	3,000,000.00
Hanyang Components Co., Ltd.	Cost method	-	3,311,720.00	-	3,311,720.00
Anhui Huishang Co., Ltd.	Cost method	-	3,000,000.00	-	3,000,000.00
Henan Longyu Energy Co., Ltd.	Cost method	-	370,269,254.56	-	370,269,254.56
Shanghai Luojing Mining Port Co., Ltd.	Cost method	-	88,734,096.00	-	88,734,096.00
Yongmei Group Co., Ltd.	Cost method	-	279,000,000.00	-	279,000,000.00
Henan Zhenglong Coal Co., Ltd.	Cost method	-	45,569,714.27	-	45,569,714.27
China Resources Land Limited (Beijing)	Cost method	-	1,618,750.00	-	1,618,750.00
Shanghai Huayi Information Technology Co., Ltd.	Cost method	-	3,000,000.00	-	3,000,000.00
Globalore Pte Ltd.	Cost method	-	15,713,750.00	(471,500.00)	15,242,250.00
Guoqi (Beijing) Automotive Lightweight Technology Research Co., Ltd.	Cost method	-	3,000,000.00	-	3,000,000.00
PetroChina Northwest United Pipeline Co., Ltd.	Cost method	-	4,800,000,000.00	3,200,000,000.00	8,000,000,000.00
Yangtze River Economic United Development (Group) Co., Ltd.	Cost method	-	980,000.00	-	980,000.00
NCBC	Cost method	-	-	5,600,000.00	5,600,000.00
Subtotal of others		-	5,739,988,497.17	3,196,128,500.00	8,936,116,997.17
Equity transferred from old system trade right due to non-tradable share reform		-	7,949,489.18	-	7,949,489.18
Total		-	10,578,000,359.65	3,145,413,546.29	13,723,413,905.94

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

						RMB
Proportion of equity interest held by the Group (%)	Proportion of voting power in the investee held by the Group (%)	Explanation of the inconsistency between the proportion of equity interest and the proportion of voting power	Provision for impairment	Provision for impairment for the period	Cash dividends for the period	
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Note 1:

Details refer to Note (V). 15 Note 1.

Note 2:

As the Company does not exert actual control, joint control or significant influence over the operating policies and financial decisions of Baovale Mining Co., Ltd., but is only able to collect fixed payment from Baovale Mining Co., Ltd. in accordance with investment agreements. Therefore, the investment in Baovale is regarded as long-term equity investment and measured on basis of cost method.

Note 3:

Shipping-Baosteel completed its liquidation procedures in May, 2013 with the approval of its board resolution of liquidation. The disposal gain was RMB 1,222,342.77.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Investment properties

Investment properties measured at cost

Item	Restated opening carrying amount after business combination involving entities under common control	Increase in the current period	Closing carrying amount
I. Total original carrying amount	634,933,720.70	25,761,970.83	660,695,691.53
1. Buildings	311,308,695.02	25,761,970.83	337,070,665.85
2. Land use rights	323,625,025.68	-	323,625,025.68
II. Total accumulated depreciation and amortization	157,462,486.07	27,608,175.87	185,070,661.94
1. Buildings	121,367,160.59	15,808,857.42	137,176,018.01
2. Land use rights	36,095,325.48	11,799,318.45	47,894,643.93
III. Total net book value of investment properties	477,471,234.63	-	475,625,029.59
1. Buildings	189,941,534.43	-	199,894,647.84
2. Land use rights	287,529,700.20	-	275,730,381.75
IV. Total accumulated provision for impairment losses of investment properties	-	-	-
1. Buildings	-	-	-
2. Land use rights	-	-	-
V. Total carrying amounts of investment properties	477,471,234.63	-	475,625,029.59
1. Buildings	189,941,534.43	-	199,894,647.84
2. Land use rights	287,529,700.20	-	275,730,381.75

As at 31 December 2013, the property right of the buildings, amounting to RMB 78,948,374.68 in carrying amount, is still in the process of registration. (At 31 December 2012: RMB 78,336,893.89).

Description of investment properties:

- (1) The increase in the original carrying amount for the current period consists of RMB 25,761,970.83 transferred from owner-occupied properties.
- (2) The increase in accumulated depreciation and amortization for the current period consists of RMB 20,144,658.97 charged for the current period, RMB 7,463,516.90 transferred from owner-occupied properties.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Fixed assets

(1) Fixed assets

Item	RMB			
	Restated opening carrying amount after business combination involving entities under common control	Increase in the current period	Decrease in the current period	Closing carrying amount
I. Total original carrying amount	216,867,810,713.16	19,223,901,034.85	5,579,903,556.94	230,511,808,191.07
Including: Buildings	45,187,864,147.62	6,901,594,314.68	572,576,785.60	51,516,881,676.70
Machinery and equipment	137,228,471,635.45	10,318,795,172.71	3,864,914,991.95	143,682,351,816.21
Transportation vehicles	16,947,712,272.14	1,220,430,637.14	433,175,886.62	17,734,967,022.66
Office and other equipment	17,503,762,657.95	783,080,910.32	709,235,892.77	17,577,607,675.50
II. Total accumulated depreciation	137,414,001,727.59	11,317,878,936.52	4,809,068,491.12	143,922,812,172.99
Including: Buildings	22,043,253,988.08	2,802,286,874.12	313,447,036.07	24,532,093,826.13
Machinery and equipment	87,639,340,440.12	6,550,272,376.25	3,451,735,544.77	90,737,877,271.60
Transportation vehicles	14,340,545,985.91	708,067,115.31	404,654,715.75	14,643,958,385.47
Office and other equipment	13,390,861,313.48	1,257,252,570.84	639,231,194.53	14,008,882,689.79
III. Total net book value of fixed assets	79,453,808,985.57	-	-	86,588,996,018.08
Including: Buildings	23,144,610,159.54	-	-	26,984,787,850.57
Machinery and equipment	49,589,131,195.33	-	-	52,944,474,544.61
Transportation vehicles	2,607,166,286.23	-	-	3,091,008,637.19
Office and other equipment	4,112,901,344.47	-	-	3,568,724,985.71
IV. Total provision for impairment losses	2,433,241.08	368,483,266.19	134,208.16	370,782,299.11
Including: Buildings	295,671.34	-	-	295,671.34
Machinery and equipment	1,871,735.58	367,132,564.99	26,299.11	368,978,001.46
Transportation vehicles	217,604.23	26,345.56	74,998.06	168,951.73
Office and other equipment	48,229.93	1,324,355.64	32,910.99	1,339,674.58
V. Total carrying amount of fixed assets	79,451,375,744.49	-	-	86,218,213,718.97
Including: Buildings	23,144,314,488.20	-	-	26,984,492,179.23
Machinery and equipment	49,587,259,459.75	-	-	52,575,496,543.15
Transportation vehicles	2,606,948,682.00	-	-	3,090,839,685.46
Office and other equipment	4,112,853,114.54	-	-	3,567,385,311.13

(2) Temporarily idle fixed assets

As at 31 December 2013 and at 31 December 2012, the total carrying amount of temporarily idle fixed assets is Nil.

(3) Fixed assets leased out under operating leases

Item	RMB	
	Closing balance	Restated opening balance after business combination involving entities under common control
Buildings	389,532,994.28	303,082,931.51
Machinery and equipment	205,588,434.68	205,439,151.28
Transportation vehicles	95,619,949.40	95,329,751.67
Office and other equipment	31,978,275.08	27,199,440.37
Total	722,719,653.44	631,051,274.83

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

As at 31 December 2013, the property right of the buildings, amounting to RMB 2,938,230,461.06 (at 31 December 2012: 2,261,373,549.89), is still in the process of being transferred to the Group. The management anticipates no legal or other obstacles in obtaining the certificates as long as registration formalities are carried over and related fees are paid.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Details of movement of fixed assets:

- (1) The increase in the original carrying amount for the current period consists of RMB656,362,937.60 acquired, RMB13,699,340,567.85 transferred from construction in progress, RMB4,868,197,529.40 transferred from other non-current assets;
- (2) The decrease in the original carrying amount for the current period consists of RMB 5,112,985,087.66 on disposals, RMB 25,761,970.83 transferred to investment properties, RMB 29,910,883.15 on exchange differences arising on translation of financial statements denominated in foreign currencies, and RMB 411,245,615.30 transferred to construction in progress.
- (3) The increase in accumulated depreciation for the current period consists of RMB 10,075,853,946.11 charged for the current period and RMB 1,242,024,990.41 transferred from other non-current assets.
- (4) The decrease in accumulated depreciation for the current period consists of RMB 4,449,794,694.59 on disposals, RMB 7,463,516.90 transferred to investment properties, RMB 8,435,017.12 on exchange differences arising from translation of financial statements denominated in foreign currencies, and RMB 343,375,262.51 transferred to construction in progress.
- (5) The increase in the impairment for the current period consists of RMB 361,086,126.16 charged for the current period, RMB 7,360,386.05 transferred from other non-current assets, and RMB 36,753.98 due other increase.
- (6) The decrease in the impairment for the current period consists of RMB 134,208.16 on disposals.
- (7) As at 31 December 2013, the Group acquired a loan of RMB 89,058,597.36, pledged with the construction in progress of RMB 4,143,827.18, fixed assets of RMB 82,296,233.54 and land use rights of RMB 70,527,379.53 as collateral.

19. Construction in progress

(1) Details of construction in progress:

Item	Closing balance			Restated opening balance after business combination involving entities under common control		
	Carrying amount	Provision for impairment	Net carrying amount	Carrying amount	Provision for impairment	Net carrying amount
Technical upgrade and infrastructure construction	15,457,504,899.57	284,018,136.07	15,173,486,763.50	15,383,749,970.37	-	15,383,749,970.37

Note: As at 31 December 2013, the Group acquired a loan of RMB 89,058,597.36, pledged with the construction in progress of RMB 4,143,827.18, fixed assets of RMB 82,296,233.54 and land use rights of RMB 70,527,379.53 as collateral.

(2) Changes in significant construction in progress:

Item	Budget	Restated opening balance after business combination involving entities under common control	Increase in the current period	Transfer to fixed assets	Transfer to intangible assets
Technical upgrade and infrastructure construction	60,202,182,894.46	15,383,749,970.37	13,881,090,546.14	13,699,340,567.85	107,995,049.09

Item	Amount invested as a proportion of budget amount (%)	Amount of accumulated capitalized interest	Including: capitalized interest for the period	Capitalization rate for the period	Source of fund	Closing balance
Technical upgrade and infrastructure construction	49%	268,278,721.80	183,548,635.86	2.72%-7.290%	Cash from operation and loans	15,457,504,899.57

The increase of construction in progress for the current period consists of RMB 978,130,545.39 transferred from other non-current assets (see Notes V. (25));

(3) Impairment of construction in progress:

Construction in progress	Restated opening balance after business combination involving entities under common control	Provision charged for current period	Write-off	Closing balance
Technology Upgrade Project of Baotong	-	284,018,136.07	-	284,018,136.07
Others	-	71,522,362.21	71,522,362.21	-
Total	-	355,540,498.28	71,522,362.21	284,018,136.07

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. Materials for construction of fixed assets

Item	RMB			
	Restated opening balance after business combination involving entities under common control	Increase in the current period	Decrease in the current period	Closing balance
Special materials	3,980,140.81	164,687,616.42	1,530,861.22	167,136,896.01
Special equipment	101,308,565.85	113,793,324.78	161,728,310.64	53,373,579.99
Equipment in transit	5,901,660.28	341,812,778.50	335,928,512.80	11,785,925.98
Total	111,190,366.94	620,293,719.70	499,187,684.66	232,296,401.98

21. Intangible assets

Item	RMB			
	Restated opening carrying amount after business combination involving entities under common control	Increase in the current period	Decrease in the current period	Closing carrying amount
I. Total original carrying amount	7,663,000,904.75	335,457,581.73	29,657,354.13	7,968,801,132.35
Land use rights	7,467,926,627.42	164,817,645.75	25,383,965.92	7,607,360,307.25
Software	77,308,498.40	160,277,511.27	4,115,888.21	233,470,121.46
Others	117,765,778.93	10,362,424.71	157,500.00	127,970,703.64
II. Total accumulated amortization	903,950,731.29	189,395,358.30	2,962,822.63	1,090,383,266.96
Land use rights	782,643,749.13	150,632,405.12	1,672,646.22	931,603,508.03
Software	58,717,439.87	33,827,048.84	1,290,176.41	91,254,312.30
Others	62,589,542.29	4,935,904.34	-	67,525,446.63
III. Total net book value of intangible assets	6,759,050,173.46			6,878,417,865.39
Land use rights	6,685,282,878.29			6,675,756,799.22
Software	18,591,058.53			142,215,809.16
Others	55,176,236.64			60,445,257.01
IV. Total provision for impairment	-			-
Total carrying amount of intangible assets	6,759,050,173.46			6,878,417,865.39

Description of intangible assets:

- (1) As at 31 December 2013, land use rights without certificates of the title show a net carrying amount of RMB36,747,012.26 (at 31 December 2012: RMB 124,035,761.53). The management of the Company anticipates no legal or other obstacles in obtaining the certificates as long as registration formalities are carried over and related fees are paid;
- (2) As at 31 December 2013, the Group acquired a loan of RMB 89,058,597.36, pledged with the construction in progress of RMB 4,143,827.18, fixed assets of RMB 82,296,233.54 and land use rights of RMB 70,527,379.53 as collateral;
- (3) The increase in the original carrying amount consists of RMB 227,462,532.64 acquired and RMB 107,995,049.09 transferred from construction in progress;
- (4) The decrease in the original carrying amount for the current period consists of RMB 28,347,999.08 on disposals and RMB 1,309,355.05 on exchange differences arising from translation of financial statements denominated in foreign currencies.
- (5) The increase in accumulated amortization consists of RMB 189,392,175.05 charged for the current period and RMB 3,183.25 on exchange differences arising from translation of financial statements denominated in foreign currencies.
- (6) The decrease in accumulated amortization consists of RMB 2,962,822.63 on disposals.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22. Long-term prepaid expenses

Item	Restated opening balance after business combination involving entities under common control	Addition in the current period	Amortization for the period	Other decrease	Exchange differences arising on translation of financial statements denominated in foreign currencies	RMB
						Closing balance
Fees for decoration	15,266,773.20	9,046,919.36	5,921,019.68	364,618.01	-	18,028,054.87
Leasing expenses	10,065,560.24	675,048.08	2,622,012.57	-	496.27	8,119,092.02
Relocation expense of Meishan steel coke oven	875,226,039.79	-	19,095,840.84	-	-	856,130,198.95
Huangshi Phase II Cold Rolling High voltage power expense	-	2,957,130.00	443,569.50	-	-	2,513,560.50
Others	5,601,159.99	150,000.00	2,530,478.77	1,962,276.36	(5,063.88)	1,253,340.98
Total	906,159,533.22	12,829,097.44	30,612,921.36	2,326,894.37	(4,567.61)	886,044,247.32

Note: According to the "Agreement on relocating residents in health protection area of Shanghai Meishan iron & steel Co., Ltd. in the 11th 5-year period" signed by Shanghai Meishan Iron & Steel Co., Ltd., ("Meishan Steel") Banqiao sub-district office of Nanjing Yuhuatai District and Nanjing Yuhua Economic and Technological Development Zone Management Committee on 16 October 2012, residents within 1 kilometer from Meishan coke oven construction project are compensated by Meishan Steel at RMB 880,000,000, whereas Meishan Steel shall pay RMB 750,000,000 to Banqiao sub-district office of Nanjing Yuhuatai District, and RMB 130,000,000 to Nanjing Yuhua Economic and Technological Development Zone Management Committee, respectively. In accordance with the agreement, Meishan Steel has paid RMB 120,000,000 in 2012, RMB 510,000,000 in 2013, and shall pay RMB 250,000,000 in 2014. The above compensation undertaken by Meishan Steel will be amortized in accordance with the remaining lives of the major assets of the related construction project. See Note (V). 42. Note 1.

23. Deferred tax assets/deferred tax liabilities

(1) Recognized deferred tax assets and deferred tax liabilities

Items	Closing balance	RMB
		Restated opening balance after business combination involving entities under common control
Deferred tax assets:		
Provision for impairment losses of assets	735,772,130.97	244,093,502.38
Provision for impairment losses of the non-current assets	-	661,252,241.71
Unrealized profit from inter-group transactions	72,094,670.94	61,600,939.99
Deductible losses	874,815,776.41	892,566,277.20
Difference in residuals of fixed assets	4,473,837.50	18,998,741.47
Termination benefits	24,196,560.60	35,133,779.13
Losses from changes in fair values	108,520,952.82	7,818,532.68
Others	232,904,150.31	113,822,032.98
Subtotal	2,052,778,079.55	2,035,286,047.54
Deferred tax liabilities:		
Payment of tax unpaid for investment income	302,407,284.28	298,006,027.57
Gains from changes in fair values	10,161.75	20,176,926.95
Others	2,441,837.36	2,449,569.80
Subtotal	304,859,283.39	320,632,524.32

(2) Details of unrecognized deferred tax assets

Item	Closing balance	RMB
		Restated opening balance after business combination involving entities under common control
Provision for impairment losses of assets	935,834,604.27	147,251,704.70
Deductible losses	3,038,730,548.46	1,852,816,168.52
Others	10,268,706.00	11,771,343.15
Total	3,984,833,858.73	2,011,839,216.37

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Year	Closing balance	RMB	
			Restated opening balance after business combination involving entities under common control
2013	-		27,375,538.32
2014	276,110,991.95		84,590,871.22
2015	182,277,001.79		192,084,081.95
2016	177,672,927.08		166,981,062.26
2017	1,348,130,047.30		1,381,784,614.77
2018	1,054,539,580.34		-
Total	3,038,730,548.46		1,852,816,168.52

(4) Details of taxable temporary differences and deductible temporary differences

Item	RMB	
		Amount
Closing balance:		
Deductible temporary differences and deductible losses:		
Provision for impairment losses of assets		2,926,072,698.77
Unrealized profit from inter-group transactions		288,378,683.76
Deductible losses		3,499,263,105.62
Difference in residuals of fixed assets		15,571,280.82
Termination benefits		97,153,349.70
Losses from changes in fair values		434,083,811.27
Others		929,921,163.90
Subtotal		8,190,444,093.84
Taxable temporary differences:		
Payment of tax unpaid for investment income		2,121,305,146.41
Gains from changes in fair values		40,647.00
Others		9,629,436.35
Subtotal		2,130,975,229.76
Restated opening balance after business combination involving entities under common control:		
Deductible temporary differences and deductible losses:		
Provision for impairment losses of assets		1,013,421,569.43
Provision for impairment losses of the non-current assets		2,645,008,966.84
Unrealized profit from inter-group transactions		246,403,759.96
Deductible losses		3,577,801,402.97
Difference in residuals of fixed assets		73,599,004.47
Termination benefits		140,935,467.83
Losses from changes in fair values		31,274,130.72
Others		455,288,131.92
Subtotal		8,183,732,434.14
Taxable temporary differences:		
Payment of tax unpaid for investment income		2,104,021,539.87
Gains from changes in fair values		80,707,707.80
Others		9,656,099.94
Subtotal		2,194,385,347.61

