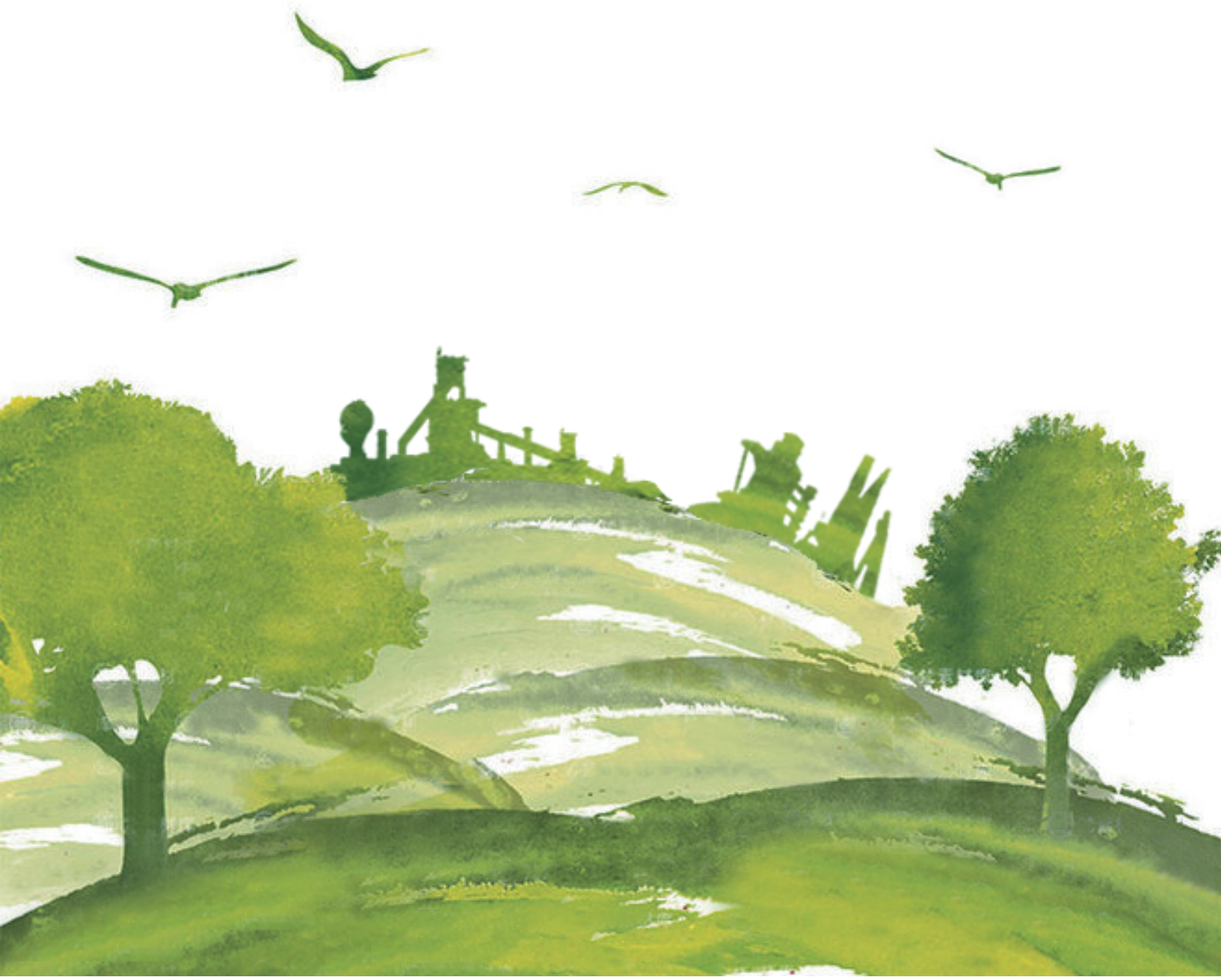


2015 ANNUAL REPORT

BAOSHAN IRON & STEEL CO., LTD.



ONE CHART TO UNDERSTAND THE ANNUAL REPORT



Total profit
RMB 1.854 billion



Net cash inflow from operating activities
RMB 21.18 billion



Gross profit margin 8.87%

We never stop our pace of innovation

In 2015, the R&D input totaled RMB 3.449 billion, accounting for 2.11% of the operating revenues.

Three achievements were awarded the First Prize for Metallurgical Science and Technology Progress;

Three projects were awarded the Patent Excellence Prize;

Three projects were awarded the First Prize for 2015 National Metallurgical Science and Technology Progress;

Five new products such as super-high strength medium manganese steel (1180Mpa) made their debuts around the world;

The 1700MS steel (martensitic steel with the tensile strength of 1700MPa) was successful in trial production at Baosteel.

We have been breaking through in the product service.



We have been improving the EVI capability of auto sheet to build the auto sheet EVI culture of Baosteel.



We are the first steel enterprise to launch the integral body in white in China; we have independently developed the ultra-light body in white BCB (Baosteel Car Body).



The market share of cold rolled auto sheet and the super-high steel over 50% separately.

The excellent supplier deserves its good reputation.



Baosteel was awarded the title of "Excellent Supplier" by many customers.

Baosteel made a hit in energy conservation and emission reduction

The total energy consumption is still going down, with a y-o-y decrease of 60,000 ton of standard coal.

Vigorously promote emission reduction, overfulfill the government issued in 12th Five-Year and the annual emission reduction targets.



On December 17, 2015, the world first coke oven flue gas desulfurization denitration device was put into use for the coking unit of the Zhanjiang Steel-making Mill.

Zhanjiang Steel set sail, with its trial production in good operation

On September 26, the #1 blast furnace was successful in tapping.

On September 28, the iron-making plant was successful in the thermal loaded trial run.

On December 25, the 2250 hot rolling project enabled the thermal loaded trial run ahead of schedule.



E-commerce was thriving



Ouyee Commerce establishment 8.88 million tons of annual e-commerce volume RMB 19.8 billion of sales revenue.

Baosteel has signed the strategic cooperation agreement with 15 banks with the cooperative credit line of more than RMB 160 billion which is the highest credit line among Online Financing industry.

Vigorous growth in IT business Attribution from Baosteel to Double 11th



Nearly 4,000 cabinets About 68,000 sets of servers

Whenever you rush to purchase two products successfully, one of them paid by "Bao Cloud" IDC.

"Bao Cloud" was exclusively awarded the title of "The Most Influential Service Provider in the Field of 2015 China Gold Service - Cloud Computing".



On the forefront of wisdom manufacturing

Baosteel smart hot-rolled workshop

Listed in the IM pilot demonstration project of MIIT

China's first unattended steel warehouse.



Acknowledged and trusted by investors.

Awarded China Enterprise Top 100 and China Star Enterprise.

Awarded Great China Best Investor Relations(material industry) by the well-known institution-IR Magazine.



In 2016, we will go on fighting!

1.

50% market share in cold rolled automobile sheet

50%

2.

RMB 4 billion of overall cost reduction

4billion

3.

RMB 10 billion of net cash inflow from operating activities

10billion

4.

Regular employees' labor efficiency up by 3.8%

3.8%

5.

Strive to maintain the best operating performance among the industry.

6.

Put the new planning in place.



Important Notice

- I. The Board of Directors and the Board of Supervisors of Baoshan Iron & Steel Co., Ltd. (hereinafter “the Company”), along with their directors, supervisors and senior executives, hereby guarantee that the Annual Report is free from false statement, misleading information or grave material omission, and assume relevant separate and joint responsibilities in regard to the truth, the accuracy and the integrity of the contents of the Report.
- II. All members of the Board of Directors of the Company attended the board meeting.
- III. Deloitte Touche Tohmatsu Certified Public Accountants LLP (special general partnership) gave standard unqualified audit report for the Company.
- IV. Chen Derong, Chairman of the Company, Zhu Keping, Chief Financial Officer, and Wang Juan, Director of the Finance Department, attest to the truthfulness, correctness and completeness of the financial statements in this Report.
- V. Proposed Profit Appropriation Plan and Capitalizing of Reverses Plan for the Reporting Period Reviewed by the Board of Directors
Proposed profit appropriation plan in the reporting period reviewed by the Board of Directors: According to the Company's Articles of Association, actual dividend distribution in previous years, dividend distribution at capital market and relevant guidelines on supervision, the Company intends to allot the cash dividend at RMB 0.06 per share (incl. tax) to all shareholders registered on the equity registration date recognized in the Dividend Payout Announcement, accounting for about 97.55% of the net profit attributable to the shareholders of the parent company in the consolidated statements.
- VI. Risk Disclosure on Proactive Statements
The proactive future plans and developing strategies in this Report do not constitute actual promises to investors. Investors are kindly reminded that investment involves risks.
- VII. Was Capital Found in the Company to be Occupied by the Controlling Shareholder and Its Related Parties for Non-operation Reason?
No
- VIII. Was Guarantee Found in the Company to be Provided in Manner that is against the Stipulated Decision-making Procedures?
No
- IX. Major Risk Warning
The Company is facing three major challenges in terms of production and operation in 2016: 1. Substantial uncertainty exists in the external operation environment, with a deep adjustment faced by the steel market and on-going slow-down in demand from major downstream industries; 2. With more output of Zhanjiang Steel, internal production, construction and ramp up will be carried out in parallel, which will result in more difficult production organization and market development; 3. As homogeneous competition extends to high-end products faster, the Company needs to work harder to maintain its leadership in steel industry.

By availing itself of supply-side reform and combining new three-year plan, the Company in 2016 will center around cost reduction, institutional streamline and efficiency improvement in human resources, mainly aim at reducing cost in a rigid landing manner, benefit from innovation reform and unconventional methods for implementation safeguard and endeavor to present a better business result based on ensuring stable business performance year-on-year.
- X. Others
None.

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Section I Definitions

I. Definitions

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

commonly-used words meaning

| | | |
|-----------------|-----------|--|
| EVI | Refers to | Early Vendor Involvement. |
| BCB | Refers to | Baosteel Car Body |
| Bao Cloud | Refers to | The cloud computing service product developed by the subsidiary of Baosteel – Baosight. Cloud computing is a kind of business model of obtaining information service from service provider as required flexibly and quickly. |
| 4# GA line | Refers to | 4# galvanizing production line recently established by BNA. |
| Ouyeel Commerce | Refers to | Ouyeel Commerce Co., Ltd. |
| Deloitte | Refers to | Deloitte Touche Tohmatsu Certified Public Accountants LLP (special general partnership) |

Section II Company Profile and Major Financial Data

I. Company Profile

| | |
|----------------------|--------------------------------|
| Chinese Name | 宝山钢铁股份有限公司 |
| Chinese Abbreviation | 宝钢股份 |
| English Name | Baoshan Iron & Steel Co., Ltd. |
| English Abbreviation | Baosteel |
| Legal Representative | Chen Derong |

II. Contact Information

| | | |
|---------|--|--|
| | Secretary of Board of Directors | Representative of Securities Affairs |
| Name | Zhu Kebing | Yu Hong |
| Address | Board of Directors' Secretary Office of Baoshan Iron & Steel Co., Ltd., Baosteel Administration Center, 885 Fujin Rd. Baoshan District, Shanghai | Board of Directors' Secretary Office of Baoshan Iron & Steel Co., Ltd., Baosteel Administration Center, 885 Fujin Rd. Baoshan District, Shanghai |
| Tel. | 86-21-26647000 | 86-21-26647000 |
| Fax | 86-21-26646999 | 86-21-26646999 |
| E-mail | ir@baosteel.com | ir@baosteel.com |

III. Basic Information

| | |
|--------------------------------|--|
| Registered Address | Baosteel Administration Center, 885 Fujin Road, Baoshan District, Shanghai |
| Zip Code of Registered Address | 201900 |
| Office Address | Baosteel Administration Center, 885 Fujin Road, Baoshan District, Shanghai |
| Zip Code of Office Address | 201900 |
| Internet website | http://bg.baosteel.com/ |
| E-mail | ir@baosteel.com |

IV. Company Announcements or Disclosures & Copies of the Report

| | |
|--|--|
| Company Announcements or Disclosures published in: | China Securities News, Shanghai Securities News, and Securities Times |
| Annual Report Website Designated by China Securities Regulatory Commission | www.sse.com.cn |
| Copies of the Annual Report of the Company available at: | Baosteel Administration Center, 885 Fujin Road, Baoshan District, Shanghai |

V. Profiles of Stocks of the Company

| Company Stock | | | | |
|---------------|-------------------------|-----------------------|------------|--|
| Stock Type | Stock listed at | Abbreviation of stock | Stock code | Abbreviation of stocks before alteration |
| A-share | Shanghai Stock Exchange | Baosteel | 600019 | G Baosteel |

Section II Company Profile and Major Financial Data

VI. Other Relevant Information

VI. Other Relevant Information

| | | |
|----------------------------------|---------------------|---|
| Accounting Firm (Mainland China) | Name | Deloitte Touche Tohmatsu Certified Public Accountants LLP (Special General Partnership) |
| | Office address | 30th Floor, Bund Center, 222 East Yan An Rd, Shanghai, China (200002) |
| | Signing Accountants | Xu Yusun, Jiang Jian |

VII. Major Accounting Data and Financial Indicators of the Company for the Latest Three Years

(I) Major accounting data

Unit: RMB Million

| Major accounting data | 2015 | 2014 | Increase or decrease (%) over the same period last year | 2013 |
|---|--------------------|--------------------|---|--------------------|
| Operating revenue | 163,790 | 187,414 | -12.61 | 189,688 |
| Net profit attributable to shareholders of listed company | 1,013 | 5,792 | -82.51 | 5,818 |
| Net profit attributable to shareholders of the listed Company less non-recurring gains and losses | 1,085 | 5,794 | -81.27 | 6,321 |
| Net cash flows from operating activities | 21,177 | 28,280 | -25.12 | 12,090 |
| | At the end of 2015 | At the end of 2014 | Increase or decrease (%) over the same period at the end of last year | At the end of 2013 |
| Net assets attributable to shareholders of listed company | 112,803 | 114,258 | -1.27 | 110,413 |
| Total assets | 234,123 | 228,653 | 2.39 | 226,704 |
| Total share capital at the end of period | 16,468 | 16,471 | -0.02 | 16,472 |

(II) Major financial data

| Major financial indicators | 2015 | 2014 | Increase or decrease (%) over the same period at the end of last year | 2013 |
|---|------|------|---|------|
| Basic earnings per share (Yuan/share) | 0.06 | 0.35 | -82.51 | 0.35 |
| Diluted earnings per share (Yuan/share) | 0.06 | 0.35 | -82.51 | 0.35 |
| Basic earnings per share net of non-recurring gains and losses (Yuan/share) | 0.07 | 0.35 | -81.26 | 0.38 |
| Weighted average return on equity (%) | 0.90 | 5.16 | Down by 4.26 ppt. | 5.29 |
| Weighted average return on equity net of non-recurring gains and losses (%) | 0.96 | 5.17 | Down by 4.21 ppt. | 5.75 |

VIII. Major Financial Data in Quarters of 2015

Unit: RMB Million

| | First quarter (Jan.-Mar.) | Second quarter (Apr.-June) | Third quarter (July-Sep.) | Fourth quarter (Oct.-Dec.) |
|---|------------------------------|-------------------------------|------------------------------|-------------------------------|
| Business income | 41,386 | 39,385 | 41,421 | 41,598 |
| Net profit attributable to shareholders of listed company | 1,547 | 1,627 | -920 | -1,241 |
| Net profit attributable to shareholders of the listed Company less non-recurring gains and losses | 1,523 | 1,620 | -1,068 | -990 |
| Net cash flows from operating activities | 5,078 | 4,329 | 5,993 | 5,777 |

Notes for difference between quarter data and disclosed regular report data

□ Applicable √ Not applicable

IX. Non-recurring Items and Amounts

√ Applicable □ Not applicable

Unit: RMB Million

| Non-recurring gains and losses items | 2015 | Notes (if applicable) | 2014 | 2013 |
|--|------|-----------------------|------|------|
| Gains and losses from disposal of non-current assets | 100 | | 46 | -108 |
| Government subsidy calculated in current gains and losses, but related to normal operating activities, except consecutive fixed government subsidy in lines with policies, rules and certain standards | 506 | | 637 | 410 |
| Gains and losses from change of fair value for holding held-for-trading financial assets and liabilities, investment income at the disposal of held-for-trading financial assets and liabilities, and available-for-sale financial assets, except effective hedging operations | 252 | | 26 | 12 |
| Other gains and losses items in lines with the definition of non-recurring gains and losses items | -852 | | -538 | -975 |
| Other net non-operating income and expenditure | 41 | | -46 | 28 |
| Affected amount belonging to minority shareholders | -15 | | -6 | -32 |
| Effect of income tax | -105 | | -121 | 163 |
| Total | -73 | | -2 | -502 |

X. Items Measured by Fair Value

Unit: RMB Million

| Items | Beginning balance | Ending balance | Change | Effectuated amount on current profit |
|--|-------------------|----------------|--------|--------------------------------------|
| Financial assets at fair value included in current profit or loss | 181 | 873 | 692 | -534 |
| Available-for-sale financial assets | 1,499 | 1,331 | -167 | 4 |
| Financial liabilities at fair value included in current profit or loss | | -4 | -4 | -4 |
| Total | 1,680 | 2,200 | 521 | -534 |

Section III The Company's Business Profile

I. Principal Business and Operating Mode of the Company and Industry Information during the Reporting Period

1. Principal Business and Operating Mode during the Reporting Period

The Company is the most modernized super large iron & steel complex in China and an internationally leading world-class steel producer as well. The Company specializes in iron & steel production, and is also involved in the processing and distribution, chemical industry, information technology, finance, e-commerce and other business related to the principal business of iron and steel. The Company now is focusing its production at Shanghai base and Meishan Iron & Steel Co., Ltd., while speeding up its construction of Zhanjiang Iron & Steel Base.

With iron & steel manufacturing as the "one body", the Company manufactures hi-tech and highly value-added premium steel products, such as carbon steel sheet, heavy plate and steel tubes & pipes. These premium steel products are not only extensively applied to industries such as automobile, household appliances, petrochemical, machinery manufacturing, energy and transportation, but also leading domestic market of six strategic products, namely automotive sheet, electrical steel, tin plate, steel for energy and pipeline, steel for high-grade ship and maritime works and other high-end thin sheets. In terms of manufacturing process and technical research & development, the Company's overall technical equipment is based on contemporary state-of-the-art technologies for iron & steel melting, cold & hot working, hydraulic sensing, electronic control, computer, information and communications, with features of large size, continuity and automation, leading the world iron & steel industry while beyond the Industry 3.0. The Company initiatively explored and boosted wisdom manufacturing in an effort to realize transferring from data warehouse to big data center in decision-making analysis, transformation from partial collaboration to overall optimization in the supply chain and transition from automation to intelligitization in production equipment through deep integration of new technologies such as the Internet, cloud computing and big data and whole supply chain.

The Company has constantly adopted a premium product development strategy featured by technological leadership, paid close attention to rapid growth in high-end manufacturing in China such as war industry, nuclear power, high-speed rail, maritime work and new energy vehicles, developed high-end products including ultra-high strength steel and oriented silicon steel, conducted research & development on more high-end new materials technologies, endeavored to transfer its principal business from iron & steel to materials, and enjoyed the economic benefit brought by high-end product structure. Listed as the most reliable value creation partner by customers, the Company spotlighted "from manufacturing to service" and "from China to global", and through early vendor involvement, major customer director system, e-commerce trading platform, gave a quick response to complete marketing service system and rapid strategic layout of iron & steel service platform. Through worldwide marketing network, the Company provided customers with first-class products, technologies and service, satisfying the demand from domestic market while its products are exported to more than seventy countries and regions including Japan, South Korea, Europe and America.

2. Development Stage and Periodic Features of the Industry that the Company Involves and the Company's Status in the Industry during the Reporting Period

Global economy has undergone a profound adjustment in 2015, with developed economies presenting an unstable recovery in general, obvious polarization of emerging economies and China's economy in "New Normal". National production of crude steel was 803.8 million tons in 2015, down by 2.3% compared to the same period of last year, which is the y-o-y drop for the first time since 1981. Apparent consumption of domestic crude steel was 700 million tons, down by 4.2% year-on-year. National investment in fixed assets (excluding agriculture) was RMB 55.16 trillion, nominally up by 10.0% year-on-year, actually up by 12.0% year-on-year after getting rid of price factor, with actual growth rate down by 2.9 ppt. year-on-year. Main downstream industries such as construction, machinery, automobile, energy, shipbuilding, household appliances were facing depressed demand and sluggish production. The oversupply was highlighted, and homogeneity competition was even worse.

The prices of ore, coke and steel scrap have respectively fallen by 39.4%, 33.3% and 45% in 2015, leading to a sharp decline in steel production cost. However, slump in steel price had much more impact on the sales revenue than that of price falling in raw materials on cost, which resulted in a huge loss among steelmakers. According to the statistics of China Iron and Steel Association (CISA), 101 large- and medium-sized steelmakers realized RMB -64.53 billion profit in 2015, RMB 87.12 billion less year-on-year, with 50.5% global loss rate, 34 more steelmakers bearing loss, RMB 81.72 billion in loss, representing RMB 61.52 billion more loss year-on-year.

The Company continued its technical leadership in 2015, conducted premium product strategy and maintained its leadership in high-end product market. The shares in domestic cold-rolled automotive sheet market and ultra-high strength steel market have both exceeded 50%. Market competitiveness of oriented silicon steel has been enhancing. The Company earned 45% market share in UHV AC/DC engineering market, becoming the first domestic enterprise capable of manufacturing rolled clad plate in batches for accumulator at CAPI400 nuclear power plant. Meanwhile, the Company extended its overseas high-end product market, holding export ratio of 10% and more.

3. Highlights during the Reporting Period

- The world premiere of five new products including ultra-high strength medium manganese steel (1180Mpa) was realized; Three achievements including Development and Application of Pickling & Tandem Cold Mill Process Technology for High Grade Non-oriented Silicon Steel won the first prize of Metallurgical Science and Technology Progress Award; A Kind of Cold-rolled Galvanized Dual Phase Steel and Its Manufacturing Method and other two projects won Chinese Patent Award of Excellence.

- The Company carried forward automotive sheet EVI and brand construction, and held the Third Baosteel EVI Forum and News Conference of BCB; Both cold-rolled automotive sheet and ultra-high strength steel have gained more than 50% domestic market share; Oriented silicon steel has gained up to 45% market share in UHV AC/ DC engineering, which made the Company the first domestic steel supplier who supplies non-oriented and oriented silicon steel to nuclear power sector.
- The construction of Zhanjiang Steel Project progressed smoothly: No. 1 blast furnace tapped iron successfully on Sep. 26; Hot load test of steel-making plant succeeded on Sep. 28; 2250 hot rolling project realized hot load test run on Dec., 15 ahead of schedule.
- The Company advanced its wisdom manufacturing to the extent that 1580 hot rolling intelligent workshop, as the exclusive pilot awarded among steel industry, has gained the qualification for 2015 intelligent manufacturing demonstration pilot from Ministry of Industry and Information Technology of the People's Republic China.
- The Company established Ouyeel Commerce Co., Ltd, with 8.88 million tons of annual e-commerce business volume and RMB 19.8 billion sales revenue realized, signed strategic cooperation agreement with 15 banks, with more than RMB 160 billion of line of credit, the highest among internet finance industry. "Bao Cloud" has been exclusively awarded the title of "2015 China Golden Service-The Most Influential Supplier in Cloud Computing".
- Total energy consumption continued the decline, with 60 thousand tons of standard coal less year-on-year; The Company, with its great effort on emission reduction, has overfulfilled its annual and "the Twelfth Five Year" emission reduction goal set by the government; 90 mw photovoltaic power station has been established and put into operation, with an estimated annual generating capacity of 70 million kilowatt hour.
- The Company has been awarded China Enterprise Top 100 and China Star Enterprise, continued to be conferred as Most Admired Listed Companies Top 100 by Investors, and elected as Great China Best Investor Relations (material sector) by IR Magazine, a celebrated institution.
- The Company has overcome unfavorable factors such as declined profit and safeguarded the control over capital, with RMB 21.18 billion of annual net cash flow from operating activities and 47.8% asset-liability ratio.

II. Material Change in Major Asset of the Company in the Reporting Period

1. Change in Equity Asset

1) Establishment of Ouyeel Commerce and its branches

Traditional manufacturing industries like steel is facing rigorous operation problems while new economic power like Internet e-commerce is rising sharply. To cope with rigorous situation of steel industry and promote sustainable development, the Company revolved around the development strategy of "One Body Two Wings" and transformed "from manufacturing to service", through integrating resources and business such as relevant transaction platform, technical service, payment settlement, financial service and big data analysis of the Company and branches of Baosteel Group, to build an integrated service platform for domestic steel transaction and service, which delivers tailor-made service to steelmakers and users and creates a new profit mode. The Company established Ouyeel Commerce and its branches through reorganization, establishment and merge.

Ouyeel Commerce was jointly incorporated in Feb., 2015 with registered capital of RMB 2 billion by the Company, along with Baosteel International, the Company's wholly-owned subsidiary, as well as Baosteel Group, of which, the Company and Baosteel International subscribed 51% of stock equity with their 100% stock equity in Bsteel Online Co., Ltd as consideration of RMB 1.02 billion, integrating the restructuring of e-commerce transaction platform, purchase service platform, chemical e-commerce platform, third party payment qualification and others into steel service platform. In order to develop Ouyeel Commerce business, the Company and Baosteel International contributed RMB 204 million more in cash in Nov. 2015 as per its shareholding ratio, after which, Ouyeel Commerce had RMB 2.4 billion of registered capital, the Company and Baosteel International jointly holding 51% stock equity of Ouyeel Commerce.