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

24. Details of provision for impairment losses of assets

RMB

Item	Restated opening carrying amount after business combination involving entities under common control	Increase in the current period	Decrease in the current period		Closing carrying amount
			Reversals	Write-off	
I. Bad debts provision	407,380,327.74	224,255,644.72	87,338,484.51	492,980.19	543,804,507.76
II. Provision for decline in value of inventories	613,706,960.84	1,010,355,662.16	408,646,736.23	3,173,676.28	1,212,242,210.49
III. Provision for impairment losses of long-term equity investments	38,977,744.47	3,426,457.80	-	-	42,404,202.27
IV. Provision for impairment losses of fixed assets	2,433,241.08	368,483,266.19	-	134,208.16	370,782,299.11
V. Provision for impairment losses of construction in progress	-	355,540,498.28	-	71,522,362.21	284,018,136.07
VI. Provision for impairment losses of loans	98,175,000.00	27,165,000.00	-	-	125,340,000.00
VII. Provision for impairment losses of the non-current assets	2,645,008,966.84	904,289,977.07	-	3,549,298,943.91	-
Total	3,805,682,240.97	2,891,699,630.02	495,985,220.74	3,622,805,294.55	2,578,591,355.70

25. Other non-current assets

RMB

Item	Closing balance	Restated opening balance after business combination involving entities under common control
Prepayment for land use right of Zhanjiang Steel	1,950,000,000.00	1,776,722,979.37
Prepayment for investment in Guangzhou Steel Sheet Co., Ltd. ^(Note1)	1,500,000,000.00	1,500,000,000.00
Prepayment for engineering equipment of Zhanjiang Steel	1,480,977,080.05	640,223,753.86
Loans due from Bao-Island Enterprise	117,905,780.14	117,905,780.14
Disposal of assets in Luojing area ^(Note2)	-	11,761,322,763.87
Less: provision for impairment of the non-current assets ^(Note2)	-	(2,645,008,966.84)
Financing product	-	50,000,000.00
Deductible VAT of Zhanjiang Steel	365,473,992.51	-
Others	3,801,051.70	3,446,522.16
Total	5,418,157,904.40	13,204,612,832.56

Note1: In December 2011, Baosteel Zhanjiang Iron & Steel Co., Ltd. ("Zhanjiang Iron & Steel") set up a joint venture, Guangzhou Steel Sheet Co., Ltd. with Guangzhou Iron & Steel Enterprise Group. According to the JV contract, the registered capital of Guangzhou Steel Sheet Co., Ltd. is RMB 3.251 billion, whereby Zhanjiang Iron & Steel will contribute RMB 1.658 billion in cash in exchange for 51% of the equity of Guangzhou Steel Sheet Co., Ltd.. According to restructure arrangement of the iron and steel industry in Guangzhou between Baosteel Group and Guangzhou SASAC, Guangzhou Iron & Steel Enterprise Group transferred its 46.14% equity in Guangzhou Steel Sheet Co., Ltd to Zhanjiang Iron & Steel at the price of RMB 1.5 billion in April 2012 with the option to repurchase such equity at the same price within three years. If Guangzhou Iron & Steel Enterprise Group will waive the repurchase right at maturity, Zhanjiang Iron & Steel shall transfer the prepayment to long term investment in Guangzhou Steel Sheet Co., Ltd. If Guangzhou Iron & Steel Enterprise Group will exercise the repurchase right at maturity, Zhanjiang Iron & Steel shall recover its prepayment and return its long term payable to Baosteel Group of RMB 1.5 billion.

Note2: According to the resolution of the third meeting of the fifth board of directors, the board of directors approved "the Principle of Utilization of Assets at Luojing area":

1. Stop production at Luojing area in view of industrial restructure in Baoshan Area and opportunity of Baosteel Zhanjiang project;

2. Approve the following plans of the asset disposal at Luojing area in accordance with the following principles: the Company shall (1) retain assets, such as oxygen-making, steelmaking equipment, and demonstrate the feasibility of the relocation to Zhanjiang; (2) make overall transfer of COREX assets at Luojing area and key production technology to Baosteel Group; (3) make overall transfer of the land use right, buildings and auxiliary assets to Baosteel Group.

According to the "Announcement on the disposal of COREX assets at Luojing area" published on 30 October 2012, Approved by the board of directors, the Company disposed of the COREX assets to Baosteel Group at a consideration of RMB2,731,126,672.18. By 31 December 2012, the Company has fully collected the payment from Baosteel Group. The book value of COREX assets is RMB 2,770,093,916.97 and the loss from the disposal is RMB38,967,244.79.

As of 31 December 2012, the Company presents remaining assets at Luojing area as other non-current assets except COREX assets at RMB11,761,322,763.87. The Company believes that there is no impairment on the assets which will be disposed of to Baosteel Group. The Company has made impairment of RMB 2,645,008,966.84 on the remaining assets except COREX assets, based on the difference between the carrying amount of the assets and the estimated recoverable amount.

As of September 2013, the Company transferred buildings and auxiliary assets, amounting to RMB 3,630,387,083.63, which had been accounted for in other non-current assets, and was previously supposed to be transferred to Baosteel Group, to fixed assets for its own use. Accordingly, the Company made up the depreciation for such fixed assets from October 2012 to September 2013.

As of October 2013, the Company disposed of assets of CCP generator unit in Luojing Area and related land use rights to Shanghai Electric Power Co., Ltd., at the consideration of RMB 1,774,184,295.12, including other non-current assets at the book value of RMB 1,826,454,408.65 and fixed assets at the book value of RMB 6,072,842.34. Upon disposal, the Company recognized loss from disposal of assets RMB 58,342,955.87. The gain from the transfer of land use right refers to Note (V), 57(1).

As of December 2013, the Company transferred assets with book value of RMB 2,932,875,378.38 to Zhanjiang Steel at assessed value of RMB 2,108,858,719.00, including other non-current assets at the book value of RMB 2,507,498,207.75; fixed assets at the book value of RMB 167,131,308.42; and construction in progress at the book value of RMB 258,245,862.21. The above transfer caused impairment loss of RMB 802,270,715.70.

By 31 December 2013, the Company has made RMB173,541,623.58 of provision for impairment loss on the remaining machines and equipment at book value of RMB 1,151,672,168.97 on other non-current assets, and the Company accounted for these remaining assets as construction in progress at carrying amount of RMB 978,130,545.39. These assets will be utilized in future fixed assets reconstruction project.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

26. Short-term borrowings

Item	Closing balance	Restated opening balance after business combination involving entities under common control	RMB
Secured loans with securities under the custody of lenders ^(Note 1)	1,370,000,000.00	2,116,165,373.27	
Unsecured and non-guaranteed loans	33,100,625,308.28	29,531,159,836.37	
Total	34,470,625,308.28	31,647,325,209.64	

At the balance sheet date, the interest rate of the Group's short-term borrowings ranges from 5.04% to 6.60% per annum in RMB (2012: 4.2% to 6.56% per annum); from 3 LIBOR+0.6% to 6 LIBOR+3.7% per annum in USD (2012: 3 LIBOR+0.6% to 3 LIBOR+0.4% per annum); from 1.47% to 2.25% per annum in EURO (2012: 1.6% to 2.01% per annum).

Note 1: As at 31 December 2013, the secured against unexpired discounted bank acceptance bills is Nil (at 31 December 2012: RMB746,165,373.27). Loans of RMB1,370,000,000.00 is secured against accounts receivable (31 December 2012: RMB1,370,000,000.00).

Bank facilities

As at 31 December 2013, the unutilized bank facilities of the Group approximate RMB109.76 billion. The management of the Company believes that the above mentioned facilities and the net cash flows from operating activities will be sufficient to repay the current liabilities due within one year.

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

Item	Closing balance	Restated opening carrying amount after business combination involving entities under common control	RMB
Current deposits	505,575,956.61	409,262,806.92	
Fixed deposits	7,093,299,562.51	7,662,200,000.00	
Total	7,598,875,519.12	8,071,462,806.92	

Customer deposits and deposits from banks and other financial institutions due to shareholders holding at least 5% of the Company's shares with voting power in the current period refer to Note (VI). 6(9).

28. Taking from banks and other financial institutions

Item	Closing balance	Restated opening balance after business combination involving entities under common control	RMB
Taking from domestic banks	300,000,000.00	600,000,000.00	

29. Held-for-trading financial liabilities

Item	Closing fair value	Restated opening fair value after business combination involving entities under common control	RMB
Derivative financial liabilities	-	20,789,685.96	

30. Notes payable

Category	Closing balance	Restated opening balance after business combination involving entities under common control	RMB
Commercial acceptances	1,952,856,799.77	2,457,421,652.79	
Bank acceptances	477,103,840.91	1,037,258,562.67	
Total	2,429,960,640.68	3,494,680,215.46	

The above notes payable will be due in year 2014.

As at 1 January 2012 and 31 December 2013, notes payable due from any shareholders holding at least 5% of the Company's shares with voting power is Nil.

Notes payable due from any related parties refer to Note (VI). 6(10)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31. Accounts payable

(1) Details of accounts payable are as follows:

Item	Closing balance	RMB
		Restated opening balance after business combination involving entities under common control
Accounts payable for equipment	4,351,857,953.97	4,058,510,434.16
Accounts payable for raw materials	13,823,613,285.53	14,090,132,040.51
Accounts payable for relocation expense of Meishan steel coke oven	-	510,000,000.00
Total	18,175,471,239.50	18,658,642,474.67

As at 31 December 2013, accounts payable aged over one year, RMB516,293,892.17 in total (2012: RMB794,184,949.38), are construction fees for technical revamping and infrastructure projects with a long period of construction.

(2) Accounts payable due from any shareholder holding at least 5% of the Company's shares with voting power or from related parties in the current period refer to Note (VI). 6(11).

32. Receipts in advance

(1) Details of receipts in advance are as follows:

Item	Closing balance	RMB
		Restated opening balance after business combination involving entities under common control
Receipts in advance	11,971,576,846.67	11,194,906,638.62

The receipts in advance with significant balances in the Group are all aged within one year as at 31 December 2013.

(2) Receipts in advance from shareholders holding at least 5% of the Company's shares with voting power or from related parties in the reporting period refer to Note (VI). 6(12).

33. Employee benefits payable

Item	RMB			Closing carrying amount
	Restated opening carrying amount after business combination involving entities under common control	Increase in the current period	Decrease in the current period	
I. Wages or salaries, bonuses, allowances and subsidies	1,157,150,723.53	6,093,365,742.13	6,061,760,293.90	1,188,756,171.76
II. Staff welfare	-	343,080,495.31	343,080,495.31	-
III. Social security contributions	2,876,784.95	1,762,453,204.50	1,763,134,733.97	2,195,255.48
Including: Basic pension insurance	1,137,030.08	909,412,394.02	909,502,156.02	1,047,268.08
Medical insurance	1,167,869.12	477,956,133.81	478,626,036.05	497,966.88
Unemployment insurance	94,967.52	69,208,955.41	69,203,451.14	100,471.79
Work injury insurance	40,519.88	26,458,358.77	26,470,225.00	28,653.65
Maternity insurance	42,486.26	34,742,343.45	34,742,629.05	42,200.66
Employment fee for the injured	37,625.74	39,530,722.38	39,533,300.42	35,047.70
Annuity fund	356,286.35	193,527,481.89	193,440,121.52	443,646.72
Others	-	11,616,814.77	11,616,814.77	-
IV. Housing funds	-	532,145,463.59	532,062,139.89	83,323.70
V. Termination benefits	153,484,012.78	124,644,910.81	170,348,861.12	107,780,062.47
VI. Labor union and education fund	193,337,746.71	200,432,772.71	196,263,071.34	197,507,448.08
VII. Others	60,369,288.76	361,842,896.39	221,974,345.65	200,237,839.50
Total	1,567,218,556.73	9,417,965,485.44	9,288,623,941.18	1,696,560,100.99

As at 31 December 2013, the employee benefits payable, amounting to RMB 982,397,188.61 (2012: RMB 982,397,188.61) of the parent company and amounting to RMB73,294,125.79 of Baosteel International (2012: RMB73,294,125.79), is in line with pay-to-performance.

There are no overdue employee benefits payable or non-monetary benefits as at 31 December 2013.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

34. Taxes payable

Item	Closing balance	RMB	
			Restated opening balance after business combination involving entities under common control
Value-added tax	(882,917,685.18)		(1,512,469,951.92)
Business tax	12,010,423.80		30,498,534.04
Enterprise income tax	2,217,924,359.46		2,310,697,331.89
Individual income tax	120,136,917.64		113,463,297.15
City construction and maintenance tax	23,809,498.67		12,512,023.75
Property tax	14,465,691.82		21,688,768.56
Others	275,952,184.24		117,075,267.84
Total	1,781,381,390.45		1,093,465,271.31

35. Interest payable

Item	Closing balance	RMB	
			Restated opening balance after business combination involving entities under common control
Interest payable on convertible loan notes	42,222,222.22		42,222,222.22
Interest payable on medium-term notes	17,033,333.36		17,033,333.36
Interest payable on short-term borrowings	161,826,161.88		120,444,971.85
Interest payable on corporate bonds of Bao-trans	5,715,843.75		-
Total	226,797,561.21		179,700,527.43

Interest payable due to shareholders holding at least 5% of the Company's shares with voting power in the current period refer to Note (VI). 6(13).

36. Dividends payable

Name of entity	Closing balance	RMB	
			Restated opening balance after business combination involving entities under common control
China Oriental Asset Management Corp.	9,475,888.34		9,475,888.34
Mitsui & Co., Ltd.	1,277,780.39		6,985,188.21
Corning (Hong Kong) Ltd.	2,082,443.05		2,082,443.05
Toyota Tsusho Corporation	-		2,079,496.03
Nanjing New Line Logistics Co., Ltd.	450,000.00		900,000.00
Guizhou Aluminium Plant	603,743.23		603,743.23
CEC Co., Ltd.	158,584.69		6,532.76
Others	22,022.21		22,022.21
Total	14,070,461.91		22,155,313.83

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

37. Other payables

(1) Details of other payables are as follows:

Items	Closing balance	RMB
		Restated opening balance after business combination involving entities under common control
Guarantee and deposit fees	462,993,321.14	419,839,762.17
Advanced fund	149,367,008.59	123,799,500.89
Transportation and port fees	17,055,542.99	18,952,504.05
Construction fees payable	555,840,667.37	341,224,368.77
Land clearing fees payable	-	30,791,771.26
Relief fund	25,196,247.00	16,686,854.63
Payable to Baosteel Group on the Acquisition of Zhanjiang Longteng	-	900,000,000.00
Commission fees	1,283,742.56	1,214,115.67
Others	13,507,392.19	27,424,290.27
Total	1,225,243,921.84	1,879,933,167.71

(2) At the opening and closing of the year, no other payables are due to any shareholders holding at least 5% of the Company's shares with voting power or related party refer to Note (VI). 6(14).

(3) Description of significant other payables aged more than one year:

The other payables aged more than one year amount to RMB113,077,990.03 (2012: RMB 145,530,580.57), which are deposits payable in nature under long-term service contracts.

38. Non-current liabilities due within one year

(1) Details of non-current liabilities due within one year are as follows:

Item	Closing balance	RMB
		Restated opening balance after business combination involving entities under common control
Long-term borrowings due within one year	2,193,103,622.22	4,502,840,000.00
Long-term payables due within one year	250,000,000.00	-
Bonds payable due within one year	9,784,554,462.35	-
Total	12,227,658,084.57	4,502,840,000.00

(2) Long-term borrowings due within one year

(a) Long-term borrowings due within one year

Item	Closing balance	RMB
		Restated opening balance after business combination involving entities under common control
Secured loans	5,320,000.00	-
Unsecured and non-guaranteed loans	2,187,783,622.22	4,502,840,000.00
Total	2,193,103,622.22	4,502,840,000.00

Note: Secured loans refer to Note (V). 40.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(b) Top five balance of long-term borrowings due within one year

Lender	Inception date of borrowing	Maturity date	Original Currency	Interest rate (% per annum)	Closing balance	
					Amount in USD	Amount in RMB
Sumitomo Mitusi Banking Corp ("SMBC")	24 Aug 2012	14 Feb 2014	USD	3 month LIBOR+2.2%	50,000,000.00	304,845,000.00
SMBC	8 Feb 2013	5 Aug 2014	USD	3 month LIBOR+1.05%	50,000,000.00	304,845,000.00
SMBC	17 Jul 2013	17 Oct 2014	USD	3 month LIBOR+1.05%	50,000,000.00	304,845,000.00
JP Morgan Chase Bank	24 Aug 2012	14 Feb 2014	USD	3 month LIBOR+2.5%	50,000,000.00	304,845,000.00
Bank of Communication	24 Feb 2011	24 Feb 2014	RMB	5.9850%		230,000,000.00
Total						1,449,380,000.00

Lender	Inception date of borrowing	Maturity date	Original Currency	Interest rate (% per annum)	Opening balance	
					Amount in USD	Amount in RMB
The Export-import Bank of China ("EIBC")	15 Sep 2010	15 Jul 2013	USD	6 month LIBOR+2.8%	200,000,000.00	1,257,100,000.00
EIBC	19 Jul 2010	19 Jul 2013	USD	6 month LIBOR+2.1%	100,000,000.00	628,550,000.00
EIBC	29 Dec 2010	16 Dec 2013	USD	6 month LIBOR+0.5%	100,000,000.00	628,550,000.00
EIBC	16 Dec 2010	16 Dec 2013	USD	6 month LIBOR+0.5%	100,000,000.00	628,550,000.00
EIBC	1 Nov 2011	16 Dec 2013	USD	6 month LIBOR+1%	100,000,000.00	628,550,000.00
Total						3,771,300,000.00

(3) Long-term payables due within one year

Item	Closing balance	Restated opening balance after business combination involving entities under common control
Payables on compensation for relocation ^(Note)	250,000,000.00	-

Note: Details of the payables for on compensation for relocation refer to Note (V), 22 Note.

(4) Long-term bond payables due within one year

Name of bond	Par value	Issue date	Term of the bond	Issue amount
08 Baosteel Bond (126016) ^(Note)	10,000,000,000.00	20 June 2008	6 years	10,000,000,000.00

Name of bond	Opening interest payable	Accrued interest for the period	Interest paid during the period	Closing interest payable	Closing balance
08 Baosteel Bond (126016) ^(Note)	42,222,222.22	80,000,000.00	80,000,000.00	42,222,222.22	9,784,554,462.35

Note: Approved by China Securities Regulatory Commission (CSRC) in the document of [2008]739, the Company issued, on 20 June 2008, RMB10 billion convertible loan notes with par value of RMB100 per bond and a duration of six years (from 20 June 2008 to 20 June 2014). The coupon rate was 0.8% per annum. The dividend was paid once a year on 20 June, and the principal was returned once and for all when the time expired. Every 10 bonds are attached by 160 copies of stock purchase components issued by the issuer. The duration of the component was 24 months from the date of its being listed on the market. The number of the note remained unchanged in the reporting period. The exercising period was the last five trading days of the duration. The exercise proportion was 2 to 1, meaning that two shares of the note represent one share of the Company's stock, and the initial exercise price was RMB12.50 per share, which was adjusted to RMB12.16 per share due to dividend on 15 June 2009. The exercise price was adjusted to RMB11.80 per share on 24 May 2010 due to dividend. In the duration of the component, the exercise price and proportion would be adjusted accordingly when the cut off of the dividend or right of the previous fiscal year is carried out. When the uses of the funds from the note issuance are found to be greatly different from those the Company promised in the prospect, which is considered an alternation of the uses of the funds according to relative regulations of China Securities Regulatory Commission or is confirmed by the commission, component holders are entitled to buy the notes at the price of its book value plus the current interest. The fair value of the liability component on the day of issue is measured on basis of the prices of similar securities, while the rest is recognized as the fair value of the equity and recorded in the shareholders' equity.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39. Other current liabilities

(1) Other current liabilities:

Item	Closing balance	RMB Restated opening balance after business combination involving entities under common control
Bonds payable due within one year	1,848,866,666.64	1,017,012,500.06

(2) Bonds payable due within one year

Name of bond	Par value	Issue date	Term of the bond	Issue amount	Opening interest payable	Accrued interest for the period	Interest paid during the period	Closing interest payable	RMB Closing balance
Bonds payable due within 1 year (CP001) ^(Note)	500,000,000.00	1 May 2012	1 Year	500,000,000.00	15,633,333.36	7,816,666.64	23,450,000.00	-	-
Bonds payable due within 1 year (CP002) ^(Note)	500,000,000.00	1 Nov 2012	1 Year	500,000,000.00	4,025,000.00	20,125,000.00	24,150,000.00	-	-
Bonds payable due within 1 year (CP001) ^(Note)	1,800,000,000.00	7 May 2013	1 Year	1,800,000,000.00	-	51,360,000.00	-	51,360,000.00	1,848,866,666.64
Total	2,800,000,000.00			2,800,000,000.00	19,658,333.36	79,301,666.64	47,600,000.00	51,360,000.00	1,848,866,666.64

Note: In December 2011, Shanghai Meishan Iron & Steel Co., Ltd. ("Meishan Steel"), a subsidiary of the Company was approved by the National Association of Financial Market Institutional Investors (NAFMII) to issue short-term bonds in China with the amount of RMB1 billion and the bonds can be issued within 2 years from approval. In May 2012, Meishan Steel issued the first phase of short-term bonds with amount of RMB500,000,000 (12MeiSteel CP001), with issuing price RMB100 par value and fixed interest rate 4.69% per annum. Interest will be paid together with principal at maturity; In November 2012, Meishan Steel issued the second phase of short-term bonds with amount of RMB 500,000,000.00 (12MeiSteel CP002), with issuing price RMB100 par value and fixed interest rate 4.83% per annum. Interest will be paid together with principal at maturity. In 2013, Meishan Steel was approved by the National Association of Financial Market Institutional Investors (NAFMII) to issue short-term bonds in China with the amount of RMB3.3 billion, and the bonds can be issued within 2 years from approval. On 7 May 2013, Meishan Steel issued the third phase of short-term bonds with the amount of RMB 1,800,000,000.00 (13MeiSteel CP001), with issuing price RMB100 par value and fixed interest rate 4.28% per annum. Interest will be paid together with principal at maturity.

40. Long-term borrowings

(1) Categories of long-term borrowings

Item	Closing balance	RMB Restated opening balance after business combination involving entities under common control
Unsecured and non-guaranteed loans	4,618,707,905.51	2,643,322,040.42
Secured loans with securities under the custody of the Group ^(note)	83,738,597.36	88,367,952.00
Total	4,702,446,502.87	2,731,689,992.42

Note: As at 31 December 2013, the Group acquired a loan of RMB 89,058,579.36 with portion of RMB 5,320,000.00 due within one year, with the construction in progress of RMB 4,143,827.18, fixed assets of RMB 82,296,233.54 and land use rights of RMB 70,527,379.53 as collateral.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(2) Top five balance of long-term borrowings

Lender	Inception date of borrowing	Maturity date	Currency	Interest rate (% per annum)	Closing balance	
					Amount in foreign currency	Amount in domestic currency
The Export-import Bank of China ("EIBC")	15 July 2013	15 July 2015	USD	2.4000%	208,000,000.00	1,268,155,200.00
EIBC	15 July 2013	15 July 2015	USD	2.4000%	100,000,000.00	609,690,000.00
EIBC	27 Dec 2013	15 July 2015	USD	2.7000%	100,000,000.00	609,690,000.00
China Construction Bank	13 Sep 2013	12 Sep 2016	USD	3 month LIBOR+2.7%	100,000,000.00	609,690,000.00
EIBC	15 July 2013	15 July 2015	USD	2.4000%	92,000,000.00	560,914,800.00
Total						3,658,140,000.00

Lender	Inception date of borrowing	Maturity date	Currency	Interest rate (% per annum)	Opening balance	
					Amount in foreign currency	Amount in domestic currency
SMBC	24 August 2012	14 February 2014	USD	3 month LIBOR+2.2%	50,000,000.00	314,275,000.00
J.P. Morgan Chase Bank	24 August 2012	14 February 2014	USD	3 month LIBOR+2.5%	50,000,000.00	314,275,000.00
Baoshan branch of China Construction Bank	20 May 2011	18 April 2014	RMB	5.985%		340,000,000.00
Baoshan branch of China Construction Bank	26 April 2011	25 March 2014	RMB	5.985%		300,000,000.00
Baoshan branch of China Construction Bank	20 June 2011	19 May 2014	RMB	5.76%		110,000,000.00
Total						1,378,550,000.00

41. Bonds payable

Name of bond	Par value	Issue date	Term of the bond	Issue amount	Opening interest payable	Accrued interest for the period	Interest paid during the period	Closing interest payable	Closing balance
Medium Term Bonds (1282134) (Note 1)	500,000,000.00	4 May 2012	3 years	500,000,000.00	17,033,333.36	25,550,000.00	25,550,000.00	17,033,333.36	497,634,942.72
Bao-trans Corporate Bond (Note 2)	U.S.\$500,000,000.00	5 Dec 2013	5 years	U.S.\$500,000,000.00	-	5,715,843.75	-	5,715,843.75	3,005,073,404.48
Total					17,033,333.36	31,265,843.75	25,550,000.00	22,749,177.11	3,502,708,347.20

Note1: In December 2011, Shanghai Meishan Iron & Steel Co., Ltd. ("Meishan Steel"), a subsidiary of the Company was approved by the National Association of Financial Market Institutional Investors (NAFMII) to issue medium-term bonds in China with the amount of RMB4 billion, and the bonds can be issued within 2 years from approval. Meishan Steel issued the first phase of medium-term bond with amount of RMB500,000,000 (12MeiSteel MTN1), with issuing price RMB100 par value and fixed interest rate 5.11% per annum. Interest will be paid annually on May 4. The bond will be due on 4 May, 2015.

Note2: In December 2013, Bao-Trans Co., Ltd ("Bao-Trans"), a subsidiary of the Company was approved by the 2012 general shareholders' meeting held on 26 April 2013 to issue bonds denominated in US dollar in Hong Kong with the amount of USD0.5 billion and duration of 5 years in accordance with the resolution of the shareholders' meeting of Developing Direct Financing. Bao-Trans issued bonds with issuing price 99.199% of par value and fixed interest rate 3.75% per annum on 5 December 2013. Interest will be paid semi-annually on June 12 and December 12 December, respectively. The bond will be due on 12 December, 2018.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42. Long-term payables

Item	Closing balance	Restated opening balance after business combination involving entities under common control
Accounts payable for relocation expense of Meishan steel coke oven ^(Note 1)	250,000,000.00	250,000,000.00
Less: Long-term payables due within one year ^(Note 2)	250,000,000.00	-
Total	-	250,000,000.00

Note 1: Relocation expense of Meishan steel coke oven refers to Note (V). Note (22).

Note 2: Long-term payables due within one year refer to Note (V). Note 38 (3).

43. Special payables

Item	Restated opening balance after business combination involving entities under common control	Increase in the current period	Decrease in the current period	Closing balance
Government subsidies	688,993,701.54	133,160,000.00	82,555,160.30	739,598,541.24

44. Other non-current liabilities

Item	Closing carrying amount	Restated opening carrying amount after business combination involving entities under common control
Interest free loan from Baosteel Group ^(Note 1)	1,500,000,000.00	1,500,000,000.00
Deferred income ^(Note 2)	1,218,672,931.60	1,201,329,376.35
Other	74,350.81	-
Total	2,718,747,282.41	2,701,329,376.35

Note 1: Refer to Note (V). (25) Note 1.

Note 2: Details of deferred income

Item	Restated opening carrying amount after business combination involving entities under common	Increase	Recognized in non-operating income	Other	Closing balance	Assets related/ Income related
Key industries and comprehensive technology transformation projects	799,949,040.08	128,965,933.80	104,559,718.18	(8,786,000.00)	815,569,255.70	Assets related
Interest allowance on special loan	133,905,378.80	-	-	-	133,905,378.80	Assets related
Compensation from relocation	113,755,603.69	-	5,836,928.94	-	107,918,674.75	Assets related
Allowance for infrastructure	99,665,904.89	-	-	-	99,665,904.89	Assets related
High-tech subsidies of Baosight	33,028,804.99	31,914,257.57	26,673,989.00	-	38,269,073.56	Income related
Other	21,024,643.90	35,143,000.00	32,823,000.00	-	23,344,643.90	
Total	1,201,329,376.35	196,023,191.37	169,893,636.12	(8,786,000.00)	1,218,672,931.60	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

45. Share capital

As at 31 December 2013, the registered and paid-in capital of the Company totals at RMB16,471,724,924.00 with par value of RMB1.00 each. The share class and structure are set out as follows:

	Restated opening balance after business combination involving entities under common control	Changes for the period					Closing balance	RMB
		New issue of shares	Bonus issue	Capitalization of surplus reserve	Others	Subtotal		
2013:								
I.Tradable shares								
I.Ordinary shares denominated in RMB	17,122,048,088.00				(650,323,164.00)	(650,323,164.00)	16,471,724,924.00	
II.Total shares	17,122,048,088.00	-	-	-	(650,323,164.00)	(650,323,164.00)	16,471,724,924.00	
2012:								
I.Tradable shares								
I.Ordinary shares denominated in RMB	17,512,048,088.00	-	-	-	(390,000,000.00)	(390,000,000.00)	17,122,048,088.00	
II.Total shares	17,512,048,088.00	-	-	-	(390,000,000.00)	(390,000,000.00)	17,122,048,088.00	

According to "The Board's Resolution on the motion of repurchase shares of the Company by centralized bidding", "The creditors' notice about repurchase shares of Baoshan Iron & Steel Co., Ltd.", "The 2012 second Resolution of extraordinary shareholders meeting of Baoshan Iron & Steel Co., Ltd." and the Company's revised Articles of Association, the Company repurchased A-shares on Shanghai Stock Exchange by centralized bidding with price of no more than RMB5 per share and amount of no more than RMB5 billion in total. The first repurchase began on 21 September 2012, and the Company has repurchased 414,055,508 shares by the end of 2012. According to the resolution and the Company's revised Articles of Association, the Company applied for reduction of share capital of RMB0.39 billion, and finished all procedures in China Securities Depository and Clearing Corporation Limited., Shanghai Branch on 20 December 2012. The Company updated all commercial registration in December 2012, and the updated registered share capital is RMB 17,122,048,088.00 as at 31 December 2012. Deloitte Touche Tohmatsu CPA LLP. has verified the change in share capital and issued the capital verification report.

Up to 21 May, 2013, the Company has completed the implementation of the share repurchase scheme, whereby the Company repurchased 650,323,164 shares in 2013, and repurchased and reduced 390,000,000 shares in 2012, respectively. According to the resolution and the Company's revised Articles of Association, the Company applied for reduction of share capital RMB 650,323,164 and finished all procedures of cancellation of 650,323,164 shares in China Securities Depository and Clearing Corporation Limited., Shanghai Branch on 23 May 2013. The Company completed the above-mentioned procedures on 24 June, 2013 and the registered capital of the Company was updated to RMB 16,471,724,924. The change in registered capital has been verified by Deloitte Touche Tohmatsu CPA LLP.

As at 31 December 2013, Baosteel Group held 13,128,825,267 shares of the ordinary shares without selling restrictions, and the equity interest held by Baosteel Group reached 79.71%.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46. Capital reserve

Item	Restated opening balance after business combination involving entities under common control	Increase in the period	Decrease in the period	Closing balance
RMB				
2013:				
Capital premium				
Including: Reserve from conversion of state-owned shares	5,726,556,609.73	-	-	5,726,556,609.73
Share premium ^(Note 1)	28,292,589,020.80	-	2,548,936,133.80	25,743,652,887.00
Difference arising from business combination under common control	116,748,214.86	-	-	116,748,214.86
Other comprehensive income				
Including: Provision for equity investment ^(Note 2)	(26,971,288.79)	-	28,881,183.42	(55,852,472.21)
Changes in fair value of available-for-sale financial assets	69,775,101.55	-	495,832,826.57	(426,057,725.02)
Income tax impact of changes in fair value of available-for-sale financial assets	(25,451,000.87)	123,958,206.64	-	98,507,205.77
Others	-	-	2,400.00	(2,400.00)
Other capital reserves ^(Note 3)	1,855,722,688.77	50,639,539.20	143,201,560.07	1,763,160,667.90
Total	36,008,969,346.05	174,597,745.84	3,216,854,103.86	32,966,712,988.03
2012:				
Capital premium				
Including: Reserve from conversion of state-owned shares	5,726,556,609.73	-	-	5,726,556,609.73
Share premium ^(Note 1)	29,703,329,723.00	-	1,410,740,702.20	28,292,589,020.80
Other comprehensive income	6,569,992,800.00	-	6,453,244,585.14	116,748,214.86
Other comprehensive income				
Including: Provision for equity investment	(42,263,025.08)	15,291,736.29	-	(26,971,288.79)
Changes in fair value of available-for-sale financial assets	112,104,726.42	-	42,329,624.87	69,775,101.55
Income tax impact of changes in fair value of available-for-sale financial assets	(36,033,407.09)	10,582,406.22	-	(25,451,000.87)
Other capital reserves ^(Note 3)	1,866,944,402.56	110,952,749.32	122,174,463.11	1,855,722,688.77
Total	43,900,631,829.54	136,826,891.83	8,028,489,375.32	36,008,969,346.05

Note 1: Decrease in share premium due to the cancellation of treasury shares refer to Note (V). 47.

Note 2: Increase in provision for equity investment is due to the movement of capital reserve of joint ventures and associates the Group accounts for by using equity method.

Note 3: Increase in other capital reserves is mainly attributable to the monetary refund from the port construction in accordance with the relevant regulations of the Ministry of Transport and the Ministry of Finance upon collection of port construction fee from Shanghai Port. Decrease in other capital reserve is mainly due to excess of the consideration paid to acquire the minority interest of Zhangjiang Steel over the net book value of such interest.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47. Treasury shares

Item	RMB Amount
2013:	
Opening balance	115,785,165.80
Increase in the period:	
Acquisition of shares from other shareholders	3,083,474,132.00
Decrease in the period:	
Cancellation	3,199,259,297.80
Closing Balance	-

The 2012 second extraordinary shareholders meeting of Baoshan Iron & Steel Co., Ltd. passed the "The Board's Resolution on the motion of repurchase shares of the Company by centralized bidding" on 17 September 2012. The Company disclosed "Report on Baoshan Steel & Iron Co., Ltd. Repurchase shares" on 21 September 2012 as follows: the Company will repurchase A shares on Shanghai Stock Exchange by centralized bidding with price of no more than RMB5 per share and amount of no more than RMB5 billion in total. The repurchased shares will be cancelled. The number of shares to be repurchased is expected to be 1 billion, i.e. 5.7% of the total share capital and 22.8% of the public outstanding shares. The valid period of repurchase is 12 months since the resolution was passed at the general shareholders' meeting.

From 1 January 2013 to 31 December 2013, the Company repurchased 626,267,656 shares, 3.66% of total shares before cancellation, with the highest price of RMB5.00 per share and the lowest price of RMB4.72 per share at total consideration of RMB 3,083,474,132.00.

The Company finished all procedures of cancellation of 650,323,164 shares in China Securities Depository and Clearing Co., Ltd., Shanghai Branch on 23 May 2013 and updated all administrative registration on 24 June 2013. After the cancellation, the total share capital decreased by RMB 650,323,164.00 and capital reserve decreased by RMB 2,548,936,133.80.

At 31 December 2013, the treasury stock of the Company is Nil.

48. Special reserve

Item	Restated opening balance after business combination involving entities under common control	Increase in the period	Decrease in the period	RMB Closing balance
2013:				
Operation security fee	17,894,916.86	336,082,904.52	331,816,860.32	22,160,961.06
2012:				
Operation security fee	11,788,986.69	166,742,174.93	160,636,244.76	17,894,916.86

Extracted the special reserve based on the "The Management Methods of the Extract and Use of the Enterprise Security Costs of Production" ([2012] No. 16) for the safe production expenditures.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

49. Surplus reserve

Item	Restated opening balance after business combination involving entities under common control	Increase in the period	Decrease in the period	Closing balance
RMB				
2013:				
Statutory surplus reserve	9,979,131,134.13	649,243,384.94	-	10,628,374,519.07
Discretionary surplus reserve	13,250,583,473.91	649,243,384.94	-	13,899,826,858.85
Total	23,229,714,608.04	1,298,486,769.88	-	24,528,201,377.92
2012:				
Statutory surplus reserve	8,930,401,416.20	1,048,729,717.93	-	9,979,131,134.13
Discretionary surplus reserve	12,201,853,755.98	1,048,729,717.93	-	13,250,583,473.91
Total	21,132,255,172.18	2,097,459,435.86	-	23,229,714,608.04

According to China Company Laws and the Article of Association of the Company, the Company is required to transfer 10% of its net profit to the statutory surplus reserve.

The discretionary surplus reserve is appropriated subsequent to the appropriation of statutory surplus reserve and subject to approval. Upon approval, the discretionary surplus reserve can be used to make up the losses from previous years or increase the Company's share capital.

50. Retained earnings

Item	Amount	Proportion of appropriation
RMB		
2013:		
Retained earnings at beginning of year	34,802,934,026.47	
Add: Net profit attributable to owners of the Company for the period	5,818,471,202.97	
Less: Appropriation to statutory surplus reserve	649,243,384.94	10% of net profit of the Company
Appropriation to discretionary surplus reserve	649,243,384.94	10% of net profit of the Company
Declaration of dividends on ordinary shares	2,278,368,991.45	Note
Retained earnings at the end of the period	37,044,549,468.11	
2012:		
Retained earnings at beginning of year before business combination under common control	30,754,305,445.21	
Adjustment of business combination under common control	(405,891,494.19)	
Retained earnings at beginning of year after business combination under common control	30,348,413,951.02	
Add: Net profit attributable to owners of the Company for the period	10,089,628,467.77	
Less: Appropriation to statutory surplus reserve	1,048,729,717.93	10% of net profit of the Company
Appropriation to discretionary surplus reserve	1,048,729,717.93	10% of net profit of the Company
Declaration of dividends on ordinary shares	3,502,409,617.60	
Impact of business combination under common control	(35,239,338.86)	
Retained earnings at the end of the period	34,802,934,026.47	

Details of adjustment of business combination under common control:

The retained earnings at beginning of year decreased by RMB737,874,887.33 due to the change of the consolidation scope.