2) Non-public issuance of A-shares by Baosight

Baosight, a holding subsidiary of the Company, issued 27,493,010 non-public A-shares in Oct., 2015, with total net proceeds of RMB 1.155 billion less issuance cost. The Company subscribed non-public 15,258,621 A-shares with RMB 655 million as per its shareholding ratio in Baosight before the issuance. After this non-public issuance, the total share capital of Baosight is increased to RMB 392 million, of which the Company holds 55.5% shares.

3) Involvement in PetroChina's pipeline integration project

Based on recorded asset evaluation value, the Company contributed the consideration of RMB 8.644 billion with its 12.8% shareholding in PetroChina Northwest United Pipeline Co., Ltd. to PetroChina Pipeline Co., Ltd. and held 3.52% stock equity in it

Section III The Company's Business Profile

2. Change in Fixed Asset and Construction in Progress

RMB 8.17 billion has been added in fixed assets compared to that at the beginning of the year, of which, RMB 19.4 billion from construction in progress (mainly because of the transfer to fixed asset from Zhanjiang project), RMB 500 million from scrapped asset and RMB 10.57 billion from accrual of depreciation.

RMB 6.870 billion has been added in construction in progress than that at the beginning of the year, mainly because of the addition of RMB 7.22 billion in Zhanjiang Steel.

3. Overseas Assets

As of the end of 2015, the Company held RMB 14.41 billion of overseas assets, accounting for 6.2% of total assets.

(1) Development history of overseas state-owned assets

The Company, in 2005, through additional issuance, made an acquisition of stock equity of overseas marketing companies owned by Baosteel Group such as Baosteel America and Baosteel Europe, Bao-Trans and Bao-Island Enterprises Limited and preferred stock equity of Baovale Mineracao S.A. The Company has successively set up six overseas companies in joint venture or sole proprietorship since 2011 including Poly Pipe and Baosteel India to extend its capabilities in overseas manufacturing and processing service. As of the end of 2015, the Company has set up 14 subsidiaries at all levels and 6 joint-stock companies based in countries and regions such as USA, Japan, Germany, Singapore, Thailand and Hong Kong. Meanwhile, the Company has made USD 81.0154 million direct investment in its first-level overseas subsidiaries, involving steel trade and deep processing.

(2) Operation status of overseas state-owned assets

Overseas trading subsidiaries mainly include: HOWA, Baosteel Europe, Baosteel America, Baosteel Singapore and their subsidiaries; Overseas shipping subsidiaries mainly include: Bao-Trans; Overseas steel manufacturing and processing service companies mainly include: Poly Pipe, BGM and India Service Center.

(3) General information of overseas state-owned assets

As of the end of 2015, first level subsidiaries of the Company have RMB 14.41 billion of total assets, RMB 39.29 billion of operating revenue, RMB 3.67 billion of owner's equity, RMB 470 million of total profit and RMB 360 million of net profit, with 9.7% of return on equity.

III. Analysis of Core Competitiveness during the Reporting Period

In 2015, the Company overcame adverse factors such as insufficient external demand, declined steel price and RMB exchange rate reform, successfully kept the best operating profit among domestic listed steelmakers through greater efforts in innovation, product structure adjustment, continuous internal development, premium product strategy as before and other initiatives.

1. Innovation in technologies

More efforts in debut product R&D for competitive advantages. The Company finished trial production of 5 new products and put them into market, including new generation advanced ultra-high strength steel and high-induction oriented silicon steel. In the meantime, the Company endeavored to market these debut products to the extent that the technical advantages would be transformed into high-profitability. More than 10,000 tons of debut products were supplied in 2015, resulting in good economic benefit.

2. Manufacturing capabilities

The Company proceeded with its major project construction in a safe, premium and efficient manner: Ignition of Zhanjiang No.1 blast furnace and successful hot load trial run of steel-making and 2250 hot rolling project have written a new chapter for second enterprising and transformation development. Projects have been successively put into operation such as overhaul of Headquarter Phase I coke oven, comprehensive revamping of No.2 steel-making plant's hot metal pretreatment. Projects have been proceeded as planned on site, such as overhaul and serial revamping in raw materials and iron-making area, No.3 sintering plant overhaul, and new automotive sheet recoiling project of cold rolling 1550 unit.

Focusing on automobile market, the Company has added several production lines: cold rolling 2030 unit has added a new single stand reversing mill, which has been put into operation, and succeeded in hot load test run of new galvanizing project; 4#GA for BNA has been put into operation, which met the increasingly improving demands from the automobile industry at home and abroad on automotive sheet and further boosted the Company's market competitiveness.

3. User service

The Company carried out customized EVI and automotive sheet brand campaign for major auto users, explored and extended EVI projects for industries other than automobile, therefore forming respective EVI progress modes for six industries. The Company concerned for customers' experience, attempted to apply the concept and method of wisdom manufacturing into supply chain synergy, strengthened and constantly improved Baosteel's competitive advantages in security and safeguard of supply chain. Moreover, the Company expanded Baosteel mobile application for marketing and added new functions such as work information, user dynamic tracking for Group customers, which, as a new edition in return, can facilitate users' experience and interactivity.

4. Two wings

Ouyeel Commerce, as e-commerce platform, realized 8.88 million tons of total steel transaction and RMB 19.8 billion of sales revenue in 2015. As its business mode started to function much better than before, with expanding service radius and a nationwide service network, Ouyeel Commerce has basically finished its strategic layout, laying a solid foundation for future development.

Baosight Software energetically advanced cloud computing, industry 4.0, big data platform, and e-commerce platform, and made breakthrough in sectors such as wisdom steel manufacturing solution, unmanned business, robot business, e-service platform for IPPF supplies and financial service platform. "Bao Cloud" won the title of "2015 China Gold Service -the Most Influential Service Provider in the Field of Cloud Computing".

5. Environmental protection control

With the enforcement of strictest environmental protection law in history, the Company actively explored management method based on improved basic control capability, made special planning for urban steel mill and vigorously conceived countermeasures to tackle environmental protection crisis and risk. Utilizing online environmental monitoring, the Company introduced dynamic emission yield index and carried forward engineering emission reduction, management emission reduction, technical support, environmental protection equipment classification management and others. All environmental protection indexes have been controlled as annual objectives required and main indexes have been continuously improved.

6. Brand, credit and staff

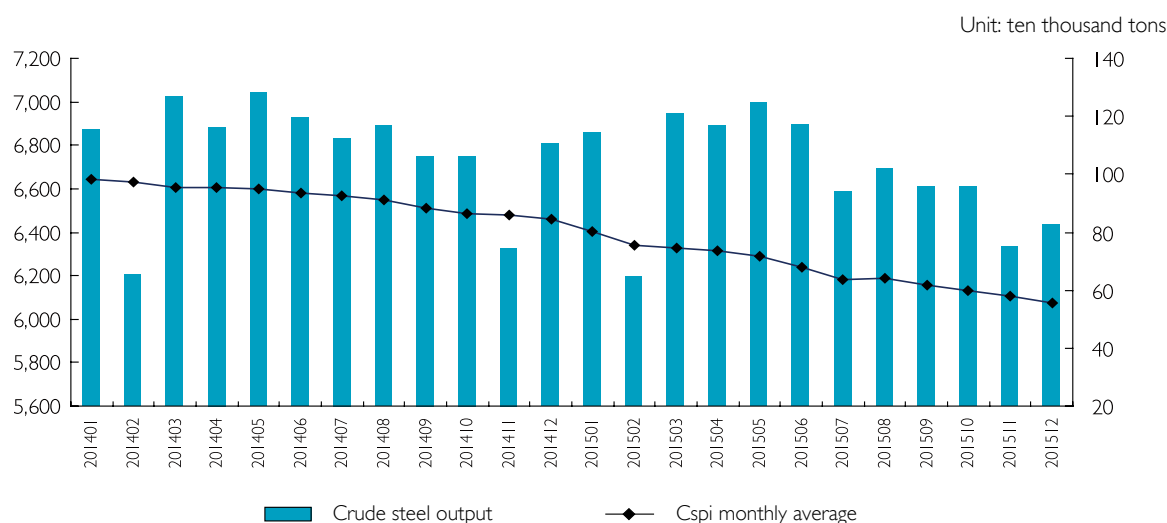
The Company in 2015 took "Creativity Changes Life" as starting point for brand construction and promoted 5 brands with Baosteel automotive sheet brand as the focus. Through organizing Baosteel automotive sheet technology show, participating in international automotive exhibition, planning "Lively Innovation, Travel Greener" advertising video and setting up official wechat account and other forms, the Company explored new mode for brand construction, planned brand communication by multi-platform linkage, selectively chose media and designed efficient release interval and three-dimensional communication activities to spread the idea of "Creativity Changes Life" among and outside the Company.

Section IV Management Discussion and Analysis

I. Management Discussion and Analysis

As global economy didn't recover as expected and with greater pressure from domestic economy downturn, downstream steel industries such as construction, machinery and automobile slowed their growth rates in 2015. National crude steel output in 2015 was 804 million tons, down by 2.3% year-on-year, the first annual drop since 1981. Large- and medium- sized steelmakers have even incurred their first loss as a whole since reform and opening up policy, which led the steel industry into a new era of reduction development.

Supply-side structural conflict was further highlighted in 2015, with slumped steel price continuing. CSPI index has fallen by 27.3% month-on-month in 2015. Platts 62% was USD 55.50, down by 42.7% month-on-month on average basis. However, slump in steel price had much more impact on the sales revenue than that of price falling in raw materials on cost, which resulted in another narrowed profit of the Company.



Data resource: wind CSPI: China Steel Price Index (CISA)

The Company has successfully gone through the impact of factors such as continuous depression in downstream market demand, slump in RMB exchange rate and parallel operation of internal production and construction, through boosting synergy between output and sales, leveling up its capabilities of manufacturing key products and safeguarding resources to intensify control on operation capital, reduce cost and enhance efficiency across all systems so as to cope with rigorous external environment. 22.1483 million tons of steel products were sold in 2015, realizing RMB 164.12 billion of gross operating revenue and total profit of RMB 1.85 billion.

II. Main Operation during the Reporting Period

Analysis of main operation during the reporting period is as follows:

(I) Principal business analysis

Analysis of Change in Relevant Items of Profit and Cash Flow Statement

Unit: Million RMB

| Items | Amount in the reporting period | Amount over the same period last year | Change ratio (%) |
|---|--------------------------------|---------------------------------------|------------------|
| Operating revenue | 163,790 | 187,414 | -12.61 |
| Operating cost | 149,258 | 168,931 | -11.65 |
| Sales expenses | 2,153 | 2,200 | -2.16 |
| Administrative expenses | 7,287 | 7,728 | -5.71 |
| Financial expenses | 2,393 | 488 | 390.57 |
| Net cash flow from operating activities | 21,177 | 28,280 | -25.12 |
| Net cash flow from investing activities | -21,676 | -18,964 | -14.30 |
| Net cash flow from financing activities | -1,119 | -9,534 | 88.26 |
| R&D expenditures | 3,449 | 3,935 | -12.35 |

1. Income and Cost Analysis

(1) Principal business by industry, products and regions

Unit: Million RMB

| Principal business by industry | | | | | | |
|--------------------------------|--------------------|-----------------|--------------|-----------------------|--------------------|----------------------------|
| Industry | Operating revenues | Operating costs | Gross margin | YoY change in revenue | YoY change in cost | YoY Change in gross margin |
| Steel manufacturing | 96,816 | 88,234 | 8.86 | -19.73 | -18.72 | Down by 1.1 ppt. |
| Processing and distribution | 140,690 | 136,188 | 3.20 | -13.74 | -14.25 | Up by 0.6 ppt. |
| Information technology | 3,938 | 2,864 | 27.26 | -3.30 | -2.31 | Down by 0.7 ppt. |
| E-commerce | 20,061 | 20,036 | 0.13 | 32.78 | 33.25 | Down by 0.4 ppt. |
| Chemical industry | 7,627 | 7,253 | 4.90 | -17.27 | -13.66 | Down by 4.0 ppt. |
| Finance | 628 | 306 | 51.34 | 1.50 | 5.17 | Down by 1.7 ppt. |
| Offset between segments | -105,520 | -105,348 | | | | |
| Total | 164,239 | 149,531 | 8.95 | -12.58 | -11.62 | Down by 1.0 ppt. |

| Principal business by products | | | | | | |
|---|-------------------|----------------|------------------|---------------------------|------------------------|--------------------------------|
| Products | Operating revenue | Operating cost | Gross margin (%) | YoY change in revenue (%) | YoY change in cost (%) | YoY change in gross margin (%) |
| Cold-rolled carbon steel sheets and coils | 41,655 | 35,695 | 14.31 | -18.91 | -18.85 | Down by 0.1 ppt. |
| Hot-rolled carbon steel sheets and coils | 22,937 | 20,259 | 11.67 | -20.40 | -17.16 | Down by 3.5 ppt. |
| Steel tubes and pipes | 7,450 | 7,520 | -0.94 | -18.27 | -17.71 | Down by 0.7 ppt. |
| Other steel products | 7,691 | 7,413 | 3.60 | -21.75 | -23.73 | Up by 2.5 ppt. |
| Total | 79,733 | 70,888 | 11.09 | -19.57 | -18.83 | Down by 0.8 ppt. |

| Principal business by regions | | | | | | |
|-------------------------------|-------------------|----------------|------------------|---------------------------|------------------------|--------------------------------|
| Regions | Operating revenue | Operating cost | Gross margin (%) | YoY change in revenue (%) | YoY change in cost (%) | YoY change in gross margin (%) |
| Domestic market | 142,711 | 129,352 | 9.36 | -14.45 | -3.12 | Down by 1.1 ppt. |
| Overseas market | 21,525 | 20,179 | 6.25 | 2.22 | -1.34 | Up by 0.2 ppt. |

Notes for principal business by industry, products and regions:

Based on the internal organizational structure, the Company is divided into the segments of steel manufacturing, processing and distribution, information technology, e-commerce, chemical industry and finance. The steel manufacturing segment includes all steel manufacturing units; the processing and distribution segment includes the trading units such as Baosteel international and overseas companies; the information technology segment offers the business of Baosight Software; the e-commerce segment includes Ouyeel and other units; the chemical industry segment offers the business of Chemical Company; the finance segment offers the business of Finance Co.