Note: According to the resolution of Sixth Meeting of the Fifth Board on 29 March 2013, which was approved by the general shareholders' meeting on 26 April 2013, the Company announced cash dividend to all registered shareholders as of the announcement date with total amount of RMB 2,278,368,991.45 (before tax) based on the total number of shares of 17,122,048,088 (Note (V). 45).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

51. Operating income and operating costs

(1) Operating income

Item	RMB	
	Amount recognized in the current period	Restated amount recognized in the previous period
Principal operating income	188,328,279,762.66	189,712,472,013.32
Other operating income	1,360,099,920.56	1,422,723,730.83
Operating income	189,688,379,683.22	191,135,195,744.15
Operating costs	171,718,199,823.29	176,885,151,589.78

(2) Principal operating activities (classified by industries)

Name of industry	RMB'000			
	Amount recognized in the current period		Restated amount recognized in the previous period	
	Operating income	Operating costs	Operating income	Operating costs
Iron & steel manufacturing	127,283,500	115,296,829	165,222,390	156,432,898
Processing and distributing	176,820,663	172,910,408	180,826,087	176,999,159
Information technology	3,575,727	2,729,024	3,620,140	2,881,664
E-commerce	3,501,398	3,459,603	58,317	38,577
Chemical	10,678,289	9,654,034	11,374,812	10,413,738
Elimination between industries	(133,531,297)	(133,489,322)	(171,389,274)	(171,066,195)
Total	188,328,280	170,560,576	189,712,472	175,699,841

(3) Principal operating activities (classified by products)

Name of product	RMB'000			
	Amount recognized in the current period		Restated amount recognized in the previous period	
	Operating income	Operating costs	Operating income	Operating costs
Iron & steel	171,273,369	155,866,386	170,623,996	158,858,735
Chemical products	10,678,289	9,654,034	11,374,812	10,413,738
Information service	3,646,668	2,730,088	3,406,943	2,713,630
Others	2,729,954	2,310,068	4,306,721	3,713,738
Total	188,328,280	170,560,576	189,712,472	175,699,841

(4) Principal operating activities (classified by geographical areas)

Name of geographical area	RMB'000			
	Amount recognized in the current period		Restated amount recognized in the previous period	
	Operating income	Operating costs	Operating income	Operating costs
Domestic	169,120,712	152,250,089	170,362,538	157,207,397
Overseas	19,207,568	18,310,487	19,349,934	18,492,444
Total	188,328,280	170,560,576	189,712,472	175,699,841

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(5) Operating income from the Company's top five customers

Name of customer	Operating income	Proportion to total operating income of the Company (%)	RMB
Entity One	10,760,113,243.81	6	
Entity Two	2,873,027,885.93	2	
Entity Three	2,643,497,422.65	1	
Entity Four	2,534,203,679.29	1	
Entity Five	2,410,305,831.81	1	
Total	21,221,148,063.49	11	

52 Business taxes and levies

Item	Amount recognized in the current period	Restated Amount recognized in the previous period	Basis of calculation	RMB
Business tax	37,684,165.88	81,261,144.22	Note	
City construction and maintenance tax	182,511,957.17	106,154,907.86	Note	
Education surcharges	169,120,805.82	97,584,525.99	Note	
Others	24,349,577.32	23,442,049.54	Note	
Total	413,666,506.19	308,442,627.61		

Note: Relevant criteria and tax rates for the above items refer to Note (III).

53. Financial expenses

Item	Amount recognized in the current period	Restated amount recognized in the previous period	RMB
Interest expenses	1,751,360,362.29	2,202,236,880.00	
Less: Capitalized interest expenses	183,548,635.86	248,933,818.43	
Less: Interest income	1,205,149,835.24	1,402,944,847.66	
Exchange differences	(955,115,324.54)	(107,536,479.34)	
Others	48,321,878.76	45,755,100.28	
Total	(544,131,554.59)	488,576,834.85	

54. Impairment losses of assets

Item	Amount incurred in the current period	Restated amount recognized in the previous period	RMB
I. Bad debt losses	136,917,160.21	(31,496,841.08)	
II. Inventory provision (reversal)	601,708,925.93	(526,763,337.49)	
III. Impairment for loans	27,165,000.00	24,775,000.00	
IV. Impairment for long term investment	1,609,581.60	35,000,000.00	
V. Impairment for other non-current assets	1,620,916,601.51	2,645,008,966.84	
Total	2,388,317,269.25	2,146,523,788.27	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

55. Gains from changes in fair values

	RMB	
Items resulting in gains from changes in fair values	Amount recognized in the current period	Restated amount recognized in the previous period
Held-for-trading financial assets	6,796,050.20	7,814,089.85
Held-for-trading financial liabilities	20,789,685.96	(20,789,685.96)
Total	27,585,736.16	(12,975,596.11)

56. Investment income

(1) Details of investment income

	RMB	
Item	Amount recognized in the current period	Restated amount recognized in the previous period
Income from long-term equity investments under cost method	434,421,289.22	252,517,369.55
Income from long-term equity investments under equity method	174,802,410.63	68,859,832.09
Stock investment income	8,799,180.79	17,231,662.25
Bond investment income	42,298,928.31	36,110,389.88
Fund investment income	480,566.54	22,876,381.81
Investment (losses) income from disposal of derivative financial instruments	(14,773,709.28)	(9,684,429.21)
Investment income from disposal of equity investment	4,203,958.34	665,609,496.33
Others	33,821,550.51	23,003,324.70
Total	684,054,175.06	1,076,524,027.40

(2) Income from long-term equity investments under cost method

Top five investees of whose investment income accounts for the highest proportion of the pre-tax profit:

	RMB		
Investee	Amount recognized in the current period	Restated amount recognized in the previous period	Reason for change
Yongmei Group Co., Ltd.	201,547,600.00	113,370,525.00	Cash dividend
Henan Longyu Energy Co., Ltd.	139,772,196.30	-	Cash dividend
CISDI Engineering Co., Ltd.	60,887,153.28	5,649,323.48	Cash dividend
Baovale Mining Co., Ltd.	17,521,717.50	35,668,836.00	Cash dividend
Shanghai Luojing Mining Port Co., Ltd.	14,366,722.14	13,395,251.27	Dividend
Total	434,095,389.22	168,083,935.75	

(3) Income from long-term equity investments under equity method:

Top five investees from which the investment income accounts for the highest proportion of the pre-tax profit as below:

	RMB		
Investee	Amount recognized in the current period	Restated Amount recognized in the previous period	Reason for change
Henan Pingbao	59,538,555.11	75,223,699.23	Change of the profit of associate
BNA	58,365,170.40	73,074,198.01	Change of the profit of joint venture
Welding Co.	25,651,613.61	28,506,378.27	Change of the profit of associate
Bao-Island Enterprise	15,095,924.40	1,323,729.25	Change of the profit of joint venture
JFE Steel Sheet	13,308,650.60	(138,166,801.10)	Change of the profit of joint venture
Total	171,959,914.12	39,961,203.66	

As at 31 December 2013, no significant limitation exists regarding investment income repatriation.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

57. Non-operating income

(1) Details of non-operating income:

Item	Amount incurred in the current period	Restated Amount incurred in the previous period	RMB
			Amount incurred in non recurring gains and loss in the current period
Total gains on disposal of non-current assets	360,318,736.82	9,690,798,794.24	360,318,736.82
Including: Gains on disposal of fixed assets	14,050,835.02	1,927,304,625.37	14,050,835.02
Gains on disposal of intangible assets ^(Note)	346,267,901.80	7,763,494,168.87	346,267,901.80
Government grants	391,903,997.38	716,212,755.79	391,903,997.38
Compensation income	27,212,391.46	21,961,918.24	27,212,391.46
Others	102,937,215.53	91,013,205.73	102,937,215.53
Total	882,372,341.19	10,519,986,674.00	882,372,341.19

Note: The gains on disposal of intangible assets in current period mainly consisted of the gains from the sale of land use right to Shanghai Power over the CCPP generator and relevant assets. Up to the reporting date, the Company is still on the process of obtaining the relevant certificate of the land use right.

(2) Government grants recognized in profit and loss in current period:

Items	Amount incurred in the current period	Restated Amount incurred in the previous period	RMB
			Assets related/ Income related
Subsidies for high-tech achievement transformation	59,921,691.08	71,242,006.71	Both income and assets related
Compensation for relocation	59,876,337.21	132,536,148.03	Income related
Transfer of prior year government grants related to technology improvement	44,059,169.32	33,874,586.01	Assets related
Special fiscal funds of land infrastructure construction	30,756,648.88	-	Assets related
Grants for waste gas treatment	11,000,000.00	8,000,000.00	Income related
Significant technology innovation	-	150,185,356.10	Income related
Special fund for foreign economic and technology cooperation	-	139,950,000.00	Income related
Others	186,290,150.89	180,424,658.94	
Total	391,903,997.38	716,212,755.79	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

58. Non-operating expenses

Item	RMB		
	Amount incurred in the current period	Restated Amount incurred in the previous period	Amount incurred in non-recurring gains and loss in the current period
Total losses on disposal of non-current assets	472,234,905.84	779,567,721.43	472,234,905.84
Including: Losses on disposal of fixed assets	447,374,361.65	718,361,101.82	447,374,361.65
Losses on disposal of intangible assets	24,860,544.19	61,206,619.61	24,860,544.19
Donations to third parties	16,184,550.00	34,658,179.49	16,184,550.00
Others	67,739,286.16	150,424,222.82	67,739,286.16
Total	556,158,742.00	964,650,123.74	556,158,742.00

59. Income tax expenses

Item	RMB	
	Amount incurred in the current period	Restated Amount incurred in the previous period
Current tax expense calculated according to tax laws and relevant requirements	1,909,395,457.27	3,661,955,314.60
Adjustment to previous period's income tax	(31,310,710.64)	(92,676,929.59)
Adjustment to deferred income tax	91,341,980.71	(860,899,636.36)
Total	1,969,426,727.34	2,708,378,748.65

Reconciliation of income tax expenses to the accounting profit is as follows:

	RMB	
	Amount for the current period	Amount for the previous period
Accounting profit	8,009,761,350.56	12,663,670,698.07
Income tax expenses calculated at 25% (previous period: 25%)	2,002,440,337.63	3,165,917,674.52
Adjustment to previous period's income tax	(31,310,710.64)	(92,676,929.59)
Effect of expenses that are not deductible for tax purposes	51,446,156.15	70,073,189.56
Effect of tax-free income	(159,008,724.09)	(130,057,257.51)
Effect of unrecognized deductible losses and deductible temporary differences	561,320,371.66	181,127,542.48
Effect of using previously unrecognized deductible losses and deductible temporary differences	(44,694,320.31)	(48,922,150.50)
Changes in opening balances of deferred tax assets/liabilities due to the change in tax rate	-	(202,337.62)
Additional tax incentives	(381,405,182.76)	(402,281,433.43)
Others	(29,361,200.30)	(34,599,549.26)
Total	1,969,426,727.34	2,708,378,748.65

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

60. Calculation process of basic earnings per share

For the purpose of calculating basic earnings per share, net profit for the current period attributable to ordinary shareholders is as follows:

	RMB	
	Amount for the current period	Restated amount for the previous period
Net profit for the current period attributable to ordinary shareholders	5,818,471,202.97	10,089,628,467.77
Including: Net profit from continuing operations	5,818,471,202.97	10,089,628,467.77
Net profit from discontinued operations	-	-

For the purpose of calculating basic earnings per share, the denominator is the weighted average number of outstanding ordinary shares and its calculation process is as follows:

	RMB	
	Number for the current period	Restated number for the previous period
Number of ordinary shares outstanding at the beginning of the year	17,122,048,088.00	17,512,048,088.00
Add: Weighted average number of ordinary shares issued in current year	-	-
Less: Weighted average number of ordinary shares repurchased in current year	421,335,003.00	61,529,573.00
Number of ordinary shares outstanding at the end of the year	16,700,713,085.00	17,450,518,515.00

Earnings per share

	RMB	
	Amount for the current period	Restated amount for the previous period
Calculated based on net profit attributable to shareholders of the Company: Basic earnings per share	0.35	0.58
Calculated based on net profit from continuing operations attributable to shareholders of the Company: Basic earnings per share	0.35	0.58
Calculated based on net profit from discontinued operations attributable to shareholders of the Company: Basic earnings per share	-	-

The Company has no potential ordinary share which has dilutive effect in the current period, and therefore no diluted earnings per share are disclosed.

61. Other comprehensive income

	RMB	
Item	Amount for the current period	Amount for the previous period
1. Gains (losses) arising from available-for-sale financial assets	(501,909,483.57)	(31,186,267.85)
Less: Tax effects arising from available-for-sale financial assets	(125,477,370.89)	(9,362,673.65)
Net amount included in other comprehensive income in the previous periods that is transferred to profit or loss for the period	(2,610,351.72)	6,264,426.75
Subtotal	(373,821,760.96)	(28,088,020.95)
2. Share of other comprehensive income of the investee accounted for using the equity method	(28,678,273.73)	15,332,645.99
Less: Net amount included in other comprehensive income in the previous periods that is transferred to profit or loss for the period	-	40,909.70
Subtotal	(28,678,273.73)	15,291,736.29
3. Translation differences of financial statements denominated in foreign currencies	(249,095,791.59)	(54,087,936.68)
Subtotal	(249,095,791.59)	(54,087,936.68)
4. Other	(4,000.00)	-
Total	(651,599,826.28)	(66,884,221.34)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

62. Notes to items in the cash flow statement

(1) Other cash receipts relating to operating activities

Item	RMB	
	Amount for the current period	Restated amount for the previous period
Non-operating income, government grant and etc.	1,194,948,436.94	1,738,689,643.93

(2) Other cash payments relating to operating activities

Item	RMB	
	Amount for the current period	Restated amount for the previous period
Selling expenses	1,099,280,251.62	1,674,517,376.24
Administrative expenses	1,368,390,520.21	1,971,903,275.27
Others	124,699,027.94	246,899,517.56
Total	2,592,369,799.77	3,893,320,169.07

(3) Other cash receipts relating to investing activities

Item	RMB	
	Amount for the current period	Restated amount for the previous period
Income from disposal of assets in Wusong block	5,740,942,191.82	4,121,179,162.89
Interest income	172,566,273.61	413,889,215.27
Total	5,913,508,465.43	4,535,068,378.16

(4) Other cash payments relating to investing activities

Item	RMB	
	Amount for the current period	Restated amount for the previous period
Payment for acquire of investment	900,000,000.00	1,539,880,728.08
Cash payment upon the settlement of derivative instruments	24,191,732.71	16,864,017.29
Total	924,191,732.71	1,556,744,745.37

(5) Other cash receipts relating to financing activities

Item	RMB	
	Amount for the current period	Restated amount for the previous period
Guangzhou Steel Sheet consideration	-	1,500,000,000.00

Financing from/to related parties refer to Notes(VI),6(15).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

63. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

Supplementary information	Current period	Restated amount of previous period
RMB		
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	6,040,334,623.22	9,955,291,949.42
Add: Provision for impairment losses of assets	2,388,317,269.25	2,146,523,788.27
Depreciation of fixed assets and investment properties	10,095,998,605.08	11,341,408,934.44
Amortization of intangible assets	189,392,175.05	210,738,738.24
Amortization of long-term prepaid expenses	30,612,921.36	17,902,407.01
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains are indicated by "-")	111,916,169.02	(8,911,205,574.89)
Losses on changes in fair values (gains are indicated by "-")	(27,585,736.16)	12,975,596.11
Financial expenses (income is indicated by "-")	(591,287,147.33)	443,578,386.85
Losses arising from investments (gains are indicated by "-")	(684,054,175.06)	(1,076,524,027.40)
Decrease in deferred tax assets (increase is indicated by "-")	88,407,809.63	(846,596,305.66)
Increase in deferred tax liabilities (decrease is indicated by "-")	2,934,171.08	11,893,153.28
Decrease in inventories (increase is indicated by "-")	(2,816,025,425.18)	2,884,613,351.68
Decrease in receivables from operating activities (increase is indicated by "-")	(2,605,556,062.93)	(868,119,810.68)
Increase in payables from operating activities (decrease is indicated by "-")	(132,928,562.98)	6,863,411,469.28
Net cash flow from operating activities	12,090,476,634.05	22,185,892,055.95
2. Net changes in cash and cash equivalents:		
Closing balance of cash	11,507,852,396.93	7,632,107,621.86
Less: Opening balance of cash	7,632,107,621.86	13,023,524,324.21
Add: Closing balance of cash equivalents	91,000,000.00	-
Less: Opening balance of cash equivalents	-	280,780,713.36
Net increase in cash and cash equivalents	3,966,744,775.07	(5,672,197,415.71)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(2) Disposal of subsidiaries during the period

Item	RMB	
	Current period	Restated amount of previous period
I. Information of acquisition of subsidiaries:		
1.Consideration of acquisition of subsidiaries	4,976,333,561.88	-
2.Cash and cash equivalence paid for acquisition of subsidiaries	4,976,333,561.88	-
Less: cash and cash equivalent held by subsidiaries	10,655,882.07	-
3.Net cash outflow on acquisition of subsidiaries	4,965,677,679.81	-
4.Net assets of the acquired subsidiaries	7,594,195,964.71	-
Current assets	2,281,977,807.40	-
Non-current assets	11,134,545,439.74	-
Current liabilities	4,082,800,515.32	-
Non-current liabilities	1,739,526,767.11	-
II. Information of disposal of subsidiaries:		
1.Consideration of disposal of subsidiaries	-	2,286,529,828.21
2.Cash and cash equivalence received from disposal of subsidiaries	-	2,286,529,828.21
Less: cash and cash equivalent held by subsidiaries	-	313,486,177.83
3.Net cash inflow on disposal of subsidiaries	-	1,973,043,650.38
4.Net assets of the disposed subsidiaries	-	3,305,493,661.91
Current assets	-	2,852,381,530.44
Non-current assets	-	4,038,797,961.87
Current liabilities	-	3,490,144,965.40
Non-current liabilities	-	95,540,865.00

(3) Composition of cash and cash equivalents

Item	RMB	
	Closing balance	Restated opening balance
I. Cash	11,507,852,396.93	7,632,107,621.86
Including: Cash on hand	862,784.89	894,131.30
Bank deposits	11,435,799,572.25	7,537,896,098.08
Other monetary funds	71,190,039.79	93,317,392.48
II. Cash equivalents	91,000,000.00	-
Including: Funds from monetary market	-	-
III. Closing balance of cash and cash equivalents	11,598,852,396.93	7,632,107,621.86

Cash and cash equivalents exclude restricted cash and cash equivalents of the Company or subsidiaries within the Group.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(VI) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Parent of the Company

Name of Company	Baosteel Group Corporation (Baosteel Group)
Related party relationship	Parent company
Type of the entity	Limited company (state-owned)
Place of incorporation	Shanghai
Legal representative	Xu Lejiang
Nature of business	Iron and steel manufacturing & processing
Registered capital (RMB)	52,791,100,998.89
Proportion of the Company's ownership interest held by the parent (%)	79.71
Proportion of the Company's voting power held by the parent (%)	79.71
Ultimate controlling party of the Company	State-owned Asset Supervision and Administration Commission of the State Council
Organization code	13220082-1

2. Subsidiaries of the Group

Please refer to Note (IV). 1 for details of subsidiaries of the Group.

3. Associates and joint ventures of the Group

Please refer to Note (V). 15 for details of associates and joint ventures of the Group.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(VI) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

4. Other related parties of the Group

Name of other related party	Relationship between other related parties and the Company	Organization code
Baosteel Resources (International) Limited (Baosteel Resources (International))	Fellow subsidiary	#6080030-0
Baosteel Metal Co., Ltd. and its subsidiaries (Baosteel Metal and its subsidiaries)	Fellow subsidiary	13223304-1
Shanghai Baosteel Engineering & Technology Group Co., Ltd. and its subsidiaries (Engineering & Technology Co. and its subsidiaries)	Fellow subsidiary	63083393-9
Hwabao Trust Co., Ltd. (Hwabao Trust)	Fellow subsidiary	63124192-7
Hwabao Investment Co., Ltd. (Hwabao Investment)	Fellow subsidiary	13222881-6
Baosteel Group Baoshan Hotel (Baoshan Hotel)	Fellow subsidiary	13342754-2
Baosteel Development Co., Ltd. and its subsidiaries (Baosteel Development and its subsidiaries)	Fellow subsidiary	13343894-6
Baosteel Group Shanghai Ergang Co., Ltd. and its subsidiaries (Ergang and its subsidiaries)	Fellow subsidiary	13320566-7
Baosteel Group Shanghai No.1 Iron & Steel Co., Ltd. and its subsidiaries (No. 1 Steel and its subsidiaries)	Fellow subsidiary	13220760-1
Baosteel Group Shanghai Pipes Co., Ltd. (Shanghai Pipes)	Fellow subsidiary	63057927-2
Baosteel Group Shanghai Meishan Co., Ltd. and its subsidiaries (Meishan Steel and its subsidiaries)	Fellow subsidiary	13226493-X
Baosteel Group Shanghai Pudong Iron & Steel Co., Ltd. and its subsidiaries (Pudong Steel and its subsidiaries)	Fellow subsidiary	13221291-0
Baosteel Group Shanghai No.5 Iron & Steel Co., Ltd. and its subsidiaries (No. 5 Steel and its subsidiaries)	Fellow subsidiary	13220240-5
Baosteel Group Xinjiang Bayi Iron & Steel Co., Ltd. and its subsidiaries (Xinjiang Bayi and its subsidiaries)	Fellow subsidiary	22860110-1
Baosteel Resource Co., Ltd. and its subsidiaries (Baosteel Resource and its subsidiaries)	Fellow subsidiary	79144036-X
Shanghai Institute of Steel and Iron (Institute of Steel and Iron)	Fellow subsidiary	13342720-0
Ningbo Iron & Steel Co., Ltd. (Ningbo Steel and its subsidiaries)	Fellow subsidiary	74497613-7
Guangdong Baosteel Real Estate Co., Ltd. (Guangdong Real Estate)	Fellow subsidiary	67706963-2
Guangdong Shaoguan Iron & Steel Group Co., Ltd. and its subsidiaries (Shaoguan Steel and its subsidiaries)	Fellow subsidiary	19152191-6
Shanghai Baosteel Stainless Steel Co., Ltd. (Shanghai Stainless)	Fellow subsidiary	59041990-0
Baosteel Stainless Steel Co., Ltd. (Baosteel Stainless)	Fellow subsidiary	59167293-2
Baosteel Special Material Co., Ltd. and its subsidiaries (Baosteel Special Steel and its subsidiaries)	Fellow subsidiary	59041866-8
Baosteel Desheng Stainless Steel Co., Ltd. (Baosteel Desheng)	Fellow subsidiary	78216761-3
Shanghai Baohua International Tendering Co., Ltd. (Baohua Tendering)	Fellow subsidiary	78425734-8
Beijing Huili Property Development Co., Ltd. (Beijing Huili)	Fellow subsidiary	76847696-2
Shanghai Baosteel Technical and Economic Development Corporation (Technical & Economic Development Co., Ltd. and its subsidiaries)	Fellow subsidiary	13220712-6
Ningbo Baoxin Stainless Steel Co., Ltd. and its subsidiaries (Ningbo Baoxin and its subsidiaries)	Fellow subsidiary	61027433-2
Baosteel Australia Mining Co., Ltd. (Bao-Aus Mining)	Fellow subsidiary	N/A
Baosteel Group (Shanghai) Real Estate Co., Ltd. (Baosteel Real Estate)	Fellow subsidiary	062553794
Fujian Baosteel Real Estate Co., Ltd. (Fujian Real Estate)	Fellow subsidiary	062262452
Shanghai Baosteel Changning Real Estate Co., Ltd. (Changning Real Estate)	Fellow subsidiary	08200555X
Ningbo Baosteel New Construction Material Co., Ltd. (New Construction Material)	Fellow subsidiary	071480750

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(VI) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

5. Related party transactions

Sales and purchases of goods, provision of services and receiving services

(1) Sales of goods, provision and receipt of services

RMB'000

Related party	Transaction type	Details of related party transaction	Pricing of related party transactions	Amount for the current period		Restated amount for the previous period	
				Amount	Proportion of the amount of related party transactions to that of similar transactions (%)	Amount	Proportion of the amount of related party transactions to that of similar transactions (%)
BNA	Sales	Iron and steel products, raw material and energy	Market price	10,681,008	5.63	11,087,003	5.80
Baosteel Stainless	Sales	Iron and steel product raw materials and spare parts and energy	Market price or contract price	2,847,940	1.50	5,210,851	2.73
Meishan Steel and its subsidiaries	Sales	Iron and steel products, energy, and spare parts	Market price	2,566,313	1.35	1,872,177	0.98
Baosteel Development and its subsidiaries	Sales	Iron and steel products, spare parts and energy	Market price	2,140,132	1.13	2,404,724	1.26
Baosteel Special Steel and its subsidiaries	Sales	Iron and steel products, raw materials, spare parts and energy	Market price or contract price	2,110,140	1.12	1,919,899	1.00
Baosteel Resource and its subsidiaries	Sales	Raw materials	Market price	1,806,090	0.95	2,135,130	1.12
Baosteel Metal and its subsidiaries	Sales	Iron and steel products, energy and spare parts	Market price	1,460,809	0.77	2,531,445	1.32
Ningbo Steel and its subsidiaries	Sales	Iron and steel products, raw material and equipment	Market price	590,320	0.31	88,619	0.05
Guangzhou JFE	Sales	Iron and steel products and equipment	Market price	575,534	0.30	-	-
Welding Co.	Sales	Iron and steel products and raw materials	Market price	550,795	0.29	524,989	0.27
Shaoguan Steel and its subsidiaries	Sales	Energy and raw material	Market price	526,596	0.28	-	-
Baosteel Resource and its subsidiaries	Sales	Raw materials	Market price	194,161	0.10	1,184,004	0.62
Ningbo Baoxin and its subsidiaries	Sales	Iron and steel products and raw materials	Market price	191,426	0.10	56,824	0.03
Engineering & Technology Co. and its subsidiaries	Sales	Iron and steel products, energy, and spare parts	Market price	178,498	0.09	475,722	0.25
Tianjin BCM	Sales	Iron and steel products and raw material	Market price	132,126	0.07	181,904	0.10
Wuxi Baomit	Sales	Iron and steel products	Market price	80,151	0.04	25,799.00	0.01
Baosteel Group	Sales	Energy and spare parts	Market price	7,413	-	9,205	-
Baosteel Desheng	Sales	Energy and spare parts	Market price	3,478	-	1,272	-
Xinjiang Bayi and its subsidiaries	Sales	Iron and steel products and equipment	Market price	1,173	-	44,020	0.02
No. 1 Steel and its subsidiaries	Sales	Iron and steel products and spare parts	Market price	56	-	3,234	-
Pudong Steel and its subsidiaries	Sales	Spare parts	Market price	18	-	22,179	0.01
NSM	Sales	Iron and steel products	Market price	-	-	95,934.00	0.05
No. 5 Steel and its subsidiaries	Sales	Energy	Market price	-	-	2,833	-
Others	Sales	Energy, raw material and Spare parts	Market price	2,874	-	13,205	0.01
Total				26,647,051	14.03	29,890,972	15.63

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(VI) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(2) Purchase of goods

RMB'000

Related party	Transaction type	Details of related party transactions	Pricing of related party transactions	Amount for the current period		Restated amount for the previous period	
				Amount	Proportion of the amount of related party transactions to that of similar transactions (%)	Amount	Proportion of the amount of related party transactions to that of similar transactions (%)
Baosteel Stainless	Purchase	Iron and steel products	Market price or contract price	13,595,825	7.92	11,983,486	6.77
BNA	Purchase	Iron and steel products, energy and raw material	Market price	11,099,726	6.46	12,090,192	6.84
Baosteel Special Steel and its subsidiaries	Purchase	Iron and steel products and energy	Market price or contract price	6,339,438	3.69	3,933,627	2.22
Ningbo Baoxin and its subsidiaries	Purchase	Iron and steel products and energy	Market price	6,336,598	3.69	2,096,746	1.19
Baosteel Resource and its subsidiaries	Purchase	Raw materials and energy	Market price	5,492,476	3.20	6,460,459	3.65
Ningbo Steel and its subsidiaries	Purchase	Iron and steel products	Market price	1,845,008	1.07	1,943,396	1.10
Meishan Steel and its subsidiaries	Purchase	Raw materials and spare parts	Market price	1,407,421	0.82	1,195,523	0.68
Baosteel Development and its subsidiaries	Purchase	Iron and steel products, spare parts and energy	Market price	1,264,932	0.74	1,732,852	0.98
Xinjiang Bayi and its subsidiaries	Purchase	Iron and steel products	Market price	1,033,820	0.60	1,556,442	0.88
Engineering & Technology Co. and its subsidiaries	Purchase	Equipment and raw material	Market price	948,334	0.55	1,572,309	0.89
Baosteel Resource International	Purchase	Raw materials	Market price	285,365	0.17	493,427	0.28
Guangzhou JFE	Purchase	Iron and steel products	Market price	236,236	0.14	-	-
Baosteel Metal and its subsidiaries	Purchase	spare parts	Market price	178,912	0.10	99,540	0.06
Baosteel Desheng	Purchase	Iron and steel products	Market price	112,796	0.07	17,037	0.01
Shaoguan Steel and its subsidiaries	Purchase	Iron and steel products	Market price	49,315	0.03	-	-
No. 5 Steel and its subsidiaries	Purchase	Energy	Market price	37	-	22	-
No. 1 Steel and its subsidiaries	Purchase	Spare parts	Market price	-	-	47,203	0.03
Others	Purchase	Spare parts, energy and etc.	Market price	-	-	13,705	0.01
Total				50,226,239	29.25	45,235,966	25.59

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(VI) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(3) Provision of transportation service and technical supports

Related party	Transaction type	Details of related party transactions	Pricing of related party transactions	RMB'000	
				Amount for the current period	Restated amount for the previous period
				Amount	Amount
Engineering & Technology Co. and its subsidiaries	Provision of services	Technical supports	Contract price	220,423	92,841
Baosteel Resource and its subsidiaries	Provision of services	Transportation services and technical supports	Contract price	130,103	-
Baosteel Group	Provision of services	Technical supports	Contract price	99,305	51,768
Baosteel Special Material and its subsidiaries	Provision of services	Technical supports	Contract price	90,511	49,686
Baosteel Stainless	Provision of services	Technical supports	Contract price	86,589	65,996
BNA	Provision of services	Transportation services and technical supports	Contract price	84,493	81,086
Baosteel Resource and its subsidiaries	Provision of services	Transportation services and technical supports	Contract price	74,519	104,434
Meishan Steel and its subsidiaries	Provision of services	Transportation services and technical supports	Contract price	56,392	36,326
Ningbo Baoxin and its subsidiaries	Provision of services	Technical supports	Contract price	37,851	9,151
Baosteel Development and its subsidiaries	Provision of services	Transportation services and technical supports	Contract price	27,148	20,791
Ningbo Steel and its subsidiaries	Provision of services	Technical supports	Contract price	19,836	21,555
Shaoguan Steel and its subsidiaries	Provision of services	Technical supports	Market price	16,228	-
Baosteel Desheng	Provision of services	Technical supports	Contract price	14,820	-
Xinjiang Bayi and its subsidiaries	Provision of services	Technical supports	Contract price	14,625	25,930
Baosteel Metal and its subsidiaries	Provision of services	Transportation services and technical supports	Contract price	10,646	7,585
Hwabao Trust	Provision of services	Technical supports	Contract price	4,669	12,969
Baohua Tendering	Provision of services	Technical supports	Contract price	1,627	3,482
Welding Co.	Provision of services	Technical supports	Contract price	1,087	966
Pudong Steel and its subsidiaries	Provision of services	Technical supports	Contract price	414	456
No. 5 Steel and its subsidiaries	Provision of services	Technical supports	Contract price	298	327
No. 1 Steel and its subsidiaries	Provision of services	Technical supports	Contract price	5	22
Others	Provision of services	Transportation services and technical supports	Contract price	6,419	9,911
Total	Provision of services		Contract price	998,008	595,282

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(VI) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(4) Receipt of services

Related party	Transaction type	Details of related party transactions	Pricing of related party transactions	RMB'000	
				Amount for the current period	Restated amount for the previous period
				Amount	Amount
Baosteel Development and its subsidiaries	Receiving services	Logistics, project, transportation, examination, and maintenance fees	Contract price	2,036,523	2,066,245
Meishan Steel and its subsidiaries	Receiving services	Logistics, project, transportation, examination, and maintenance fees	Contract price	1,152,934	798,222
Engineering & Technology Co. and its subsidiaries	Receiving services	Project, examination, and maintenance fees	Contract price	1,022,204	1,374,417
Baosteel Resource and its subsidiaries	Receiving services	Transportation fees	Contract price	340,323	448,081
Bao-Island Enterprise	Receiving services	Transportation fees	Contract price	277,747	359,039
BNA	Receiving services	Processing fees	Contract price	239,704	140,638
Baosteel Group	Receiving services	Training fees	Contract price	36,480	44,370
Baosteel Special Steel and its subsidiaries	Receiving services	Processing fees	Contract price	10,385	1,678
Baosteel Stainless	Receiving services	Technical service fees	Contract price	3,733	5,585
Baohua Tendering	Receiving services	Tendering and other services	Contract price	763	439
Baosteel metal and its subsidiaries	Receiving services	Technical service fees	Contract price	746	885
Ningbo Baoxin and its subsidiaries	Receiving services	Logistics fees	Contract price	572	230
No. 5 Steel and its subsidiaries	Receiving services	Logistics and transportation fees	Contract price	142	931
No. 1 Steel and its subsidiaries	Receiving services	Logistics fees	Contract price	46	1,047
Others	Receiving services	Logistics and transportation fees	Contract price	1,116	2,130
Total	Receiving services		Contract price	5,123,418	5,243,937

(5) Other related party transactions

Items	Note	RMB'000	
		Amount for the current period	Restated amount for the previous period
Rental expenses	1	380,883	361,177
Financial service and interest expenses	3	216,383	232,920
Financial service and interest income	2	164,792	209,861
Rental income	1	31,453	35,148
Proceeds on disposal of assets and investments in Wusong area		-	43,972,290
Transfer of Corex property		-	2,731,127
Interest income from disposal of assets		-	938,024
Joint research and development expenses		-	299,750
Proceeds on disposal of a long-term investment		-	-

Note 1: When the Company was established, the Company signed a twenty-year agreement with Baosteel Group for the lease of the plant site land use right. In September 2001, the Company entered into a further twenty-year lease agreement with Baosteel Group for the use of the land for the plant site for assets acquired for Phase 3. In November 2002, the Company signed a new twenty-year lease agreement with Baosteel Group for the land use of the plant site for assets in custody due to acquisitions. In year 2013, land use right lease expense of the Company amounted to RMB234,186,471 (2012: RMB234,186,471).

The Group leased properties from such related parties as Baosteel Group, BNA, Baosteel Metal, lease equipment from Baosteel Stainless, leased vehicles from Baosteel Development and its subsidiaries and Baosteel Metal and its subsidiaries; in the meantime, the Group leased properties to BNA and Baosteel Resources and its subsidiaries, leased land use right to BNA. These leases are priced at negotiated price.

Note 2: The Group provided, via Finance Co., one of its subsidiaries, with loans, discounting and entrusted financing services to Baosteel Group and its subsidiaries, and hereby obtained interest income, discounting income and fees from entrusted financing.

Note 3: The Group collected deposits from Baosteel Group and its subsidiaries, and paid interest expenses at the RMB interest rate on saving as stipulated by the People's Bank of China.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(VI) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

6. Amounts due from / to related parties

(1) Notes receivable

Item	RMB'000	
	Closing balance	Restated Opening balance
Baosteel Special Steel and its subsidiaries	224,782	160,613
Baosteel Development and its subsidiaries	196,550	147,178
Meishan Steel and its subsidiaries	194,005	181,943
Baosteel Metal and its subsidiaries	190,840	179,537
Engineering & Technology Co. and its subsidiaries	30,299	155,014
Welding Co.	15,000	60,000
Tianjin BCM	7,549	11,457
Ningbo Baoxin and its subsidiaries	7,515	5,761
Xinjiang Bayi and its subsidiaries	3,982	9,800
Baosteel Resource and its subsidiaries	3,000	3,000
Ningbo Iron & Steel and its subsidiaries	3,599	11,119
Baosteel Desheng	1,680	-
Total	878,801	925,422

(2) Accounts receivable

Item	RMB'000	
	Closing balance	Restated opening balance
Ningbo Steel and its subsidiaries	775,168	88,695
Meishan Steel and its subsidiaries	720,131	322,124
Shaoguan Steel and its subsidiaries	631,605	-
Baosteel Special Material and its subsidiaries	417,526	372,701
BNA	237,938	253,002
Baosteel Stainless	212,981	866,804
Engineering & Technology Co. and its subsidiaries	187,805	156,701
Baosteel Resources (International)	94,099	47,993
Baosteel Metal and its subsidiaries	49,295	85,034
Baosteel Development and its subsidiaries	34,795	69,718
Ningbo Baoxin and its subsidiaries	21,394	20,982
Baosteel Group	19,581	13,284
Baosteel Resource and its subsidiaries	18,950	145,104
Baosteel Desheng	10,618	467
Welding Co.,	8,427	876
Xinjiang Bayi and its subsidiaries	2,439	4,886
Hwabao Trust	284	1,679
NSM	-	34,129
Pudong Steel and its subsidiaries	-	145
Others	1,785	630
Total	3,444,821	2,484,954

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(VI) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(3) Prepayments

Item	RMB'000	
	Closing balance	Restated opening balance
Ningbo Steel and its subsidiaries	366,690	253,746
BNA	354,040	613,054
Baosteel Resource and its subsidiaries	209,332	115,336
Xinjiang Bayi and its subsidiaries	172,817	147,291
Shaogang Steel and its subsidiaries	48,529	16,664
Baosteel Stainless	37,412	212,168
Engineering & Technology Co. and its subsidiaries	30,258	80,794
Baosteel Metal and its subsidiaries	7,284	850
Baosteel Special Steel and its subsidiaries	1,182	5,270
Meishan Steel and its subsidiaries	880	1,723
Baosteel Development and its subsidiaries	822	303
Ningbo Baoxin and its subsidiaries	2	1,078
Others	656	2,466
Total	1,229,904	1,450,743

(4) Interest receivables

Item	RMB'000	
	Closing balance	Restated opening balance
Baosteel Stainless ^(Note)	421,585	541,970
Baosteel Special Steel ^(Note)	308,081	396,055
Total	729,666	938,025

Note: Interest receivables from Baosteel Stainless and Baosteel Special Steel refer to Note (V). 14(1).