Due to slump in steel price, continuous depressed demand in downstream industries and other factors, gross margin in principal products of the Company has sharply fallen in 2015 year-on-year. However, gross margin in other steel products has gained great growth year-on-year, mainly because the Company earned more profit in steel billet and wire rod compared to that in 2014.

Section IV Management Discussion and Analysis

(2) Analysis on output and sales

Unit: ten thousand tons

| Principal products | Output | Sales volume | Stock | YoY change in output (%) | YoY change in sales volume (%) | YoY change in stock (%) |
|---|--------|--------------|-------|--------------------------|--------------------------------|-------------------------|
| Cold-rolled carbon steel sheets and coils | 946 | 945 | 123 | -0.5 | -2.7 | 12.6 |
| Hot-rolled carbon steel sheets and coils | 889 | 884 | 44 | 11.3 | 8.1 | 15.3 |
| Steel tubes and pipes | 164 | 161 | 25 | 10.8 | 0.5 | 17.5 |
| Other steel products | 232 | 225 | 20 | -6.7 | -3.6 | 2.1 |
| Total | 2,230 | 2,215 | 211 | 3.9 | 1.5 | 12.6 |

Note: 1. Output in steel products in the year of 2015 did not include those from trial production of Zhanjiang Steel;

2. Output and sales volume in the year of 2015 included the 1.646 million tons of carbon steel products sold to BNA, but did not include the 1.990 million tons of cold-rolled carbon steel products produced and sold by BNA.

The Company exported 2.623 million tons of steel products in 2015, 276,000 tons more year-on-year. Exports by regions are as follows:

| Regions | Ration in 2015 (%) | Ration in 2014 (%) |
|-------------------------------|--------------------|--------------------|
| East Asia and Australia | 23.26 | 30.60 |
| Europe and Africa | 23.94 | 17.90 |
| America | 14.37 | 20.30 |
| Southeast Asia and South Asia | 38.43 | 31.20 |
| Total | 100.00 | 100.00 |

Notes: double-high products accounted for 60% of total export volume in 2015.

(3) Cost analysis

Unit: RMB Million

| By Industry | | | | | | |
|----------------------------|------------------------|----------------------|---------------------------|-------------------------------------|---------------------------|--|
| Industry | Items | Amount in the period | Ratio in overall cost (%) | Amount in the same period last year | Ratio in overall cost (%) | Change of amount in this period from the previous period (%) |
| Iron & steel manufacturing | Fuel and raw materials | 52,591 | 63.7 | 70,695 | 70.9 | -18.1 |
| | Others | 29,974 | 36.3 | 29,057 | 29.1 | 0.9 |
| | Total | 82,565 | 100 | 99,753 | 100 | -17.2 |

Note: Only the cost of the iron & steel manufacturing was included. Costs of other sectors such as the processing and distribution, information technology, e-commerce, chemical industry and financial units were not included.

(4) Fulfillment of signed major sales contract as of the reporting period

Signed major sales contract have been fulfilled as agreed in the reporting period

(5) Major customers

In 2015, the Company's sales revenue from the top five customers was RMB 19.63 billion, making up 11.98% of its total operating revenue.

(6) Major suppliers

In 2015, the Company's procurement from the top five suppliers was RMB 14.40 billion, making up 41.2% of its annual procurement volume.

2. Expenses

(1) Sales expenses and administrative expenses

Unit: RMB Million

| Items | Amount in the period | Amount in the same period last year | Change ratio (%) |
|------------------------|----------------------|-------------------------------------|------------------|
| Sales expense | 2,153 | 2,200 | -2.2 |
| Administrative expense | 7,287 | 7,728 | -5.7 |

(2) Financial expenses

Unit: RMB Million

| Items | Amount in the period | Amount in the same period last year | Change ratio (%) |
|---|----------------------|-------------------------------------|------------------|
| Interest incomes | -561 | -1,057 | -46.9 |
| Interest expenditures | 1,206 | 1,412 | -14.6 |
| Gains and losses from currency exchange | 1,685 | 89 | 1,798.7 |
| Others | 62 | 44 | 41.9 |
| Total | 2,393 | 488 | 390.6 |

Note: Financial expense increased by RMB 1.90 billion year-on-year mainly due to the effect of gains and losses from currency exchange. Central bank adjusted RMB central parity regime in August, 2015, which resulted in rapid depreciation of RMB against USD, with annual depreciation up to 6.1%. According to annual exchange rate risk management proposal, the Company adopted foreign currency debt conversion, resulting in RMB 1.69 billion exchange loss. 0.4 % appreciation of RMB against USD central parity in 2014 resulted in RMB 90 million exchange losses, which meant RMB 1.6 billion increase in financial expense year-on-year. Meanwhile, annual interest income decreased by RMB 500 million year-on-year, mainly because the principal of long-term receivable from the Group was dropping year by year with several fall of interest rate in 2015.

3. R&D expenditures

(1) R&D expenditures

Unit: RMB Million

| | |
|--|-------|
| Expensing of R&D expenditures | 3,449 |
| Capitalizing of R&D expenditures | - |
| Total R&D expenditures | 3,449 |
| Ratio of total R&D expenditures to operating revenue (%) | 2.11 |
| R&D staff number (people) | 1,105 |
| Ratio of R&D staff to total employees numbers (%) | 2.90 |
| Ratio of R&D expenditures expensing | - |

Notes: The Company continued its premium product strategy featured by technical leadership, with ultra high strength medium manganese steel and other 4 new products realizing world premiere. Multiple scientific achievements won "science and technology progress award" of the state, Shanghai and metallurgical industry, among which, Development and Application of Pickling & Tandem Cold Mill Process Technology for High Grade Non-oriented Silicon Steel and other two achievements won the first prize of Metallurgical Science and Technology Progress Award, and R&D on X65 & X70 Pipeline for South Sea Liwan Project and other two achievements won the second prize of Shanghai Science and Technology Progress Award.

4. Cash flow

In 2015, the cash and cash equivalents decreased by RMB 2.18 billion, among which, the net cash inflow arising from operating activities was RMB 21.18 billion, the net cash outflow arising from investing activities was RMB 21.68 billion, the net cash outflow arising from financing activities was RMB 1.12 billion, and the net cash outflow arising from the effect of fluctuation in exchange rate was RMB 560 million. Without considering the impact of the Finance Co., the cash and cash equivalents decreased by RMB 3.35 billion, among which, the net cash inflow arising from operating activities was RMB 17.80 billion, the net cash outflow arising from investing activities was RMB 20.00 billion, the net cash outflow arising from financing activities was RMB 580 million, and the net cash outflow arising from the effect of fluctuation in exchange rate was RMB 570 million.

Section IV Management Discussion and Analysis

Unit: RMB Million

| Items | 2015 | | 2014 | | Variation year on year | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|------------------------|-----------------------|
| | Including Finance Co. | Excluding Finance Co. | Including Finance Co. | Excluding Finance Co. | Including Finance Co. | Excluding Finance Co. |
| Net cash flow arising from operating activities | 21,177 | 17,801 | 28,280 | 28,618 | -7,104 | -10,817 |
| Net cash flow arising from investing activities | -21,676 | -20,003 | -18,964 | -18,765 | -2,712 | -1,238 |
| Net cash flow arising from financing activities | -1,119 | -580 | -9,534 | -9,289 | 8,415 | 8,709 |
| Effect of fluctuation in exchange rate on cash | -564 | -571 | -90 | -90 | -474 | -481 |
| Net increase in cash and cash equivalents | -2,182 | -3,353 | -308 | 473 | -1,875 | -3,826 |

Without regard to the impact of Finance Co., the net cash inflow arising from operating activities was RMB 17.80 billion, RMB 10.82 billion less than RMB 28.62 billion at the same period last year. This is mainly caused by the following factors:

- (1). The net profit this year was RMB 870 million, RMB 5.05 billion less than RMB 5.92 billion at the same period last year.
- (2). The allowances for assets impairment this year was RMB 1.39 billion, RMB 910 million more than RMB 480 million at the same period last year.
- (3). Loss from the disposal of fixed assets, intangible assets and other long-term assets was RMB 540 million, with an income of RMB 50 million at the same period last year, representing an increased cash flow of RMB 590 million.
- (4). Financial expenses were RMB 2.47 billion, RMB 1.90 billion more cash flow than RMB 560 million at the same period last year.
- (5). Income from investment was RMB 1.19 billion, RMB 860 million less cash flow than RMB 340 million at the same period last year.
- (6). Depreciation and amortization, gains and losses from changes in fair value, deferred income tax assets and others increased the cash flow by RMB 200 million compared to that at the same period last year.
- (7). Inventory was RMB 2.81 billion less than that at the beginning of the year, with a loss of RMB 4.28 billion at the same period last year, representing an decreased cash flow of RMB 1.47 billion year-on-year.
- (8). Operational receivable and payable items decreased the cash flow by RMB 100 million this year, with an increase of RMB 6.94 billion at the same period last year, representing an decreased cash flow of RMB 7.04 billion year-on-year.

Without regard to the impact of Finance Co., the net cash outflow arising from investing activities was RMB 20.00 billion, RMB 1.24 billion more than the RMB 18.77 billion at the same period last year. This is mainly caused by the following factors:

- (1). Cash for purchasing fixed assets, intangible assets and long-term assets was RMB 23.97 billion, with RMB 2.37 billion more cash outflow than the RMB 21.60 billion at same period last year, mainly due to more expense on Zhanjiang Project construction.
- (2). Net cash inflow arising from other investing activities was RMB 3.97 billion, RMB 1.13 billion cash flow more than the RMB 2.83 billion at the same period last year.

Unit: RMB Million

| Items (without regard to Finance Co.) | 2015 | 2014 | YoY change |
|---|---------|---------|------------|
| Cash inflow arising from investing activities | 23,053 | 6,360 | 16,693 |
| Cash outflow arising from investing activities | 43,055 | 25,125 | 17,930 |
| Net cash flow arising from investing activities | -20,003 | -18,765 | -1,238 |

Without regard to the impact of Finance Co., the net cash outflow arising from financing activities was RMB 580 million, RMB 8.71 billion less than the RMB 9.29 billion at the same period last year. Details are as follow:

Unit: RMB Million

| Items (without regard to Finance Co.) | 2015 | 2014 | YoY change |
|--|--------|--------|------------|
| Impact of change in financing scale on flow | 3,986 | -6,015 | 10,001 |
| Cash paid for distribution of dividends and profits or repayment of interest | -4,966 | -3,486 | -1,480 |
| Cash paid for repurchase of stocks | 0 | -188 | 188 |
| Cash received from investors | 1,900 | 310 | 1,590 |
| Other cash related to financing activities | -1,500 | 89 | -1,589 |
| Net cash flow arising from financing activities | -580 | -9,289 | 8,709 |

(II) Notes for major changes in profit due to non-principal business

√ Applicable □ Not applicable

Financial expenses increased by RMB 1.90 billion year-on-year mainly due to the impact of loss from foreign exchange. The second exchange rate reform in 2015 resulted in rapid depreciation of RMB against USD, with annual depreciation up to 6.12%. According to annual exchange rate risk management proposal, the Company adopted foreign currency debt conversion, resulting in RMB 1.69 billion exchange loss. 0.36 % appreciation of RMB against USD central parity in 2014 resulted in RMB 90 million exchange losses, which meant RMB 1.6 billion increase in financial expense year-on-year.

Assets impairment loss was RMB 1.487 billion in 2015, up by RMB 1.012 billion year-on-year, among which: provision for inventory falling price reserves increased by RMB 479 million and non-current assets impairment loss such as fixed assets increased by RMB 417 million.