(5) Other receivables

Item	RMB'000	
	Closing balance	Restated opening balance
Baosteel Stainless	34,987	26,794
Baosteel Development and its subsidiaries	16,410	422
Ningbo Steel and its subsidiaries	7,325	8,580
Baosteel Special Steel and its subsidiaries	1,662	-
Welding Co.	1,387	1,027
Guangdong Shaoguan Steel and its subsidiaries	1,157	-
Meishan Steel and its subsidiaries	769	7,585
Shandong Baohua	570	-
Xinjiang Bayi and its subsidiaries	133	-
Engineering & Technology Co. and its subsidiaries	42	1,157
Baosteel Group	1	19,807
Others	1,107	351
Total	65,550	65,723

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(VI) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(6) Non-current assets due within one year

Item	RMB'000	
	Closing balance	Restated opening balance
Baosteel Stainless ^(Note)	2,600,000	2,600,000
Baosteel Special Steel ^(Note)	1,900,000	1,900,000
Total	4,500,000	4,500,000

Note: Details of non-current assets due within one year from Baosteel Stainless and Baosteel Special Steel receivable refer to Note (V). 14(1).

(7) Loans and advances to customers

Item	RMB'000	
	Closing balance	Restated opening balance
Xinjiang Bayi and its subsidiaries	700,000	700,000
Ningbo Steel and its subsidiaries	640,825	811,616
Baosteel Resource and its subsidiaries	430,970	603,137
Meishan Steel and its subsidiaries	423,563	101,672
Engineering & Technology Co. and its subsidiaries	157,500	207,500
Baosteel Metal and its subsidiaries	69,485	31,428
Baosteel Development and its subsidiaries	-	16,000
Others	80,000	76,594
Total	2,502,343	2,547,947

(8) Long-term receivables

Item	RMB'000	
	Closing balance	Restated opening balance
Baosteel Stainless ^(Note)	7,800,000	10,400,000
Baosteel Special Steel ^(Note)	5,700,000	7,600,000
Engineering & Technology Co. and its subsidiaries	13,000	40,020
Total	13,513,000	18,040,020

Note: Details of non-current assets due within one year receivables from Baosteel Stainless and Baosteel Special Steel refer to Note (V). 14(1).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(VI) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(9) Customer deposits and deposits from banks and other financial institutions

RMB'000

Item	Closing balance	Restated opening balance
Baosteel Group	6,811,594	7,154,123
BNA	332,344	294,950
Hwabao Trust	132,932	393,367
Baosteel Development and its subsidiaries	120,236	11,170
Engineering & Technology Co. and its subsidiaries	59,142	37,526
Institute of Steel and Iron	58,348	35,022
Baosteel Resource and its subsidiaries	23,375	84,531
Hwabao Investment	2,005	1,997
No. 5 Steel and its subsidiaries	-	10,898
Others	9,015	8,567
Total	7,548,991	8,032,151

(10) Notes payable

RMB'000

Item	Closing balance	Restated opening balance
BNA	500,003	691,792
Meishan Steel and its subsidiaries	429,370	109,386
Ningbo Baoxin and its subsidiaries	327,137	946,957
Baosteel Special Steel and its subsidiaries	174,208	162,387
Baosteel Stainless	117,545	324,846
Engineering & Technology Co. and its subsidiaries	55,897	77,127
Baosteel Development and its subsidiaries	55,150	133
Guangdong Shaoguan Steel and its subsidiaries	45,288	-
Baosteel Resource and its subsidiaries	6,624	-
Xinjiang Bayi and its subsidiaries	-	81,329
Others	475	234
Total	1,711,697	2,394,191

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(VI) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(11) Accounts payable

Item	RMB'000	
	Closing balance	Restated opening balance
Baosteel Stainless	1,003,617	803,703
Baosteel Resource and its subsidiaries	562,225	327,915
Engineering & Technology Co. and its subsidiaries	458,863	631,515
Meishan Steel and its subsidiaries	409,979	355,848
Baosteel Development and its subsidiaries	385,227	471,702
BNA	346,886	125,315
Ningbo Baoxin and its subsidiaries	332,961	323,036
Baosteel Group	211,403	10,302
Baosteel Special Steel and its subsidiaries	183,104	263,941
Shanghai Stainless	74,814	59,190
Ningbo Steel and its subsidiaries	11,808	30,739
Bao-Island Enterprise	3,531	15,518
No. 5 Steel and its subsidiaries	-	34
No. 1 Steel and its subsidiaries	-	7
Others	71,083	61,156
Total	4,055,501	3,479,921

(12) Receipts in advance

Item	RMB'000	
	Closing balance	Restated opening balance
Baosteel Metal and its subsidiaries	214,239	338,506
Baosteel Development and its subsidiaries	88,444	-
Engineering & Technology Co. and its subsidiaries	39,751	70,952
Guangzhou JFE	33,146	-
Meishan Steel and its subsidiaries	28,483	13,535
Tianjin BCM	20,885	28,427
Baosteel Group	16,419	139,203
Wuxi Baomit	8,897	3,512
Guangdong Shaoguan Steel and its subsidiaries	6,714	-
Ningbo Baoxin and its subsidiaries	4,208	8,966
Baosteel Special Steel and its subsidiaries	381	16,996
Ergang and its subsidiaries	200	200
Pudong Steel and its subsidiaries	153	153
Baosteel Stainless	-	65,702
Welding Co.	-	43,393
Others	3,203	1,810
Total	465,123	731,355

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(VI) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (Continued)

(13) Interest payable

Item	RMB'000	
	Closing balance	Restated opening balance
Baosteel Group	79,194	70,190
Institute of Steel and Iron	585	
No. 5 Steel and its subsidiaries	-	299
Others	786	3,290
Total	80,565	73,779

(14) Other payables

Item	RMB'000	
	Closing balance	Restated opening balance
Baosteel Group	5,598	-
Engineering & Technology Co. and its subsidiaries	5,491	57,191
Baosteel Resource and its subsidiaries	3,003	4,003
Baosteel Development and its subsidiaries	1,728	2,271
Baosteel Metal and its subsidiaries	1,463	920
Meishan Steel and its subsidiaries	1,059	3,316
Baosteel Special Steel and its subsidiaries	270	30
No. 5 Steel and its subsidiaries	234	-
Others	535	80
Total	19,381	67,811

(15) Other non-current liabilities

Item	RMB'000	
	Closing balance	Restated opening balance
Baosteel Group	1,500,000	1,500,000

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(VII) CONTINGENCIES

At the balance sheet date, the Group had no contingencies that need to be disclosed.

(VIII) COMMITMENTS

1. Significant commitments

(1) Capital commitments

	RMB'000	
	Closing balance	Restated opening balance
Capital commitments that have been entered into but have not been recognized in the financial statements:		
Contracted but not provided	19,170,883	11,990,918
Approved by the Board but not contracted	2,509,301	722,300
Total	21,680,184	12,713,218

(2) Operating lease commitments

At the balance sheet date, the Group had the following commitments in respect of non-cancellable operating leases:

	RMB'000	
	Closing balance	Opening balance
Minimum lease payments under non-cancellable operating leases:		
1st year subsequent to the balance sheet date	388,454	393,321
2nd year subsequent to the balance sheet date	367,396	371,656
3rd year subsequent to the balance sheet date	359,996	359,662
Subsequent periods over 3 years	1,304,090	1,622,840
Total	2,419,936	2,747,479

(IX) EVENTS AFTER THE BALANCE SHEET DATE

Profit appropriation after the balance sheet date

As approved by the sixth meeting of the fifth Board of Directors held from 27 March 2014 to 28 March 2014, based on the total number of shares of 16,471,724,924 (Note (V) 45), the Board of Directors proposed a cash dividend, with a total amount of RMB1,647,172,492.40 (before-tax). The proposal has been submitted to the general shareholders' meeting for final approval.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(X) OTHER SIGNIFICANT EVENTS

1. Assets and liabilities measured at fair value

Item	Restated opening balance	Profit or loss arising from changes in fair value for the period	Changes in fair value recognized in equity	Provision for impairment losses in the current period	RMB
					Closing balance
Financial assets					
1. Financial assets at fair value through profit or loss	89,577,809.31	6,796,050.20	-	-	28,738,843.94
2. Available-for-sale financial assets	1,467,832,301.93	2,610,351.72	(429,657,950.48)	-	1,009,142,907.29
Sub-total of financial assets	1,557,410,111.24	9,406,401.92	(429,657,950.48)	-	1,037,881,751.23
Financial liabilities	(20,789,685.96)	20,789,685.96	-	-	-

2. Financial assets denominated in foreign currencies and financial liabilities denominated in foreign currencies

Item	Restated opening balance	Profit or loss arising from changes in fair value for the period	Changes in fair value recognized in equity	Provision for impairment losses in the current period	RMB
					Closing balance
Financial assets					
1. Loans and receivables (including accounts receivable, other receivables, and prepayments)	13,444,136,544.37	-	-	23,294,465.75	21,753,612,366.33
2. Derivative financial assets	7,848,049.15	12,633,462.95	-	-	2,867,855.98
Sub-total of financial assets	13,451,984,593.52	12,633,462.95	-	23,294,465.75	21,756,480,222.31
Financial liabilities	25,367,837,560.03	-	-	-	31,001,892,678.20

3. Key terms of annuity plan and major changes therein

In accordance with the "Reply to Baosteel Group's Application for Trial Enterprise Annuity Plan" (SASAC [2008]1268), by the State-owned Asset Supervision and Administration Commission of the State Council (SASAC), and the "Announcement of Proportion in Enterprise Annuity Plan" by the Human Resource Department of Baosteel Group, the annuity plan has been practiced in the Company since 1 January 2008. The portion assumed by the Company is 4% of the base amount of the individual salary, while the portion by the individual is 1%-7% of the base amount (1% of primary portion and no more than 6% of additional portion). The above annuity has been managed by Baosteel Group's subsidiary, Hwabao Trust Co., Ltd. since 2009.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(X) OTHER SIGNIFICANT EVENTS (Continued)

4. Business combination

(1) During 2013, the Group as the acquirer in a business combination involving enterprises under common control is as follows:

As mentioned in Notes (IV) (1), in accordance with the Proposal on Acquisition of Zhanjiang Iron & Steel Equity adopted at the third meeting of the fifth Board of Directors of the Company, and the Equity Transfer Agreement of Baosteel Zhanjiang Iron & Steel Co., Ltd., the Company acquired 71.8032 % equity of the Zhanjiang Iron & Steel Co., Ltd. held by Baosteel Group, and completed the payment for the equity accounts on October 31, 2012. The Company took over the control over Zhanjiang Iron & Steel Co., Ltd. in January 2013, thus, the Company incorporated Zhanjiang Iron & Steel Co., Ltd. into the scope of consolidation since January 1, 2013.

Basis of judgment for business combination involving enterprises under common control: The ultimate holding company of the Company and Zhanjiang Iron & Steel before and after the business combination is Baosteel Group.

The acquisition date is the date on which the acquirer effectively obtains control of the acquiree, i.e. the date on which control over net assets and production and operating decisions of the acquiree is transferred to the acquirer.

(2) Financial position of the acquiree on 31 December 2012 and the acquisition date

Items	RMB Carrying amount at the acquisition date & 31 December 2012
Assets:	
Cash and bank balances	10,655,882.07
Accounts receivable	268,133,721.67
Inventories	81,540,756.42
Other current assets	1,921,647,447.24
Long-term equity investments	1,420,053,848.90
Fixed assets and intangible assets	617,881,886.31
Construction in progress	5,416,819,831.03
Deferred tax assets	8,750,000.00
Long-term receivables and other non-current assets	3,671,039,873.50
Subtotal	13,416,523,247.14
Liabilities:	
Short-term borrowings	2,682,800,000.00
Accounts payable	1,442,564,907.87
Employee benefits payable	2,194,171.21
Taxes payable	(144,748,563.76)
Non-current liabilities due within one year	99,990,000.00
Other current liabilities	1,739,526,767.11
Subtotal	5,822,327,282.43
Total net assets	7,594,195,964.71
Less: Minority interests	3,238,989,075.30
Equity attributable to the Company's shareholders	4,355,206,889.41
Less: Acquisition consideration	4,976,333,561.88
Initial investment cost in excess of the carrying amount of the proportional equity share of net assets	621,126,672.47

In accordance with the "Announcement on Acquisition of Zhanjiang Iron & Steel Equity"(Lin 2012-041) issued on 20 October 2012, Baosteel Group, Guangzhou SASAC and the Company signed the agreement of transfer on 71.8032% equity of Zhanjiang Iron & Steel jointly. The Company completed the transfer of control right above and the formalities of business change on 1 January 2013. Therefore the Company has incorporated Zhanjiang Iron & Steel into the scope of consolidation from 1 January 2013.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(X) OTHER SIGNIFICANT EVENTS (Continued)

The acquisition consideration is satisfied by cash. The carrying amounts of the consideration paid as of the acquisition date are:

	RMB
	Amount
Acquisition consideration	-
Cash and cash equivalents	4,976,333,561.88
	RMB
	Amount
Cash and cash equivalents as acquisition consideration	4,976,333,561.88
Less: Cash and cash equivalents of the acquired subsidiaries and other business units	10,655,882.07
Net outflow of cash and cash equivalents paid upon acquisition of subsidiaries and other business units	4,965,677,679.81

Since acquisition date was on January 1, 2013, there is no operating result and cash flows between January 1, 2013 and the acquisition date.

5. Others

5(1). Borrowing costs

	RMB	
Item	Amount of borrowing costs capitalized during the year	Capitalization rate
Construction in progress	183,548,635.86	2.72%-7.29%
Including: Portion transferred to fixed assets in current year	158,464,087.51	
Borrowing costs recognized in profit or loss during the year	1,567,811,726.43	
Total borrowing costs during the year	1,751,360,362.29	-

5(2). Segment reporting

The Group defined report segments and disclosed segment information according to the "Accounting Standards for Business Enterprise Interpretation No. 3" since the beginning of 2009.

According to the Group's internal organization structure, management requirement and internal report system, the business segment is divided into 6 operating segments based on their operating activities. Six reporting segments are determined based on these operating segments. The group divided its reporting segments into steel and iron, processing and distribution, information technology, E-commerce, chemical and finance. As day-to-day activities of the Finance Co. are financial in nature, the investment income of Finance Co. has been included in the segment business income. The main products and services that each report segment provides are as follows:

Subsidiaries of each segment:

- (1) Iron & steel manufacturing: the Company, Meishan Steel, Yantai Lubao, Huangshi Coating & Galvanizing, Yantai Baosteel, Nantong Steel, Baoma Tube, Poly Pipe, BGM, Zhanjiang Iron & Steel and other iron and steel producing units;
- (2) Processing and distribution: Baosteel International, Baosteel America, Baosteel Europe, Baosteel Singapore, Howa Trading, Baosteel Brazil Trading and other trading subsidiaries;
- (3) Information technology: Baosight Software.
- (4) E-commerce: Shanghai Iron & Steel Trade Center, Bsteel, Eastern pay and Bao Chemical.
- (5) Chemical: Baosteel Chemical Co., Ltd.
- (6) Finance: Finance Co.,

For disclosure of the Group's operating data, the revenues are classified and disclosed in the region where the customers are situated, and the assets are classified and disclosed in the region where the assets are situated.

Financial expenses, impairment losses of assets, gains or losses from changes in fair value and investment income (excluding Finance Co.) have been excluded from the segment business profit. The deferred tax assets are not included in the segment assets, while short-term borrowings, non-current liabilities due within one year, long-term borrowings, long-term payables, bonds payable, and deferred tax liabilities have not been included in the segment liabilities.

Segment reports are disclosed according to internal accounting policies and measuring standards, which are consistent with the policies and standards used in preparing financial reports.