(III) Analysis of assets and liabilities

Assets and Liabilities

Unit: RMB Million

| Items | Amount at the end of the reporting period | Ratio against total assets(%) | Amount at the end of last reporting period | Ratio against total assets(%) | YoY ratio change (%) | Notes |
|---|---|-------------------------------|--|-------------------------------|----------------------|--|
| Current assets | 69,903 | 29.86 | 74,386 | 32.53 | -6.03 | |
| Cash and cash equivalents | 7,817 | 3.34 | 12,104 | 5.29 | -35.42 | |
| Inventory | 23,516 | 10.04 | 26,815 | 11.73 | -12.30 | |
| Receivables | 17,351 | 7.41 | 19,271 | 8.43 | -9.97 | |
| Non-current assets | 164,220 | 70.14 | 154,267 | 67.47 | 6.45 | |
| Including: Fixed assets | 91,068 | 38.90 | 82,897 | 36.25 | 9.86 | |
| Construction-in-progress | 33,628 | 14.36 | 26,759 | 11.70 | 25.67 | |
| Long-term equity investment | 5,010 | 2.14 | 4,963 | 2.17 | 0.95 | |
| Total assets | 234,123 | 100.00 | 228,653 | 100.00 | 2.39 | |
| Current liabilities | 91,860 | 39.24 | 89,254 | 39.03 | 2.92 | |
| Including: Short-term borrowings | 27,111 | 11.58 | 31,480 | 13.77 | -13.88 | |
| Non-current liabilities due within one year | 208 | 0.09 | 7,442 | 3.25 | -97.20 | The Company optimized financing method and increased its low-cost direct financing |
| Other current liabilities | 10,057 | 4.30 | 0 | | | RMB 10 billion short-term financing coupon has been issued this year. |
| Non-current liabilities | 20,117 | 8.59 | 15,193 | 6.64 | 32.41 | |
| Long-term borrowings | 9,111 | 3.89 | 9,936 | 4.35 | -8.31 | |
| Notes payables | 8,747 | 3.74 | 3,024 | 1.32 | 189.26 | The Company issued RMB 2 billion medium-term notes and RMB 500 million Euro bonds. |
| Long-term payables | 82.59 | 0.04 | 89.29 | 0.04 | -7.51 | |
| Total liabilities | 111,977 | 47.83 | 104,448 | 45.68 | 7.21 | |
| Shareholders' equity | 122,146 | 52.17 | 124,205 | 54.32 | -1.66 | |
| Total Liabilities and shareholders' equity | 234,123 | 100.00 | 228,653 | 100.00 | 2.39 | |

Section IV Management Discussion and Analysis

(IV) Analysis on operating information among steel industry

Steel manufacturing and sales by processing process

☒ Applicable ☐ Not applicable

Unit: RMB Million

| Type by processing process | Output (tons) | | Sales volume (tons) | | Operating revenue | | Operating cost | | Gross margin (%) | |
|----------------------------|---------------|-----------|---------------------|-----------|-------------------|-----------|----------------|-----------|------------------|-----------|
| | This year | Last year | This year | Last year | This year | Last year | This year | Last year | This year | Last year |
| Cold rolled steel | 9,456,127 | 9,502,256 | 9,445,106 | 9,703,616 | 41,655 | 51,369 | 35,695 | 43,989 | 14.3 | 14.4 |
| Hot rolled steel | 8,888,578 | 7,988,384 | 8,839,070 | 8,174,432 | 22,937 | 28,816 | 20,259 | 24,456 | 11.7 | 15.1 |
| Others | 3,279,873 | 3,244,438 | 3,271,513 | 3,384,453 | 13,054 | 16,498 | 12,923 | 16,355 | 1.0 | 0.9 |

Note: Above table only indicates self-manufactured and sold steel, excluding steel billets.

1. Steel manufacturing and sales by finished product form

☒ Applicable ☐ Not applicable

Unit: RMB Million

| Type by finished product form | Output (tons) | | Sales volume (tons) | | Operating revenue | | Operating cost | | Gross margin (%) | |
|-------------------------------|---------------|------------|---------------------|------------|-------------------|-----------|----------------|-----------|------------------|-----------|
| | This year | Last year | This year | Last year | This year | Last year | This year | Last year | This year | Last year |
| Sheet and strip | 19,500,501 | 18,755,364 | 19,454,468 | 19,155,682 | 68,163 | 85,156 | 59,689 | 73,565 | 12.4 | 13.6 |
| Tubes and pipes | 1,637,311 | 1,477,499 | 1,611,194 | 1,602,816 | 7,450 | 9,116 | 7,520 | 9,139 | -0.9 | -0.2 |
| Others | 486,766 | 502,215 | 490,026 | 504,003 | 2,033 | 2,411 | 1,668 | 2,095 | 17.9 | 13.1 |

Note: Above table only indicates self-manufactured and sold steel, excluding steel billets.

2. Steel sales by sales channels

☒ Applicable ☐ Not applicable

Unit: RMB Million

| By sales channels | Operating revenue | | Accounting for total operating revenue(%) | |
|-------------------|-------------------|-----------|---|-----------|
| | This year | Last year | This year | Last year |
| Online | 122,807 | 147,631 | 74.8 | 78.6 |
| Offline | 18,728 | 14,590 | 11.4 | 7.8 |

Note: Online sales volume refers to those settled by Ouyee E-commerce (steel transaction center) owned by the Company, including those from self-manufactured, Group trading and social trading; Offline sales volume refers to those other than online sales volume.

3. Manufacturing and sales of special steel products

☐ Applicable ☒ Not applicable

4. Supply of iron ore

☒ Applicable ☐ Not applicable

Unit: RMB Million

| Source of supply | Supply (tons) | | Amount paid | |
|-------------------|---------------|------------|-------------|-----------|
| | This year | Last year | This year | Last year |
| Domestic purchase | 2,420,000 | 4,010,000 | 792 | 2,190 |
| Import | 34,460,000 | 30,580,000 | 14,296 | 22,491 |

(V) Investment analysis

1. Equity investment outside Baosteel

(1) Major equity investment

In 2015, the Company spent RMB 4.85 billion in equity investment, RMB 4.53 billion less than that in last year, down by 48.3%. See the following table for main investment:

Unit: RMB Million

| Name of investee | Main business | Direct or indirect shareholding of Baosteel | Actual capital contribution from Baosteel |
|--|--------------------|---|---|
| Ouyeel Commerce Co., Ltd | E-commerce | 51% | 1,224 |
| Shanghai Ouyeel Logistics Co., Ltd | E-commerce | 100% | 550 |
| Shanghai Ouyeel Financial Information Service Co., Ltd | E-commerce | 90% | 270 |
| Shanghai Ouyeel Material Technology Co., Ltd | E-commerce | 90% | 90 |
| Shanghai Ouyeel Data Technology Co., Ltd | E-commerce | 100% | 50 |
| Shanghai Baosight Software Co., Ltd. | Software | 55.50% | 655 |
| Baosteel Group Finance Co., Ltd. | Finance | 62.1% | 186 |
| PetroChina Pipeline Co., Ltd. | Gas transportation | 3.52% | 8,644 |
| PetroChina Northwest United Pipeline Company Limited | Gas transportation | 0 | -8,000 |
| Total | | | 3,668 |

Note: These were based on capital contribution from the Company in equity investment project in that year.

(2) Major non-equity investment

The Company spent RMB 23.81 billion in fixed asset investment in 2015, among which: RMB 16.65 billion for Zhanjiang Steel project.

1) Fund raising projects

None.

2) Non-fundraising projects

(1) Completed projects having been put into operation

Revamping of Cold Rolling Plant 2030 unit continuous galvanizing line of directly affiliated plants and departments: In order to optimize the structure of hot-dip galvanized products and enhance the competitiveness of Baosteel's hot-dip galvanized products, the existing 1# continuous galvanizing line of Cold Rolling Plant 2030 unit was revamped for upgrading, the project started hot load test on Nov. 30.

Phase I coke oven overhaul revamping project of directly affiliated plants and departments: to achieve the technical upgrade of the coke oven and improve the energy-saving and environmental-protection level of the coke oven, the existing 4×50-hole 6M coke oven was dismantled and the 4×50-hole 7M coke oven was constructed. The designed annual output was 2.47 million tons of cokes. The 1A1B and 2A2B of the coke oven started to produce coke on May 17 and September 15 respectively ahead of schedule. The Phase II 4×50-hole 6M coke oven is being dismantled now, and the total batteries of coke oven will be reduced from 12 to 10. The total production capacity of the coke oven remains unchanged.

(2) Project under continued construction

Zhanjiang Iron & Steel project: to implement the national Plan for Adjustment and Revitalization of Iron & Steel Industry and achieve the strategic adjustment of the steel industry in Guangdong and Shanghai, the production lines for iron-making, steel-making, hot rolling, cold rolling and others are constructed in Donghai Island, Zhanjiang, Guangdong. The designed annual output was 8.23 million tons of pig iron, 8.928 million tons of liquid steel, 8.749 million tons of continuously cast slabs and 6.89 million tons of steel products. The project is scheduled to be completed and put into operation by September, 2016. At present, No.1 blast furnace system of Zhanjiang Steel was ignited and started hot load test on September 25 ahead of schedule, 1# and 2# converters of steel-making plant started hot load test on September 27, hot rolling plant started hot load test on December 15, cold rolling pickling and tandem cold mill line has started overall sequence test, No.2 blast furnace system entered the stage of equipment installation comprehensively.

Section IV Management Discussion and Analysis

(3) Newly-started project

Strip-to-silo change of coal yard E and F: In order to further improve the coal yard area environment, reduce unorganized dust emission, and decrease material loss, strip-to-silo change of coal yard E and F has been conducted. The project will be completed and put into operation in December 2017.

C-type enclosed revamping of Phase-I and Phase-II ore yard OC, OD strip. In order to further improve the regional environment of raw material ore yard, reduce unorganized dust emission, and decrease material loss and charging moisture content, enclosed revamping of raw material OC, OD strip has been conducted, and raw material yard will realize full automatic operation after the revamping. The project will be completed and put into operation in June, 2016.

Enclosed revamping of Phase-I and Phase-II blending yard BA & BB and auxiliary material yard OA & OB. In order to tackle dust-raising from material and material loss at blending yard BA & BB and auxiliary material yard OA & OB, and reduce environmental pollution of materials on surroundings, such enclosed revamping has been conducted. The project is scheduled to be put into operation in June, 2017.

(3) Financial assets measured by fair value

Unit: RMB Million

| Items | At the end of 2014 | At the end of 2015 | Purchases in the period | Sales in the period | Change in fair value |
|---|--------------------|--------------------|-------------------------|---------------------|----------------------|
| Financial assets at fair value included in current profit or loss | 181 | 873 | 8,814 | 8,131 | 9 |
| Available-for-sale financial assets | 1,499 | 1,331 | 582 | 544 | -155 |
| Total | 1,679 | 2,204 | 9,396 | 8,675 | -146 |

(VI) Sales of major assets and equity

None.

(VII) Analysis on major holding and joint stock companies

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

By the end of 2015, the Company had 77.0% shareholding of Shanghai Meishan Iron & Steel Co., Ltd. With a registered capital of RMB 7.08 billion, Meishan Steel specializes in black metal metallurgy, rolling processing and sales. By the end of 2015, it had a total asset of RMB 29.38 billion and a net asset of RMB 9.42 billion, and achieved a net profit of RMB -1.72 billion for the year of 2015.

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

By the end of 2015, the Company had 90% shareholding of Baosteel Zhanjiang Iron & Steel Co., Ltd. With a registered capital of RMB 20 billion, Zhanjiang Steel specializes in black metal metallurgy, rolling processing and sales. Currently, it is under construction. By the end of 2015, it had a total asset of RMB 51.46 billion and a net asset of RMB 18.57 billion, and reported a net profit of RMB -320 million for the year of 2015.

3. Baosteel-NSC/Arcelor Automotive Steel Sheets Co., Ltd.

By the end of 2015, the Company owned 50% equity of Baosteel-NSC/Arcelor Automotive Steel Sheets Co., Ltd. (BNA). With a registered capital of RMB 3 billion, BNA is mainly engaged in the manufacturing and sales of cold-rolled steel sheets and galvanized steel sheets for automobile and automotive parts and other services related to such businesses. By the end of 2015, BNA had a total asset of RMB 5.12 billion and a net asset of RMB 3.42 billion, and achieved a net profit of RMB 196 million for the year of 2015.

4. Yantai Lubao Steel Pipe Co., Ltd.

By the end of 2015, the Company owned 100% of Yantai Lubao Steel Pipe Co., Ltd. With a registered capital of RMB 500 million, Lubao Steel Pipe is mainly engaged in the processing and sales of seamless steel pipe. Its major products include structural seamless steel pipe, low/medium pressure boiler seamless pipe, seamless pipelines for transportation of fluids, hydraulic seamless pipe, high pressure boiler seamless pipe, seamless pipe for oil pipelines, geological drillings, oil pipelines, oxygen canisters, and so on. By the end of 2015, Lubao Steel Pipe had a total asset of RMB 870 million and a net asset of RMB 650 million, and reported a net profit of RMB -170 million for the year of 2015.

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

By the end of 2015, the Company owned 58.5% of Baosteel Huangshi Coated and Galvanized Sheet Co., Ltd. (Huangshi). With a registered capital of RMB 150 million, Huangshi specializes in the production and sales of cold-rolled sheets, aluminum coated steel sheets, color-coated steel sheets and related coated steel products. By the end of 2015, Huangshi had a total asset of RMB 810 million and a net asset of RMB 380 million, and achieved a net profit of RMB 20 million for the year of 2015.

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

By the end of 2015, the Company had a full shareholding of Shanghai Baosteel International Economic & Trading Co., Ltd. (Baosteel International). With a registered capital of RMB 2.25 billion, Baosteel International is mainly engaged in independent and agency imports and exports of goods and technology approved by the government, the imports of steel and scrap steel, processing with imported materials and the "three-plus-one" trading-mix. By the end of 2015, Baosteel International had a total asset of RMB 36.90 billion and a net asset of RMB 14.07 billion, and achieved a net profit of RMB 1.32 billion for the year of 2015.

7. Shanghai Baosight Software Co., Ltd.

By the end of 2015, the Company owned 55.5% of Shanghai Baosight Software Co., Ltd. (Baosight). With a registered capital of RMB 390 million, Baosight is mainly engaged in the research, design, development, manufacturing and integration of computer, automation, network communication systems and software & hardware products. Baosight issued 27,493,010 non-public A-shares in Oct, 2015. Baosteel subscribed 15,258,621 shares as per its shareholding of 55.50% and contributed RMB 655 million. By the end of 2015, Baosight had a total asset of RMB 6.38 billion and a net asset of RMB 3.97 billion, and achieved a net profit of RMB 330 million for the year of 2015.

8. Shanghai Baosteel Chemical Co., Ltd.

By the end of 2015, the Company had a full shareholding of Shanghai Baosteel Chemical Co., Ltd. (Baosteel Chemical). With a registered capital of RMB 2.11 billion, Baosteel Chemical is mainly engaged in the production and sales of raw chemical materials and products, "four techniques" services in chemical industry, and import and export activities of self-manufactured products. By the end of 2015, Baosteel Chemical had a total asset of RMB 4.99 billion and a net asset of RMB 3.68 billion, and achieved a net profit of RMB 7.14 million for the year of 2015.

9. Baosteel Nantong Iron & Steel Co., Ltd.

By the end of 2015, the Company had 95.8% of Nantong Iron & Steel. With a registered capital of RMB 620 million, Nantong Iron & Steel is mainly engaged in the production and sales of deformed steel bars, round steel bars, structural steel, semi-finished steel products (such as billet steel and steel ingot, etc.), as well as other iron & steel products and by-products. By the end of 2015, Nantong Iron & Steel had a total asset of RMB 710 million (with about 66.93 ha. of industrial land) and a net asset of RMB -1.39 billion, and reported a net profit of RMB -570 million for the year of 2015. Baosteel Nantong Iron & Steel Co., Ltd. has been operating economically since April 2014, and entering into shut-down and asset disposal since Oct., 2015.

10. Baosteel Group Finance Co., Ltd.

By the end of 2015, the Company had 62.1% of Baosteel Group Finance Co., Ltd. (Finance Co.). With a registered capital of RMB 1.4 billion, Finance Co. is mainly engaged in absorbing deposits from member entities, providing loans to them, conducting internal financial transfers and relevant settlements between them, helping them in entrusted loan and investment, and engaged in deposits from or to other financial institutions. Finance Co. increased its registered capital through dividend distribution and capital increment with annual retained earnings of RMB 300 million, among which: Baosteel contributed RMB 186.3 million more as per its shareholding of 62.10%. By the end of 2015, Finance Co. had a total asset of RMB 14.32 billion and a net asset of RMB 1.88 billion, and achieved a net profit of RMB 130 million for the year of 2015.

11. Yantai Baosteel Pipe Co., Ltd.

By the end of 2015, the Company owned 80% of Yantai Baosteel Pipe Co., Ltd., with the rest 20% owned by Lubao Steel Pipe. With a registered capital of RMB 4 billion, Yantai Baosteel Pipe is mainly engaged in manufacturing, processing and sales of steel pipe, matching products and by-products, while providing technical consultation, storage, shipping, importing and exporting services of steel pipe rolling technology. By the end of 2015, Yantai Baosteel Pipe had a total asset of RMB 3.86 billion and a net asset of RMB 1.38 billion, and reported a net profit of RMB -440 million for the year of 2015.

12. Ouyeel Commerce Co., Ltd.

As of the end of 2015, the Company and the subsidiary Baosteel International have owned 51% equity of Ouyeel Commerce (the Company holding 8.67%). With registered capital of RMB 2.4 billion, the Company is mainly engaged in technical consultation, technology development, technology services, technology transfer within the field of e-commerce, industrial investment, investment management, equity investment management, investment consultation, economic information consultation, enterprise management consultation, domestic trade (except special approval), import and export business of goods and technology, etc.. In Feb. 2015, the Company, Baosteel International and Baosteel Group jointly set up Ouyeel Commerce, of which, the Company and Baosteel International subscribed 51% with their 100% stock equity in Bsteel Online Co., Ltd as RMB 1.02 billion; Baosteel Group contributed RMB 980 million, holding 49%. In Nov. 2015, Ouyeel Commerce issued additional shares worth RMB 400 million, of which, RMB 34.68 million from the Company and RMB 169.32 million from Baosteel International, with RMB 204 million in total. Ouyeel Commerce increased its registered capital to RMB 2.4 billion after this. As of the end of 2015, Ouyeel Commerce's total assets have reached RMB 3.96 billion, net asset reached RMB 1.71 billion, and net profit reached RMB -160 million in the year.

13. Overseas Companies

By the end of 2015, the Company had overseas subsidiary companies in countries and regions such as U.S.A., Japan, Germany, Singapore, and Hong Kong China. These overseas subsidiaries extended the Company's sales and purchase networks, and played a critical role in enhancing the Company's international competitiveness.

Section IV Management Discussion and Analysis

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

(I) Industrial competition pattern and development trend

There is still much uncertainty for global economy in 2016. USA economy is very likely to recover due to its domestic consumption and great increase in investment; with insufficient recovery in Europe economy, uncertainty in Euro and Brexit worsen the economic stability; Japan faces challenges in the short term with slowed growth and downward pressure on inflation; emerging market economy has no evident signs of recovery. Therefore, basic tone for Chinese economy is de-capacity, de-stocking, de-leveraging, cost reduction and complementing weak links.

Opportunities come with challenges as 2016 is the first year of China's thirteenth five-year planning. On one hand, overall opening policy, including "One Belt, One Road" construction, linkage of land-sea and home-abroad, opening of East and West China, facilitates to speed up the globalization of Chinese manufacturing, which results in more direct or indirect Chinese steel products export and reduce Chinese capacity to some extent. On the other hand, China is entering into new normal, which means supply and demand at long-term slow growth rate and fierce competition in steel industry with oversupply difficult to overcome. According to CISA, as estimated by 9% growth rate in fixed asset investment in 2016, steel apparent consumption in 2016 will be further reduced to 660-670 million tons while domestic crude steel output to 750-760 million tons. (Notes: Data of steel apparent consumption and domestic crude steel output in 2016 is from www.glinfo.com.)

With accelerated advance of supply-side reform, continuous enforcement of new environmental protection law, continued shrinkage of steel demand from downstream industries, serious overcapacity in steel industry and deteriorated profit of steelmakers, the steel industry is bound to intensify its effort and speed in the following reform: shut down "zombie" steelmakers and eliminate outdated capacity; merge and restructure and optimize structural adjustment; dig up domestic potentiality and reduce cost in every aspect; equally emphasize on innovation in technologies and management, gear up differential competition in products and service and constantly promote operating efficiency.

(II) Development strategies

The Company takes "Creativity Changes Life" as its mission, "Integrity and Synergy" as its core value, "becoming a leader of steel technology, best practitioner of eco-friendly enterprise and model company combining common development of employees and enterprise" as the vision and "becoming the most competitive steel company and the most valuable listed company across the world" as a strategic target.

Facing the "winter" of steel industry, the Company adopts the development strategy of "One Body Two Wings". Through innovation in systems and mechanism and organization and synergy across areas, the Company shall attempt to hold its technical leadership, facilitate cost and competitiveness improvement, conduct pilot wisdom manufacturing, manipulate urban steel mill development and build new competitive advantages and sustainable development ability.

1. Implement cost reduction, enhance cost improving ability

Through all staff, all aspects and all processes cost reduction, by means of technical cost reduction, administrative cost reduction and synergetic cost reduction, solve the problem of the company's high cost system, strive to be in the leading position of the peers in cost level.

2. Improve product competitiveness, remain market leadership

With customer oriented, aiming at development of six strategic products (automotive steel, silicon steel, steel for energy and pipeline, high-grade thin sheet, high-grade heavy plates and tin plates), focusing on revitalizing stock assets and internal development, through focused resource allocation, initiatives in R&D, manufacturing, marketing, service and other aspect, the Company is expected to improve its overall product competitiveness, thus remaining its leadership in domestic market.

3. Continue technical leadership and build three manufacturing base for premium steel products

Shanghai base is based upon the domestic market and aimed at the global market, positioning itself as R&D center for the Company's technical development and operation promotion and manufacturing center of high-end and cutting-edge products, featuring the production of high value added products with high technology content and high market share, and serving as the base for premium high-end sheets and steel pipe and bars. The Meishan Steel base stations itself in the East China market, coordinates with the Shanghai base, acts as the base for hot-rolled, pickling, tin plate premium products and gradually delivers the same quality as Shanghai factories. The Zhanjiang Steel base radiates to the Southeast Asia market with its center in the South China, with stable manufacturing capability and rapid production of premium products at low cost, and will be built into the worldwide most efficient carbon sheet factory.

4. Pilot wisdom manufacturing to build new advantage

With idea and method application of Industry 4.0, utilizing Internet, Internet of Things, intelligent manufacturing and robot technology, the Company will realize wisdom manufacturing, build wisdom manufacturing system integrating intelligent equipment, intelligent factories and wisdom operation to facilitate its competitiveness in cost, quality and service and become a front-runner in wisdom manufacturing of domestic steelmakers.

5. Build model urban steel mill and fuse urban and capacity development

Build an upgraded green factory through energy reduction and environmental protection technology as well as equipment upgrade, waste heat and clean energy utilization and development in cutting-edge technologies; Build urban model steel mill based on ecological harmony through development on urban energy and carbon reduction service, waste disposal and ecological products.

(III) Operational plan

1. Development strategies in early stages and the progress of operational plan in the reporting period

Compared to annual operational plan, total operating revenue in 2015 was RMB 29.846 billion less, of which, RMB 19.701 billion less from plain carbon steel and RMB 10.473 billion less from steel trading, mainly due to integrated impact of decline in sales price, variety structure and drop in sales volume. Hence, profit per ton wasn't listed in global top 3.

2. Operational goal and plan as well as work of priority in 2016

In 2016, The Company will continue to stick to the general operational principle of "one body with two wings, three-place coordination, seeking development through innovation and reform, differentiated competition, cost improvement, and creating good performance through lean operation", aim at cost reduction and rigid landing and endeavor to achieve the following operating objectives: "50% market share of cold rolled automotive sheet, RMB 4 billion of cost reduction from all aspects, RMB 10 billion cash inflow resulting from operating activities, 3.8% up in labor efficiency of regular staff and the best performance among domestic peers", thus keeping the best business performance.

The Company plans in 2016 to produce 26.79 million tons of iron and 27.11 million tons of steel and sell 23.44 million tons of steel products, with RMB 160.4 billion of gross revenue and RMB 149.1 billion of operating cost. The operating management is expected to specify all measures for the work of priority, benefit from innovation reform and unconventional methods for implementation safeguard and endeavor to present a better business result based on ensuring stable business performance year-on-year.

Guided by the Company's overall operational principle and goal in 2016, and in line with the requirements of the planning as well as the Group Corporation, the Company will focus on the following work:

(1) Push forward the development of new products and keep differentiation in competitive advantage.

Revolve around six strategic products, enhance the planning and R&D of new products with technical leadership; pay attention to manufacturing stability of new products and low-cost process development to further reduce manufacturing cost of varieties such as super ultra-high strength automotive steel, hot-rolled high-strength steel and steel for pipes & tubes.

(2) Build efficient and low-cost manufacturing bases with multi-base coordination.

Reinforce multi-base coordination, through optimizing variety management and division, complement each other among three bases and maximize the Company's overall profit

(3) Ensure a stable energy system with more efforts on environmental governance

Level up energy system's capabilities on coping with changes and adjustments of major operation lines through control over emission of coal gas and oxygen; acquire maximum benefit from improvements in carbon asset management. With well-organized ecological afforestation construction in plants, 300 thousand sq. m. of afforestation and 12 afforestation projects in plants are scheduled in 2016. Continue environmental renovation project in raw material plot for iron making.