The sales to individual customer of the Group has not accounted for more than 10% of the total revenue.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(X) OTHER SIGNIFICANT EVENTS (Continued)

(1) Segment information

	Iron & steel manufacturing		Processing and distribution		Information technology		E-commerce		
	Current period	Previous period	Current period	Previous period	Current period	Previous period	Current period	Previous period	
Operating income									
External revenue	31,101,807	33,238,964	146,911,717	150,875,088	2,786,738	2,566,809	3,479,019	13,404	
Inter-segment revenue	97,172,562	114,721,692	31,795,117	30,104,943	794,549	1,071,667	27,046	44,913	
Total segment operating income	128,274,369	147,960,656	178,706,834	180,980,031	3,581,287	3,638,476	3,506,065	58,317	
Operating expenses	122,578,857	146,077,156	176,569,474	179,004,095	3,321,359	3,367,859	3,512,345	42,862	
Operating profit	5,695,512	1,883,500	2,137,360	1,975,936	259,928	270,617	(6,280)	15,455	

	Iron & steel manufacturing		Processing and distribution		Information technology		E-commerce		
	Current period	Previous period	Current period	Previous period	Current period	Previous period	Current period	Previous period	
Total segment assets	239,103,580	198,999,871	61,880,925	59,927,069	4,061,007	3,205,698	467,533	220,002	
Total segment liabilities	69,291,561	43,159,191	25,913,433	33,373,129	2,136,223	3,205,698	273,198	55,700	
Supplementary information:									
Depreciation and amortization	9,401,180.00	10,796,282.00	464,584.00	423,129.00	55,000.00	24,814.00	8,649.00	5,182.00	
Impairment loss recognized in the current period	871,200.00	2,123,656.00	153,956.00	(99,753.00)	30,331.00	19,112.00	(450.00)	143.00	
Capital expenditures	12,661,760.00	11,586,966.00	25,913,433.00	1,828,709.00	2,136,223.00	37,589.00	18,032.00	11,520.00	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(X) OTHER SIGNIFICANT EVENTS (Continued)

RMB '000

	Chemical		Finance		Unallocated items		Inter-segment eliminations		Total	
	Current period	Previous period	Current period	Previous period	Current period	Previous period	Current period	Previous period	Current period	Previous period
	5,401,893	4,431,915	403,811	466,100	-	-	-	-	190,084,985	191,592,280
	5,528,900	7,105,488	180,301	156,275	-	-	(135,498,475)	(153,204,978)	-	-
	10,930,793	11,537,403	584,112	622,375	-	-	(135,498,475)	(153,204,978)	190,084,985	191,592,280
	10,191,635	10,851,677	339,815	348,659	-	-	(135,303,612)	(152,860,397)	181,209,873	186,831,911
	739,158	685,726	244,297	273,716	-	-	(194,863)	(344,581)	8,875,112	4,760,369

RMB '000

	Chemical		Finance		Unallocated items		Inter-segment eliminations		Total	
	Current period	Previous period	Current period	Previous period	Current period	Previous period	Current period	Previous period	Current period	Previous period
	5,852,465	5,716,319	12,528,655	11,166,307	-	-	(99,278,603)	(60,394,709)	224,615,562	218,840,557
	1,502,006	1,583,999	10,799,396	9,624,538	-	-	(60,370,572)	(40,391,271)	49,545,245	50,610,984
	382,002.00	316,794.00	4,589.00	3,739.00	-	-	-	-	10,316,004.00	11,569,940.00
	(6,181.00)	6,524.00	(8,874.00)	56,422.00	-	-	1,348,335.00	40,420.00	2,388,317.00	2,146,524.00
	273,500.00	728,494.00	11,840.00	2,388.00	-	-	(11,638.00)	(66,135.00)	41,003,150.00	14,129,531.00

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(X) OTHER SIGNIFICANT EVENTS (Continued)

(2) External revenue by geographical area of source and non-current assets by geographical location

Item	RMB'000	
	Amount recognized in the current period	Amount recognized in the previous period
External revenue from domestic customers	170,877,417	172,147,783
External revenue from foreign customers	19,207,568	19,444,497
Sub-total	190,084,985	191,592,280

Item	RMB'000	
	Amount at the end of period	Amount at the beginning of period
Non-current assets located in domestic country	147,241,345	149,943,526
Non-current assets located in foreign countries	1,405,745	1,191,183
Sub-total	148,647,090	151,134,709

Note: Non-current assets belong to the region they are situated, excluding financial assets and deferred tax assets.

External revenue includes:

Item	RMB'000	
	Amount recognized in the current period	Amount recognized in the previous period
Investment income of Finance Co.	59,019	80,484

The items excluding segment profit, segment assets and segment liabilities are set out as follows:

The segment profit does not include:

Item	RMB'000	
	Amount recognized in the current period	Amount recognized in the previous period
Financial expenses	(544,132)	488,577
Impairment losses of assets	2,388,317	2,146,524
Losses from changes in fair values	(27,586)	(12,976)
Investment income (excluding Finance Co.)	(625,035)	(996,040)
Total	1,191,564	1,626,085

Segment assets do not include:

Item	RMB'000	
	Amount at the end of period	Amount at the beginning of period
Deferred tax assets	2,052,778	2,035,286

Segment liabilities do not include:

Item	RMB'000	
	Amount at the end of period	Amount at the beginning of period
Short-term borrowings	34,470,625	31,647,325
Non-current liabilities due within one year	12,227,658	4,502,840
Other current liabilities	1,848,867	1,017,013
Long-term borrowings	4,702,447	2,731,690
Long-term payables	-	250,000
Bonds payable	3,502,708	9,835,739
Deferred tax liabilities	304,859	320,633
Total	57,057,164	50,305,240

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(X) OTHER SIGNIFICANT EVENTS (Continued)

5(3). Financial instruments and risk management

The Group's major financial instruments include cash and bank balances, held-for-trading financial assets, loans and advances to customers, long-term receivables, short-term borrowings, customer deposits and deposits in banks and other financial institutions, bonds payable and etc.. The major purpose of these financial instruments is to finance for the Group's operations or investments. The Group has various kinds of other financial assets and liabilities such as accounts receivable, notes receivable, accounts payable and notes payable and etc., which arise directly from its operation.

Based on the purpose of hedging risk, the Group has derivatives transactions, including forward currency contracts and interest rate swap contracts, in order to hedge the exchange rate and interest rate risks in its financing channels.

The Group's accounting policy of derivatives is set out in Note (II). 9.

1. Risk management objectives and policies

The Group's risk management objectives are to achieve proper balance between risks and yield, minimize the adverse impacts of risks on the Group's operation performance, and maximize the benefits of the shareholders and other equity investors. Based on these risk management objectives, the Group's basic risk management strategy is to identify and analyze the industry's exposure to various risks, establish appropriate bottom line for risk tolerance, implement risk management, and monitor these exposures to ensure that appropriate measures are implemented on a timely and effective manner.

1.1 Market risk

Market risk is the fluctuation of fair value of financial instruments. It is sensitive to market price fluctuation due to the change of foreign currency exchange rates (exchange rate risk), market price (price risk), market interest rates (interest rate risk), and etc.. All fluctuation is caused by the specific impact as a single financial instrument or the issuers or the entire market transactions of all financial instruments.

1.1.1 Currency risk

Currency risk is the risk that losses will occur because of changes in foreign exchange rates. The exchange rate risk which the Group faced is mainly dealt with in the operating activities (when settled by foreign currencies).

The iron ore imports of the Group are mainly settled in US dollars, which lead to unfavorable balance of US dollars. The Group prioritizes and selects financing activities in USD and financing activities in RMB according to the comprehensive financing cost ratio with the most preferential financing cost ratio in RMB currently available as the benchmark. At the same time, the Group traces the exchange trend of RMB against USD and evaluates the exchange rate risk related to liabilities in US dollars. In view of the practical situation of more bilateral fluctuations in the exchange rate of RMB against USD and changes in the trend of unilateral appreciation, the Group conducts financing activities in USD matched with forward exchange contracts to mitigate the exchange rate risk.

The risk management measure is to ensure that the risk of exchange rate fluctuation is set within an acceptable level at the beginning. The above mentioned synthetic fund cost is the netting of the loan interest paid and gain/loss upon the settlement of the forward contracts. During the period of US dollar borrowing, the foreign exchange rate will not have substantial effect upon the Group's operations but will probably have timing effect during different reporting period due to the revaluation of foreign exchange rate.

1.1.2 Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flow fluctuates due to changes in interest rate. The risk of the interest rate that the Group faces mainly related to the debt whose interest is on a floating basis. The Group's policy is that the fixed-rate debt and the floating-rate debt are combined as a portfolio to facilitate the interest cost management.

The interest rate of the RMB loans is adjusted according to the benchmark interest rate issued by the People's Bank of China after the maturity or the date upon the contracts. And the interest rate risk of most long-term foreign currency floating rate loans is set at the beginning by the interest rate swap as well as the interest rate of most of short-term foreign currency in the whole term is set at the beginning.

Interest rate risks of the financial instruments of the Group as presented in terms of dates to maturity and actual interest rates:

Bonds	RMB	
	Amount at the end of period Available-for-sale financial assets	Amount at the beginning of period Available-for-sale financial assets
More than 1 year	478,263,350.00	398,845,360.00
Effective interest rate (per annum)	5.77%-7.56%	4.48%-7.13%

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(X) OTHER SIGNIFICANT EVENTS (Continued)

	Amount at the end of period			
	Placements with banks and other financial institutions	Financial assets purchased under resale agreements	Loans granted	Long-term receivables (including amount due within one year)
Within 1 year	-	-	-	4,500,000,000.00
More than 1 year	-	-	3,197,253,823.54	13,513,000,000.00
Total	-	-	3,197,253,823.54	18,013,000,000.00
Effective interest rate (per annum)	-	-	1.94%-8.88%	6.65%-5.904%

	Amount at the end of period							
	Short-term borrowings	Borrowings	Deposits from banks and other financial institutions	Customer deposits	Bonds payable	Financial assets sold under repurchase agreements	Accounts payables	Long-term payables (including amount due within one year)
Within 1 year	1,848,866,666.64	36,663,728,930.50	300,000,000.00	7,598,875,519.12	9,784,554,462.35	666,961,287.43	-	250,000,000.00
More than 1 year	-	4,702,446,502.87	-	-	3,502,708,347.20	-	-	-
Total	1,848,866,666.64	41,366,175,433.37	300,000,000.00	7,598,875,519.12	13,287,262,809.55	666,961,287.43	-	250,000,000.00
Effective interest rate (per annum)	4.28%	0.9393%-6.60%	3.25%-4.02%	0.35%-7.4%	2.99%-5.62%	3.25~3.5%	-	5.04%

1.1.3. Other price risk

The Group is exposed to the market price risk of changes in financial assets and liabilities measured at the market price, affecting the profit and loss in available-for-sale financial assets and held-for-trading financial assets.

The risk of the investments is mainly due to changes in the price of the financial instruments because of the factor that affects the specific financial assets or their issuers or the whole market.

Equity price risk

Equity price risk refers to potential loss in fair value of equity security resulting from adverse changes in a particular stock or stock index. As at 31 December 2013, the Group was exposed to equity price risks from individual equity investment, which belongs to held-for-trading equity investment (Note (V). 2) and available-for sale equity investment (Note (V). 13). The exchange traded investment of the Group is at Shanghai Stock Exchange and Shenzhen Stock Exchange, and is measured on basis of market quota at the balance sheet date.

The stock index on the day nearest to the balance sheet date at the following stock exchange and the highest and lowest closing prices in the year are shown as follows:

	31 December 2013	Highest/Lowest 2013	31 December 2012	Highest/Lowest 2012
Shanghai—A share index of Shanghai Stock Exchange	2,277	2,445/1,850	2,269	2,478/1,949
Shenzhen—A share index of Shenzhen Stock Exchange	1,058	1,106/816	881	1,020/725

The following table represents the sensitivity of the pre-tax profit and equity against every 5% change in fair value of equity instruments (on basis of the book value as at the balance sheet date), while all other variables remain constant and before any impact of taxation is considered. From the perspective of sensitivity analysis, the impact upon available-for-sale equity instrument investment can be regarded as one upon the change in fair value of the investment, without taking into consideration of possible deduction in income statements.

2013	RMB'000		
	Book value of equity investment	Increase/decrease of pre-tax profit	Increase/decrease in capital reserve
Investments at following stock exchanges:			
Shanghai—Available-for-sale investment	228,006	-	11,400.30
Shenzhen—Available-for-sale investment	302,874	-	15,143.70
2012	RMB'000		
	Book value of equity investment	Increase/decrease of pre-tax profit	Increase/decrease in capital reserve
Investments at following stock exchanges:			
Shanghai—Available-for-sale investment	475,610	-	23,781
Shenzhen—Available-for-sale investment	593,377	-	29,669

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(X) OTHER SIGNIFICANT EVENTS (Continued)

RMB				
Amount at the beginning of period				
	Placements with banks and other financial institutions	Financial assets purchased under resale agreements	Loans granted	Long-term receivables (including amount due within one year)
	-	-	-	4,500,000,000.00
	-	-	2,861,194,609.19	18,040,020,000.00
	-	-	2,861,194,609.19	22,540,020,000.00
	-	-	1.15%-7.00%	5.904%-6.65%

RMB								
Amount at the beginning of period								
	Short-term borrowings	Borrowings	Deposits from banks and other financial institutions	Customer deposits	Bonds payable	Financial assets sold under repurchase agreements	Accounts payables	Long-term payables (including amount due within one year)
	1,017,012,500.06	36,150,165,209.64	600,000,000.00	8,071,462,806.92	-	437,705,880.63	510,000,000.00	-
	-	2,731,689,992.42	-	-	9,835,739,000.07	-	-	250,000,000.00
	1,017,012,500.06	38,881,855,202.06	600,000,000.00	8,071,462,806.92	9,835,739,000.07	437,705,880.63	510,000,000.00	250,000,000.00
	4.69%-4.83%	0.957%-7.31%	3.95%-4.02%	0.385%-6.00%	2.99%-5.62%	2.26%-2.27%	5.04%	5.04%

1.2 Credit risk

Credit risk refers to the risk that one party of financial instruments is not able to perform obligations, which causes the financial loss of the other party. For fixed-income investment, credit risk is the risk of financial losses caused by the debtors who could not pay the principal or interest on time. For equity investment, it is the risk of losses incurred by the failure of the business operation of the invested companies.

Credit risks of the Group mainly result from all types of receivable and loans and advances to customers. In order to control the credit risks, the Group conducts transactions with authorized well-known third parties. In accordance with the Group's policy, all customers who need credit transactions are required to be assessed under credit review. In addition, the Group performs ongoing monitoring on accounts receivable balance to ensure that the Group will not face significant risks of bad debts. In the relevant sales settlement, the Group mainly requests full advances or deposit with delivery on cash. For only a few strategic clients, the Group applies lines of credit and deadlines of payment after credit assessments and transactions are settled via bank acceptance notes when possible. In the relevant purchase settlement, the Group mainly applies cash on demand and payment with credit to settle. Only for building contractors of construction object, part of demand of long-cycle constructions and resources in short supply, the Group provides a certain advance to suppliers subject to lines of credit and deadlines after they pass the credit assessments.

The disbursement of loans and advances of the Group is due to principal operations of Finance Co. and debtors are only limited to members of Baosteel Group with a good credit assessment. The credit risk is controlled within an appropriate level.

The Group's credit risk of other financial assets and liabilities result from the default of the counterparties. When there is no collateral or other credit enhancement, the maximum credit exposure of the Group is the carrying amount of these financial instruments. The Group has not provided any form of guarantee which may put itself in a situation of risks. As at 31 December 2013, 26% of the receivables were due from the top five debtors, the Group is not found to be exposed to significantly intensive credit risks.

1.3 Liquidity risk

Liquidity risk is the risk that the Group may encounter deficiency of funds in meeting obligations associated with financial liabilities. The Group exercises trade financing, convertible loan notes, medium-term notes, long-term and short-term loans, other interest-bearing loans and other means to strike a balance between continuity and flexibility of financing. The Group also acquires sufficient credit from major financial institutions to satisfy short-term and long-term demands for funds. The Group monitors the short-term and long-term demands for funds on a real time basis to ensure the abundance of cash reserves and security for cash outflows at any time. Bonds issuance, medium-term notes and bank borrowings are the Group's main sources of fund. The Group's current liabilities exceed current assets at RMB16.576 billion. As at 31 December 2013, the Group has obtained unutilized bank loan facilities of approximately RMB109.76 billion. Consequently, the management of the Company believes that no significant liquidity risk was noted for the Group.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(X) OTHER SIGNIFICANT EVENTS (Continued)

2. Fair value

2.1 Methods and assumptions used by the Group to estimate the fair value of a financial instrument:

- (1) Investment with a fixed date of maturity: the Group adopts the market quoted price to determine the fair value of the said investment. When the market quoted price is not accessible, the Group estimates the price on the basis of the latest transaction or the current cash flow of the available prices or interest rates of similar investment.
- (2) Investment funds and equity securities: the Group adopts the market quoted price to determine the fair value of the said investment where such quoted prices are not available, investments are determined reasonably by its cost.
- (3) The book values of all assets and liabilities approximate their fair values.

2.2 Fair value hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the fair value is observable.

Level 1 - those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3 - those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Closing Balance			RMB
	Level 1	Level 2	Level 3	Total
Held-for-trading financial assets				
– Held-for-trading bond investment	25,870,987.96	-	-	25,870,987.96
– Held-for-trading fund investment	-	-	-	-
– Derivative financial assets	-	2,867,855.98	-	2,867,855.98
Available-for-sale financial assets				
– Equity instruments	530,879,557.29	-	-	530,879,557.29
– Debt instruments	478,263,350.00	-	-	478,263,350.00
– Others	-	-	-	-
Total	1,035,013,895.25	2,867,855.98	-	1,037,881,751.23
Held-for-trading financial liabilities				
– Derivative financial liabilities	-	-	-	-
Total	-	-	-	-

	Restated opening balance			RMB
	Level 1	Level 2	Level 3	Total
Held-for-trading financial assets				
– Held-for-trading bond investment	-	51,729,760.16	-	51,729,760.16
– Held-for-trading fund investment	30,000,000.00	-	-	30,000,000.00
– Derivative financial assets	-	7,848,049.15	-	7,848,049.15
Available-for-sale financial assets				
– Equity instruments	1,068,986,941.93	-	-	1,068,986,941.93
– Debt instruments	398,845,360.00	-	-	398,845,360.00
– Others	-	-	-	-
Total	1,497,832,301.93	59,577,809.31	-	1,557,410,111.24
Held-for-trading financial liabilities				
– Derivative financial liabilities	-	20,789,685.96	-	20,789,685.96
Total	-	20,789,685.96	-	20,789,685.96

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(XI) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

1. Accounts receivable

(1) Disclosure of accounts receivable by categories:

Category	Closing balance				Opening balance			
	Carrying amount		Bad debt provision		Carrying amount		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivable that are individually significant	9,306,089,206.37	87	-	-	8,138,600,417.27	86	406,930,020.86	75
Accounts receivable that are not individually significant but for which bad debt provision has been assessed individually	21,250,890.94	-	21,250,890.94	49	21,970,409.08	-	21,970,409.08	4
Accounts receivables with provision accrued according to the Group	1,431,006,281.80	13	22,049,858.98	51	1,366,662,029.67	14	111,160,196.01	21
Total	10,758,346,379.11	100	43,300,749.92	100	9,527,232,856.02	100	540,060,625.95	100

The aging analysis of accounts receivable is as follows:

Aging	Closing balance				Opening balance			
	Carrying amount	Proportion (%)	Bad debt provision	Net carrying amount	Carrying amount	Proportion (%)	Bad debt provision	Net carrying amount
Within 1 year	10,528,389,098.06	97.86	20,112,861.39	10,508,276,236.67	9,061,064,669.41	95.11	395,117,024.89	8,665,947,644.52
More than 1 year but not exceeding 2 years	202,583,405.31	1.88	1,936,997.59	200,646,407.72	441,324,475.47	4.63	121,249,210.74	320,075,264.73
More than 2 years but not exceeding 3 years	6,122,984.80	0.06	-	6,122,984.80	2,873,302.06	0.03	1,723,981.24	1,149,320.82
More than 3 years	21,250,890.94	0.20	21,250,890.94	-	21,970,409.08	0.23	21,970,409.08	-
Total	10,758,346,379.11	100.00	43,300,749.92	10,715,045,629.19	9,527,232,856.02	100.00	540,060,625.95	8,987,172,230.07

(2) Accounts receivable that are individually significant or not individually significant but for which bad debts has been assessed individually as at 31 December 2013:

Content of accounts receivable	Carrying amount	Bad debt provision	Proportion of provision (%)	Reasons for provision
Receivables with significant balances	9,306,089,206.37	-	-	Note 1
Receivables with long age	21,250,890.94	21,250,890.94	100	Note 2
Total	9,327,340,097.31	21,250,890.94		

Note 1: There is no significant obstacle to collect the receivables due within one year and five percent provision is made using aging analysis method. As all the receivables with significant balances are from related parties, thus no provision is recognized according to the company's bad debt provision policy.