(4) Dig up users' demand with innovated marketing mode

Endeavor to realize annual sales objectives with innovated marketing mode and varied marketing schemes; Revolving around Zhanjiang steel products, expand regional market, explore customized sales schemes for users to ensure output-sales balance for all production lines of Zhanjiang Steel as well as maximum sales value of spot goods; Through EVI and service mode, extend technical service impact of automotive sheet and enhance automotive sheet product value.

(5) Reduce cost as special program in terms of every staff, every aspect and every process.

Give a strong push to company-wide "cost-side reform" and systematically reduce cost by expense reduction, efficiency promotion, technical cost reduction and economic operation; organize all work based on contributing cash flow and optimize occupancy efficiency of operating capital; revolve around consistent manufacturing techs, focus on specification expansion, cost reduction and stable manufacturing. Realize low-cost manufacturing from design to production.

(6) Intensify reform and revitalize teams

Optimize management system, reduce staff allocation and constantly advance efficiency improvement; reinforce remuneration distribution reform and ensure remuneration mode matches production and organization form. Strengthen key staff management; ensure leader teams are always ready for work with enthusiasm and passion.

(7) Speed up Zhanjiang Steel's transform from construction to operation.

Zhanjiang Steel project is scheduled to be put into operation in 2016. With cost-driven based production lines, the Company will endeavor to find ways to improve cost, boost cost competitiveness, ensuring control over operating loss.

Section IV Management Discussion and Analysis

(8) Initiatively conduct pilot wisdom manufacturing program.

Conduct 15 unmanned programs of equipment automation such as operation automation in front of No.3 blast furnace, carry forward 1580 hot rolling intelligent workshop project, ensure some projects would be put into operation in the year; boost comprehensive interactive response, jointly establish shared wisdom marketing platform and support internet-oriented marketing mode transform; intensify online purchasing pattern and conduct transformation construction of procurement supply platform featuring "Internet+Purchasing".

(9) Advance implementation of new planning

New planning still takes "becoming the most competitive steel company and the most valuable listed company across the world" as a strategic target and focuses on developing the Company towards "cost transform, technical leadership, service comes first, wisdom manufacturing and urban steel mill".

3. Operational plan of the Company in 2016 does not constitute a commitment of the performance to investors who are kindly reminded of the risk in it.

4. Capital demand for maintaining the existing business and finishing investment project under construction, resource, cost and use of investment capital involved in operational plan

The Company's 2016 budget contains RMB 14.159 billion for fixed asset investment, including scheduled RMB 6.319 billion for Zhanjiang Steel project. Other fixed asset investment involve continued E&F strip-to-silo construction, continued No.3 sintering project overhaul and continued closed transformation of Phase-I and Phase-II material blending yard and auxiliary material yard, enclosed transformation in ore material yard and integrated transformation of ultra-clean emission in power plant.

(IV) Possible risks

1. The Company's overall risk and relevant countermeasures

Zhanjiang Steel project realized the leap-over from construction to trial production. 2015 was the last year for construction and Zhanjiang project has been ready for operation. Engineering construction and production preparation have entered into the last critical stage. The Company utilized all resources and allowed key staff to play significant roles in engineering construction and production preparation, with control pattern of "One plant for another; one department for another". Zhanjiang Steel strived to ensure a complete engineering construction, a systemic production preparation, independent staff and coordination among departments for successful systemic hot load trial run of No.1 blast furnace in "Sep. 2015". Zhanjiang Steel is planned to be put into full operation in 2016. It is necessary to keep an eye on independent working and operation ability of its staff as well as staff turnover risk, to control production cost; with a severe market, the Company shall pay close attention to product certification, product expansion and decision on the timing of putting No.2 blast furnace into operation.

Intensify control over environmental protection risk. New environmental protection law has taken effect since 2015. With stricter requirements on environmental protection and energy conservation & emission reduction from the government and community, the Company paid close attention to changes in relevant standards of laws and regulations on environmental protection, properly interpreted, compared and incorporated or transformed them in the Company's relevant systems and management rules. Meanwhile, the Company reduced or eliminated environmental protection risk through such measures as self-inspection on compliance, hidden danger elimination, risk warning, advance of environmental protection program and supervision on environmental protection. All departments initiatively coordinated and communicated with each other to respond to the consecutive and frequent supervision from local environmental protection authorities. Regularly prepared and released supervision report on environmental protection risk and according to risk level and type properly alerted and warned the risk, monitored and tracked the early warning in a professional way, which gave a result of overall controlled environmental protection risk.

The Company has steadily and consecutively improved its energy management system with technical index performance of production keeping cutting-edge. Pollution emission indexes of relevant units were lower than allowed value of local governments; through boosting the implementation of major environmental protection programs, the Company effectively controlled pollution emission, overfulfilled the emission reduction goal given by Shanghai municipality for "the twelfth five-year", with 26% and 23% more of SO₂ and NO_x emission reduction than expected; environment and afforestation in plants have been improved constantly, so has solid waste management.

Enhance control over exchange rate. Pay close attention to exchange rate and interest rate risk, energetically respond to unexpected market changes, explore foreign exchange financing under the lock-in of exchange rate risk, and expand channels for low-interest rate financing. Central bank adjusted RMB central parity regime in August, 2015, which resulted in rapid depreciation of RMB against USD. In strict compliance with annual exchange rate risk management proposal, the Company adopted foreign currency debt conversion to get exchange rate risk for financing under control according to the knock-out principle of "foreign exchange financing interest rate plus exchange rate lock-in cost" no more than RMB financing cost. With the background of RMB going global, RMB exchange rate in 2016 may still depreciate. The Company shall further perfect risk control strategies, establish currency conversion emergency plans for financing and reduce exchange rate risk exposure to maximum extent as well as losses from foreign exchange.

Economic and social development would be under high pressure in 2016, especially structural reform, illustrated by five missions, namely de-capacity, de-stocking, de-leveraging, cost reduction and complementing weak links. New normal in economic development would be a basic tone for Chinese economy next decade.

Section V Significant Events

2. New risk factor in the year of 2015

Based on analysis on internal and external environment faced by the Company in 2015 and integrated review, in terms of risk possibility and impact on operating objectives, 7 risk points have been identified which affected the realization of operating objectives in the year of 2015, involving strategies, market, finance and operating risk. Through major risk evaluation and response, the Company enhanced risk control, which resulted in overall controlled risk in 2015 without new risk factors.

I. Proposed Profit Appropriation of Common Stock or Capitalizing of Capital Reserves Plan

(I) Making, Implementation or Adjustment of Cash Dividend Policy

The Company's dividend distribution plans in previous years were all in line with the Company's Articles of Association and were approved by the shareholders' meeting. The cash dividend stipulated by the Company followed clear standard and percentage requirement, and the related decision-making procedure and mechanism were self-contained. The independent directors have fulfilled their obligations and played active roles in the dividend distribution planning. It was also ensured that the medium and small shareholders could fully air their views and concerns. Measures were taken to protect the legal rights of the medium and small shareholders.

In 2015, since the Company recorded a net profit of RMB 3,327,407,674.42, plus the undistributed profit of RMB 34,216,028,534.80 at the beginning of 2014 and minus the cash dividend of RMB 2,964,784,684.32 distributed in 2014, it is predicted that the Company's distributable profit would amount to RMB 34,578,651,524.90 at the end of 2015. In order to realize the long-term sustainable development, and better repay the investors, the Board of Directors proposed the following profit appropriation scheme for the year:

1.Ten percent of the net profit, or RMB 332,740,767.44, was allocated as statutory earnings reserves for the year 2015;

2.Ten per cent of the net profit, or RMB 332,740,767.44, was allocated as discretionary earnings reserves for the year 2015;

3.In consideration of the slump in net profit attributable to shareholders of the parent company in 2015 consolidated statements and in view that the Company always attaches importance to rewarding shareholders and adheres to the long-term cash dividends policies, the Company intended to allot the cash dividend at RMB 0.06 per share (incl. tax) to all shareholders registered on the equity registration date recognized in the Dividend Payout Announcement, accounting for about 97.55 % of the net profit attributable to the parent company shareholders in the audited consolidated statements.

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

5.Cash dividend-net profit ratios from 2012 to 2015:

| Items | 2015 | 2014 | 2013 | 2012 |
|---|--------|--------|--------|--------|
| 1 Cash dividend per share (incl. tax) (RMB) | 0.06 | 0.18 | 0.10 | 0.138 |
| 2 Total amount of cash for repurchase (RMB 100 million) | | | 30.83 | 19.17 |
| 3 Total amount of cash dividend (incl. cash for repurchase) (RMB 100 million) | 9.88 | 29.65 | 47.31 | 41.95 |
| 4 Net profit for legal person presented in the statements according to corporation (RMB 100 million) | 33.27 | 67.12 | 64.92 | 104.87 |
| 5 Net profit attributable to parent company in consolidated statements (RMB 100 million) | 10.13 | 57.92 | 58.18 | 100.90 |
| 6 Cash dividend against net profit for legal person | 29.69% | 44.17% | 72.87% | 40.00% |
| 7 Cash dividend against net profit attributable to parent company in consolidated statements | 97.55% | 51.19% | 81.30% | 41.58% |

Note: The cash dividend for 2015 was the proposed profit appropriation by the Board of Directors, which was subject to approval at the 2015 Shareholders' Meeting.

(II) Profit Appropriation Plan or Proposal of Common Stock and Capitalizing of Capital Reserves Plan or Proposal in Last Three Years (Including the reporting period)

Unit: RMB Million

| Annual dividend | Bonus share per 10 shares (share) | Dividends per 10 shares (RMB) (Incl. tax) | Capitalizing of capital reserves Per 10 shares (share) | Cash dividends (incl. tax) | Net profit attributable to shareholders of listed company in consolidated statements | Ratio against net profit attributable to shareholder of listed company in consolidated statements (%) |
|-----------------|-----------------------------------|---|--|----------------------------|--|---|
| 2015(Note) | | | | 988 | 1,013 | 97.55 |
| 2014 | | | | 2,965 | 5,792 | 51.19 |
| 2013 | | | | 4,731 | 5,818 | 81.30 |

Note: Cash dividend amount in 2015 was estimated.

Section V Significant Events

II. Commitments and Performance

√ Applicable □ Not applicable

(I) Commitments of the Company, shareholders, actual controllers, purchaser, director, supervisor, management and other related party in and continuing to the reporting period

| Commitment background | Commitment type | Committed party | Commitment content | Commitment time and time limit | Is there a time limit for performance | If perform timely and strictly | Reason for nonperformance in time | Notes for next plan if nonperformance in time |
|--|------------------------|----------------------------|---|--------------------------------|---------------------------------------|--------------------------------|-----------------------------------|---|
| Commitments related with the initial public offering (IPO) | Solve peer competition | Baosteel Group Corporation | <p>Baosteel Group undertook the following two commitments as of the establishment of the Company:</p> <p>(1) All related transactions with the Company will be carried out in compliance with relevant laws, regulations and rules set by the authorities and will not damage the legitimate interest of the Company and its minority shareholders.</p> <p>(2) Baosteel Group promises it will not directly participate in any business activity or directly own interests in any business activity or entity that might pose competition to the Company's current operating business. However, Baosteel Group can maintain its existing shares in the Company, as well as manage and develop existing business which is or may be in competition with the Company. If Baosteel Group and its subsidiaries are about to engage in any new business, investment or research that might be in competition with the products or services of the Company in the future, the Company has the priority to develop and acquire business said above.</p> <p>Commitments above will stay in force under two conditions: A. the Company is listed in Hong Kong Exchanges and Clearing Limited and domestic stock exchange of China and, B. Baosteel Group owns no less than 30% of the Company's issued shares. In addition, on June 13, 2001, and September 6, 2002, Baosteel Group further pledged to uphold these two commitments after the Company's acquisition of the assets related to construction of its phase three project and all remaining assets thereof.</p> <p>These commitments were published on China Securities News, Shanghai Securities News and Securities Times dated 21st June 2001 and 12th September 2002 and the official website of Shanghai Stock Exchange (http://www.sse.com.cn) as well.</p> | February 3, 2000 | No | Yes | | |
| Commitments related with re-financing | Solve peer competition | Baosteel Group Corporation | <p>Commitments made in the Prospectus of additional public offering by Baosteel Group:</p> <p>(1) The Company has the right to acquire, at any time it thinks appropriate, Baosteel Group's assets and businesses which may be in competition with the Company.</p> <p>(2) The Company shall enjoy the priority of similar business opportunities acquired by Baosteel Group, who will not invest until the Company gives up the commercial opportunities.</p> <p>These commitments were publicly posted on official website of the Shanghai Stock Exchange (http://www.sse.com.cn) in April 2005.</p> | August 10, 2004 | No | Yes | | |
| Other commitments | Others | Baosteel Group Corporation | <p>Commitments Baosteel Group undertook about Luojing Land:</p> <p>Baosteel Group Shanghai Pudong Iron and Steel Co., Ltd. (hereafter, Pudong Steel), a wholly owned subsidiary of Baosteel Group, was offering its construction-in-progress and related fixed assets in Luojing (hereafter, Luojing Related Assets), which the Company intended to purchase. Luojing Related Assets covered an area of 3.228 million m², for which Pudong Steel has paid some initial expenses, but not the land transfer expense. When the assets are to be purchased, RMB 2.8 billion of the unpaid land transfer expense and the Pudong Steel's initial expenses as on the asset-assessing day (30 September 2007), as preliminarily estimated, shall be paid by the Company.</p> <p>Baosteel Group promised:</p> <p>(1) If the Company intends to purchase the Luojing Related Assets, Baosteel Group and/or Pudong Steel would help the Company to go through the transfer procedures and other matters as required by the Company.</p> <p>(2) In the event of the total actual expense exceeding RMB 2.8 billion for the procedures, Baosteel Group and/or Pudong Steel shall fully cover the exceeding amount in time, by means of paying the Company and/or the government (as it is required).</p> <p>The aforementioned commitments were published on China Securities News, Shanghai Securities News and Securities Times and the official website of Shanghai Stock Exchange (http://www.sse.com.cn) of 12 December 2007.</p> <p>Land in commitments aforementioned involved with West Luojing, East Luojing and North Energy Gallery. By the end of this report, the Company has signed west land transfer contract of Luojing Project, and paid RMB 2.34 billion for land-transferring, about RMB 20 million for north energy gallery land with land warrants. Relevant warrants for east land are in the process. And its land-transferring fees have not been paid yet.</p> | December 11, 2007 | No | Yes | | |