Note 2: Bad debt provision is fully made due to long aging and a slim chance of recollection.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(XI) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

- (3) Accounts receivable due to shareholders holding at least 5% of the Company's shares with voting power in the reporting period are set out below:

Name of entity	Closing balance		Opening balance	
	Carrying amount	Bad debt provision	Carrying amount	Bad debt provision
Baosteel Group	15,411,607.54	-	12,985,175.49	649,258.77

RMB

- (4) Top five customers with the largest balances are set out below:

Name of entity	Relationship with the Company	Amount	Age	Proportion to the total accounts receivable (%)
Entity one	Related party	7,436,528,455.41	Note	69
Entity two	Related party	778,131,374.30	Within 1 year	7
Entity three	Related party	414,047,758.16	Within 1 year	4
Entity four	Related party	389,286,995.97	Within 1 year	4
Entity five	Related party	288,094,622.53	Within 1 year	3
Total		9,306,089,206.37		87

RMB

Note: Including amount of accounts receivable within one year is RMB7,317,476,400.42 and amount of accounts receivable over one year and within two years is RMB119,052,054.99.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(XI) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Other receivables

(1) Disclosure of other receivables by categories:

Category	Closing balance				Opening balance			
	Carrying amount		Bad debt provision		Carrying amount		Bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Other receivables that are individually significant	257,817,634.17	77	-	-	214,902,461.01	67	2,330,038.88	46
Other receivables that are not individually significant but for which bad debt provision has been assessed individually	-	-	-	-	-	-	-	-
Accounts receivables with provision accrued according to the Group	78,092,064.36	23	8,050,708.33	100	105,938,869.45	33	2,743,703.10	54
Total	335,909,698.53	100	8,050,708.33	100	320,841,330.46	100	5,073,741.98	100

Aging analysis of other receivables is as follows:

Aging	Closing balance				Opening balance			
	Amount	Proportion (%)	Bad debt provision	Carrying amount	Amount	Proportion (%)	Bad debt provision	Carrying amount
Within 1 year	257,309,686.51	77	5,629,392.86	251,680,293.65	278,549,609.21	87	4,254,225.60	274,295,383.61
More than 1 year but not exceeding 2 years	44,133,144.15	13	2,421,315.47	41,711,828.68	3,811,721.25	1	819,516.38	2,992,204.87
More than 2 years but not exceeding 3 years	2,706,867.87	1	-	2,706,867.87	-	-	-	-
More than 3 years	31,760,000.00	9	-	31,760,000.00	38,480,000.00	12	-	38,480,000.00
Total	335,909,698.53	100	8,050,708.33	327,858,990.20	320,841,330.46	100	5,073,741.98	315,767,588.48

(2) Other receivables that are individually significant or not individually significant but for which bad debt provision has been assessed individually as at 31 December 2013:

Content of other receivables	Carrying amount	Amount of bad debt	Proportion of provision (%)	Reasons
Other receivables with significant balances	257,817,634.17	-	-	Note 1

Note 1: Other receivables with significant balances mainly consist of advance money for another and purchase VAT provisional estimate for related transaction, since the risk of recovery is very low, the Company made no bad debts allowance on it.

(3) Other receivables due to shareholders holding at least 5% of the Company's shares with voting power in the reporting period are set out below:

Name of Entity	Closing balance		Opening balance	
	Carrying amount	Bad debt provision	Carrying amount	Bad debt provision
Baosteel Group	-	-	19,806,918.00	990,345.90

(4) Top five entities with the largest balances of other receivables

Name of Entity	Relationship with the Company	Amount	Age	Proportion to the total other receivables (%)
Entity one	Third party	112,050,640.10	Within 1 year	33
Entity two	Related party	43,491,733.69	Within 1 year	13
Entity three	Related party	35,729,594.29	Within 1 year	11
Entity four	Related party	34,965,666.09	Within 1 year	10
Entity five	Third party	31,580,000.00	Note	9
Total		257,817,634.17		76

Note: As at 31 December 2013, the other receivables aged more than 3 years amounted to RMB31,580,000.00.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(XI) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

3. Investments in joint ventures and associates

Name of investee	Type	Place of incorporation	Legal representative	Nature of business	Paid-in capital		Proportion of equity interest held by the Company (%)
					Currency	'000	
I. Joint ventures							
BNA	LLC	Shanghai	Tongkou Zhenzai	Manufacturing	RMB	3,000,000	50
Bao-Island Enterprise	LLC	Hong Kong	Not applicable	Ship chartering	HKD	3,300	50

4. Long-term equity investments

Details of long-term equity investments are as follows:

Name of investee	Accounting method	Initial investment cost	Opening balance	Increase/ (decrease)	Closing balance
Subsidiaries					
Yantai Lubao	Cost method	243,248,705.24	361,404,905.16	-	361,404,905.16
Huangshi Coating & Galvanizing	Cost method	12,254,475.04	175,658,477.39	-	175,658,477.39
Baosteel International	Cost method	4,735,670,804.11	6,013,886,552.67	-	6,013,886,552.67
Meishan Steel	Cost method	6,609,321,102.70	8,938,982,988.14	-	8,938,982,988.14
Baosight Software	Cost method	241,213,064.59	275,664,363.08	-	275,664,363.08
Baosteel America	Cost method	42,567,875.48	187,562,180.98	-	187,562,180.98
Howa Trading	Cost method	154,073,767.03	221,975,780.12	-	221,975,780.12
Baosteel Europe	Cost method	93,801,781.59	328,631,981.58	-	328,631,981.58
Baosteel Singapore	Cost method	76,419,617.09	154,883,364.09	-	154,883,364.09
Bao-Trans Enterprises	Cost method	29,882,599.80	81,867,650.27	288,682,845.00	370,550,495.27
Baosteel Brazil Trading	Cost method	526,327.52	728,647.73	-	728,647.73
Baosteel Chemical	Cost method	3,006,227,819.74	3,006,227,819.74	-	3,006,227,819.74
Finance Co.	Cost method	372,864,751.93	568,270,003.65	-	568,270,003.65
Zhanjiang Steel	Cost method	4,976,333,561.88	-	11,262,206,889.41	11,262,206,889.41
Yantai Tubes	Cost method	640,000,000.00	1,600,000,000.00	-	1,600,000,000.00
Nantong Steel	Cost method	518,520,310.51	948,520,310.51	-	948,520,310.51
Baoma Tube	Cost method	36,673,650.00	36,673,650.00	-	36,673,650.00
Subtotal		21,789,600,214.25	22,900,938,675.11	11,550,889,734.41	34,451,828,409.52
Joint ventures					
BNA	Equity method	1,500,000,000.00	1,779,116,617.94	(122,452,759.05)	1,656,663,858.89
Bao-Island Enterprise	Equity method	143,084,132.00	588,951,350.00	(2,575,895.60)	586,375,454.40
Subtotal of joint ventures		1,643,084,132.00	2,368,067,967.94	(125,028,654.65)	2,243,039,313.29
Others					
Baovale Mining Co., Ltd.	Cost method	-	103,282,213.00	-	103,282,213.00
Shanghai Luojing Ore Terminal Co., Ltd.	Cost method	-	88,734,096.00	-	88,734,096.00
Bsteel Online Co., Ltd	Cost method	-	16,308,530.65	-	16,308,530.65
Automotive Lightweight Technology Research Co Ltd	Cost method	-	3,000,000.00	-	3,000,000.00
PetroChina Northwest United Pipeline Co., Ltd.	Cost method	-	4,800,000,000.00	3,200,000,000.00	8,000,000,000.00
Others	Cost method	-	980,000.00	-	980,000.00
Subtotal		-	5,012,304,839.65	3,200,000,000.00	8,212,304,839.65
Total			30,281,311,482.70	14,625,861,079.76	44,907,172,562.46

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(XI) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

	RMB				
Proportion of voting power in the investee held by the Company (%)	Investee's total assets at the end of the period	Investee's total liabilities at the end of the period	Total net assets at the end of the period	Total revenue for the period	Total net income for the period
50	4,391,343,722.06	1,078,016,004.30	3,313,327,717.76	12,498,745,154.08	119,067,164.28
50	1,691,255,672.40	518,504,763.60	1,172,750,908.80	755,338,844.10	30,191,848.80

	RMB				
Proportion of equity interest held by the Company (%)	Proportion of voting power in the investee held by the Company (%)	Explanation of the inconsistency between the proportion of equity interest and the proportion of voting power	Provision for impairment losses	Provision for impairment losses for the period	Cash dividends for the period
79.82	79.82	-	-	-	-
58.45	More than 50%	-	-	-	4,676,000.00
100	100	-	-	-	500,000,000.00
77.04	77.04	-	-	-	-
55.5	55.5	-	-	-	43,521,264.93
100	100	-	-	-	-
100	100	-	-	-	-
100	100	-	-	-	-
100	100	-	-	-	-
100	100	-	-	-	-
100	100	-	-	-	497,377,938.60
62.1	62.1	-	-	-	-
85.71	85.71	-	-	-	-
80	80	-	-	-	-
95.82	95.82	-	-	-	-
75	75	-	-	-	-
					1,045,575,203.53
50	50	-	-	-	184,618,820.61
50	50	-	-	-	-
					184,618,820.61
50	Note 1	-	-	-	17,521,717.50
12	12	-	-	-	14,366,722.14
17	17	-	-	-	1,080,193.52
6.90	6.90	-	-	-	-
12.80	12.80	-	-	-	-
Few	Few	-	-	-	25,900.00
					32,994,533.16
					1,263,188,557.30

Note:

As the Company does not exert actual control, joint control or significant influence over the operating policies and financial decisions of Baovale Mining Co., Ltd., and the Company is only entitled to a fixed payment in accordance with investment agreement, the Company accounts for the investment in Baovale as a long-term equity investment by using cost method.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(XI) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

5. Operating income and operating costs

(1) Operating income

Item	RMB	
	Amount recognized in the current period	Amount recognized in the previous period
Principal operating income	114,542,585,806.33	129,427,031,108.43
Other operating income	280,063,006.50	305,118,247.05
Total	114,822,648,812.83	129,732,149,355.48
Operating costs	103,299,412,868.12	120,018,114,042.54

(2) Principal operating activities (classified by industries)

Name of industry	RMB'000			
	Amount recognized in the current period		Amount recognized in the previous period	
	Operating income	Operating costs	Operating income	Operating costs
Iron & steel manufacturing	114,542,586	103,093,136	129,427,031	119,794,810

(3) Principal operating activities (classified by products)

Name of product	RMB'000			
	Amount recognized in the current period		Amount recognized in the previous period	
	Operating income	Operating costs	Operating income	Operating costs
Iron & steel	114,542,586	103,093,136	129,427,031	119,794,810

(4) Principal operating activities (classified by geographical areas)

Name of geographical area	RMB'000			
	Amount recognized in the current period		Amount recognized in the previous period	
	Operating income	Operating costs	Operating income	Operating costs
Domestic	105,015,256	93,589,564	117,114,771	107,004,054
Overseas	9,527,330	9,503,572	12,312,260	12,790,756
Total	114,542,586	103,093,136	129,427,031	119,794,810

(5) Operating income from the Company's top five customers

Name of customer	Operating income	RMB
		Proportion to total operating income of the Company (%)
Total operating income from the Company's top five customers	49,361,920,866.91	43

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(XI) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

6. Investment income

(1) Details of investment income

Item	RMB	
	Amount recognized in the current period	Amount recognized in the previous period
Income from long-term equity investments under cost method	1,078,569,736.69	1,080,086,225.16
Income from long-term equity investments under equity method	73,461,094.80	107,617,111.14
Income from disposal of long-term equity investments	-	664,738,169.53
Investment income from disposal of held-to-maturity investments	17,075,198.65	1,526,130.14
Investment gains (losses) from disposal of derivative financial instrument	(14,773,709.28)	(9,684,429.21)
Total	1,154,332,320.86	1,844,283,206.76

(2) Income accounting for 5% of the pre-tax profit or ranking the top five highest proportion of the total profit from long-term equity investments under cost method are as follows:

Investee	RMB		
	Amount recognized in the current period	Amount recognized in the previous period	Reasons for movement in the current period
Baosteel International	500,000,000.00	400,000,000.00	Cash dividend
Baosteel Chemical	497,377,938.60	512,741,873.12	Cash dividend
Baosight Software	43,521,264.93	28,383,433.65	Cash dividend
Baovale Mining Co., Ltd.	17,521,717.50	35,668,836.00	Cash dividend
Shanghai Luojing Ore Terminal Co., Ltd.	14,366,722.14	13,395,251.27	Cash dividend
Total	1,072,787,643.17	990,189,394.04	

(3) Income from long-term equity investments under equity method:

Investee	RMB		
	Amount recognized in the current period	Amount recognized in the previous period	Reasons for movement in the current period
BNA	58,365,170.40	73,074,198.01	Profit of the joint venture
Bao-Island Enterprise	15,095,924.40	1,323,729.25	Profit of the joint venture
STAL Precision	-	35,397,743.47	Disposed last year
Rihong Stainless	-	(2,178,559.59)	Disposed last year
Total	73,461,094.80	107,617,111.14	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(XI) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

7. Bank facilities

As at 31 December 2013, the unutilized bank facilities of the Company reached RMB103.83 billion. The management of the Company believes that the above mentioned facilities and the net cash flow from operating activities would be sufficient to repay the current liabilities due in the coming period.

8. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

Supplementary information	Current period	Previous period
RMB		
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	6,492,433,849.38	10,487,297,179.33
Add: Provision for impairment losses of assets	113,905,152.00	2,338,457,245.04
Depreciation of fixed assets and investment properties	6,798,651,304.90	8,173,838,537.15
Amortization of intangible assets	35,087,501.42	51,175,150.37
Amortization of long-term prepaid expenses	113,333.88	756,904.05
Losses on disposal of fixed assets, intangible assets and other long-term assets	840,497,892.81	(8,951,851,098.01)
Losses on changes in fair values (gains are indicated by "-")	(20,789,685.96)	20,789,685.96
Financial expenses (income is indicated by "-")	(1,509,789,343.94)	(480,175,845.49)
Losses arising from investments (gains are indicated by "-")	(1,154,332,320.86)	(1,844,283,206.76)
Decrease in deferred tax assets (increase is indicated by "-")	227,178,324.74	(466,961,981.03)
Increase in deferred tax liabilities (decrease is indicated by "-")	4,401,256.71	15,798,837.83
Decrease in inventories (increase is indicated by "-")	(1,524,780,421.45)	3,394,154,762.99
Decrease in receivables from operating activities (increase is indicated by "-")	454,200,216.00	(747,289,696.54)
Increase in payables from operating activities (decrease is indicated by "-")	4,703,339,532.81	(1,964,703,529.62)
Net cash flow from operating activities	15,460,116,592.44	10,027,002,945.27
2. Net changes in cash and cash equivalents:		
Closing balance of cash	6,290,586,489.64	2,036,143,946.73
Less: Opening balance of cash	2,036,143,946.73	8,826,002,497.24
Net increase in cash and cash equivalents	4,254,442,542.91	(6,789,858,550.51)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2013

(XII) APPROVAL OF THE FINANCIAL STATEMENTS

The Company's financial statements and the consolidated financial statements were approved by the board of directors and authorized for issue on 28 March 2014.

SUPPLEMENTARY INFORMATION

1. Breakdown of non-recurring profit or loss

Items	RMB Amount
Profit or (loss) on disposal of non-current assets	(107,712,210.68)
Government grants recognized in profit or loss (other than grants which are closely related to the Company's business and are either in fixed amounts or determined under quantitative methods in accordance with the national standard)	391,903,997.38
The excess of attributable fair value of identifiable net assets over the consideration paid for the acquisition of subsidiaries, associates and joint ventures	11,607,412.35
Impairment loss on other non-current assets	(975,812,339.28)
Other non-operating income or expenses other than the above	46,225,770.83
Tax effects	163,498,181.34
Effects attributable to minority interests (after tax)	(32,130,969.23)
Total	(502,420,157.29)

2. Return on net assets and earnings per share ("EPS")

The return on net assets and EPS have been prepared by Baoshan Iron & Steel Co., Ltd. in accordance with Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No. 9 - Calculation and Disclosure of Return on Net Assets and Earnings Per Share (Revised 2010) issued by China Securities Regulatory Commission.

Profit for the reporting period	Weighted average return on net assets (%)	Basic EPS (RMB)
Net profit attributable to ordinary shareholders of the Company	5.29	0.35
Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	5.75	0.38

SUPPLEMENTARY INFORMATION (Continued)

3. Abnormal financial statements items (“F/S items”) and description of reasons

					RMB
F/S Items	31 December 2013/ for the year ended	31 December 2012/ for the year ended	Change by	Cause for the changes	
1 Cash and bank balances	12,881,234,298.49	8,851,124,979.28	46%	Cash and bank balances increased mainly because the Company would repay the convertible bonds due within one year in 2014, adopted low-rate USD financing strategy, and used RMB funds and structured deposits to earn income.	
2 Long-term equity investments	13,681,009,703.67	10,539,022,615.18	30%	Due to the investment of RMB3.2 billion in the Project of PetroChina Northwest United Pipeline Co., Ltd., the long-term equity investments rose by RMB3.14 billion.	
3 Other non-current assets	5,418,157,904.40	13,204,612,832.56	-59%	Other non-current assets decreased by RMB7.79 billion mainly because of the disposal of assets of RMB1.83 billion of CAPP unit in Luojing Area; the relocation of assets of RMB2.67 billion including heavy plate mill from Luojing Area to Zhanjiang, and the reclassification of buildings and auxiliary assets amounting to RMB 3.41 billion from Luojing Area to fixed assets.	
4 Tax payable	1,781,381,390.45	1,093,465,271.31	63%	Tax payable grew by RMB0.69 billion mainly because the excess of input VAT from Meishan Steel Project II from last year was used up in 2013.	
5 Non-current liabilities due within one year	12,227,658,084.57	4,502,840,000.00	172%	Non-current liabilities due within one year rose by RMB7.73 billion, mainly due to the reclassification of RMB9.79 billion from long-term convertible bonds and the repayment of RMB2.28 billion of long-term loan due within one year.	
6 Long-term borrowings	4,702,446,502.87	2,731,689,992.42	72%	Long-term borrowings increased by RMB1.971 billion because the Company enlarged long-term borrowings to optimize the debt structure.	
7 Financial Expense	(544,131,554.59)	488,576,834.85	-211%	Financial expense decreased by RMB1.033 billion as exchange gains grew due to the appreciated RMB against USD in 2013. Also, the Company used overseas capital platform to lower the cost of borrowings.	
8 Income from investment	684,054,175.06	1,076,524,027.40	-36%	Income from investment declined by RMB0.392 billion because of the disposal of investment in Ningbo Baoxin, STAL Precision and Rihong Stainless by recognizing income from investment RMB 0.49 billion in 2012.	
9 Non-operating income	882,372,341.19	10,519,986,674.00	-92%	Non-operating income dropped by RMB9.638 billion mainly due to income from disposal of Stainless and Special Steel units in 2012.	
10 Non-operating expense	556,158,742.00	964,650,123.74	-42%	Non-operating expense decreased by RMB0.408 billion mainly due to loss from disposal of fixed assets of stainless and special steel units in the year of 2012.	