| | | | | | | |
|-------------------|--------|----------------------------|---|-------------------|----|-----|
| Other commitments | Others | Baosteel Group Corporation | <p>Baosteel Group advised if the Company would like to invest in the Desheng Nickel Project on December 16, 2010 in written form of Solicit Letter about Investment on Desheng Nickel Project, Commitments about Desheng Nickel Project. The Company agreed that Baosteel Group could invest in the project, but retained the right to purchase the equity of the project. Baosteel Group promised: When the Company wants to acquire the equity of the project, it would transfer its share of equity of the project at a fair price in line with relative laws, regulations, and other documents to the Company and on basis of asset evaluation results as conducted by an individual assets evaluation agency.</p> <p>These commitments stay in force under two conditions: (a) the company is listed at a stock exchange and (b) Baosteel Group owns no less than 30% of the Company's issued shares.</p> <p>The aforementioned commitments were published on China Securities News, Shanghai Securities News and Securities Times and the official website of Shanghai Stock Exchange (http://www.sse.com.cn) of December 23, 2010. During the reporting period, Baosteel Group and the Company did not breach any of the aforementioned commitments.</p> | December 16, 2010 | No | Yes |
|-------------------|--------|----------------------------|---|-------------------|----|-----|

III. Capital Occupancy and Debt Settlement in the Reporting Period

☐ Applicable ☒ Not applicable

IV. Engagement and/or Termination of Accounting Firm

Unit: ten thousand RMB

| | Now |
|--|---|
| Name of accounting firm in China | Deloitte Touche Tohmatsu Certified Public Accountants LLP (special general partnership) |
| Compensation of accounting firm in China | 288 |
| Year Limit of accounting firm in China | Six years |

| | Name | Compensation |
|--|---|--------------|
| Audit Accounting Firm for internal control | Deloitte Touche Tohmatsu Certified Public Accountants LLP (special general partnership) | 110 |

Notes for engagement and/or termination of accounting firm:

☒ Applicable ☐ Not applicable

The Company continued to use the services of Deloitte Touche Tohmatsu (Deloitte) in 2015. The compensation paid to the accounting firm was detailed below:

1. The approach and amount of the compensation payable to the accounting firm for services was determined by the Shareholders' Meeting. Meanwhile, compensation for auditing services employed by the Board of Directors was determined by the Board. Independent directors gave their unanimous consent to the compensation for the accounting firm.
2. As approved by 2014 Annual Shareholders' Meeting, the auditing fees payable to Deloitte in 2015 was RMB 2.88 million (Ind. tax). In addition, the Company paid Deloitte RMB 1.1 million (Excl. tax) for its auditing work for internal control in 2015, which did not influence Deloitte's independent audit, as the Board of Directors believed.
3. Until the year 2015, Deloitte has been continuously providing auditing service to the Company for six years. Signatory auditors to the Company's 2015 Financial Statements were Xu Yusun and Jiang Jian. The former has been providing auditing service to the Company for the first time, and the latter for three consecutive years.

Notes for changing another accounting firm the auditing period

None.

Section V Significant Events

V. Material Litigation, Arbitration

☐ Applicable ☒ Not applicable

VI. Punishment and Rectification of the Listed Company and Its Directors, Supervisors, Senior Executives, Controlling Shareholders, Actual Controller and Acquirer

☐ Applicable ☒ Not applicable

Directors, supervisors and senior executives of the Company have not been punished during the reporting period.

VII. Notes for Credits of the Company and Its Actual Controller and Controlling Shareholders during the Reporting Period

None.

VIII. Progress of Share Incentive Scheme, Employee Stock Ownership Program and Other Incentives and Their Impact

☒ Applicable ☐ Not applicable

To establish and perfect the medium and long term incentive mechanism, the Company started restricted share plan in 2014, with 136 incentive objects who are senior management, core management and technical personnel and 47,446,100 shares in total, which were the Company's A shares purchased back from Shanghai Stock Exchange by the Company through public bidding. In the same year, 2 incentive objects quitted the restricted share plan, and pursuant to national policy and relevant provisions of the Company's restricted share, 698,900 restricted shares that had not yet reached the unlocking conditions were purchased back by the Company and cancelled at the incentive object's awarding price, reducing RMB 698,900 of the Company's share capital.

In 2015, restricted shares held by incentive objects were still in lock-up period and 9 incentive adjusted and quitted the plan due to personnel changes. Pursuant to national policy and relevant provisions of the Company's restricted share, 3,508,500 restricted shares that had not yet reached the unlocking conditions were purchased back by the Company and cancelled at the incentive object's awarding price, reducing RMB 3,508,500 of the Company's share capital.

The implementation of the above share incentive scheme has been disclosed, and for details please see Shanghai Stock Exchange website: [//www.sse.com.cn](http://www.sse.com.cn).

(I) Incentives which have not been disclosed in temporary announcement or with follow-ups

Share incentives

☐ Applicable ☒ Not applicable

(II) Notes for inventive matters of the Company during the reporting period

None.

IX. Major Related Party Transactions

√ Applicable ☐ Not applicable

(I) Day-to-day related party transactions

The major related parties of the Company were legal persons controlled by Baosteel group. The transactions conducted between the Company and its major related parties in the reporting period included:

1. Procurement and sales of products and acceptance of services

Unit: RMB Million

| Related parties | Related Transactions | Pricing principle | Amount |
|---|--|-------------------|--------|
| Baosteel Stainless Co., Ltd. | Sales of steel products, raw materials, auxiliary materials and etc. | Market price | 1,457 |
| Baosteel Development Co., Ltd. | Sales of steel products | Market price | 744 |
| Baosteel Group Shanghai Meishan Co., Ltd. | Sales of steel products | Market price | 1,778 |
| Baosteel Metal Co., Ltd. | Sales of steel products and energy media | Market price | 955 |
| Baosteel Special Steel Co., Ltd. | Sales of steel products, raw materials, auxiliary materials and etc. | Market price | 1,782 |
| Baosteel Resources (International) Co., Ltd. | Sales of raw materials and fuel | Market price | 1,242 |
| Subtotal of sales | | | 7,958 |
| Baosteel Stainless Co., Ltd. | Procurement of steel products and etc. | Market price | 9,729 |
| Baosteel Special Steel Co., Ltd. | Procurement of steel products and etc. | Market price | 4,712 |
| Ningbo Baoxin Stainless Steel Co., Ltd. | Procurement of steel products and etc. | Market price | 5,204 |
| Baosteel Development Co., Ltd. | Procurement of raw materials and fuel and auxiliary materials | Market price | 1,081 |
| Baosteel Engineering & Technology Group Co., Ltd. | Procurement of auxiliary materials and equipment | Market price | 2,777 |
| Baosteel Group Shanghai Meishan Co., Ltd. | Procurement of raw materials, auxiliary materials and etc. | Market price | 737 |
| Baosteel Resource Co., Ltd. | Procurement of raw material | Market price | 3,536 |
| Subtotal of commodity procurement | | | 27,776 |
| Baosteel Development Co., Ltd. | Acceptance of comprehensive services such as logistics, engineering, maintenance, warehousing and transportation, etc. | Negotiated price | 1,703 |
| Baosteel Group Shanghai Meishan Co., Ltd. | Acceptance of comprehensive services such as logistics, engineering, maintenance and transportation, etc. | Negotiated price | 1,370 |
| Baosteel Engineering & Technology Group Co., Ltd. | Acceptance of services such as detection, maintenance and engineering, etc. | Negotiated price | 2,240 |
| Subtotal of service acceptance | | | 5,313 |

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

The sales above accounted for 4.9% of the Company's operation revenue in the reporting period; procurement and services received took up 18.6% and 3.6%, respectively, of the Company's operation cost in the reporting period.

All transactions were settled either by cash or by note.

2. Financial service

Baosteel Group Finance Co., Ltd. (hereafter referred to as Finance Co.), a national non-bank financial institution with Baosteel Group holding 35.18% of the shares and the Company holding 62.10% of the shares, was established for central management of the funds of the Company so as to raise the efficiency of fund use. It provided comprehensive financial services such as internal settlement, deposits and loans, short term capital financing, investment and fund-raising, etc. for members of the group.

In the reporting period, Finance Co. provided a total of RMB 9.83 billion loans to Baosteel Group controlling subsidiaries, with outstanding loan of RMB 890 million and a total interest income of RMB 60 million.

In the reporting period, Finance Co. discounted a total of RMB 1.00 billion to controlled subsidiaries of Baosteel Group at the re-discount rate set by the People's Bank of China, with the closing balance of RMB 200 million and a total sum of interest of RMB 20 million.

Section V Significant Events

During the reporting period, Baosteel Desheng Stainless Steel Co., Ltd., the subsidiary of Baosteel Group, entrusted the Finance Co. to conduct fund management activities such as buyback of the national debt. The Finance Co. received the entrusted fund of RMB 750 million for management, for which the Finance Co. charged RMB 45,000 as service fee.

The related transactions mentioned in the above item (1) and (2) between the Company and the related parties are market-oriented choices based on maximization of profits and operation efficiency, so that both can make the best of each other's advantages in professional collaboration, and each become more competitive. The related transactions between the Company and the related parties are expected to continue.

3. Entrusted capital for management

In order to effectively raise the use efficiency of phased-available funds and with maintenance and appreciation of capital value, Baosteel entrusted its financial subsidiary for capital management, including purchasing financial products like funds and trust. Trading volume in 2015 was RMB 3.06 billion, with RMB 2.43 billion closing balance, and RMB 80 million investment income.

(II) Related transactions of assets/ shares acquisition and sales

None.

(III) Significant connected transaction of common investment

1. In Feb. 2015, the Company, Baosteel International and Baosteel Group jointly invested and set up Ouyeel Commerce Co., Ltd. of which registered capital was 2.4 billion Yuan. The Company and Baosteel International accumulatively contributed 1.224 billion Yuan, holding 51% of stock equity. Meanwhile, Ouyeel Commerce together with the fully-owned subsidiary of Baosteel Group – Hwabao Investment Co., Ltd. made joint investment into Shanghai Ouyeel Financial Information Service Co., Ltd. of which registered capital was 300 million Yuan. Ouyeel Commerce Co., Ltd. made 270 million Yuan of investment in cash, holding 90% of stock equity. In Feb., Ouyeel Commerce Co., Ltd. together with Baosteel Group made joint investment into Shanghai Ouyeel Material Technology Co., Ltd. of which registered capital was 100 million Yuan. Ouyeel Commerce Co., Ltd. contributed 90 million Yuan, holding 90% of stock equity.

2. In Sep. 2015, based on assessed value of recorded net asset, Ouyeel Finance contributed RMB 3.66 million to purchase 60% stock equity of Zhongxing Pawn owned by Baosteel Development, a fully-owned subsidiary of Baosteel Group. After the acquisition, Ouyeel Finance and Baosteel Development contributed RMB 240 million to Zhongxin Pawn in cash as per respective shareholdings, with RMB 144 million from Ouyeel Finance, which contributed RMB 148 million in total for purchasing and capital increase.

(IV) Claims and liabilities between the Company and related parties

1. Matters disclosed in temporary announcement with follow-ups or changes

On April 1, 2012, the Company completed the assets transfer of affiliated business units of Stainless Steel and Special Steel. The RMB 22.5 billion of the settlement will be collected in 5 equal installments with 20% every year and principal and interests on April 1 each year from 2013 to 2017. This asset transfer was reviewed and approved by the Shareholders' Meeting. At the end of 2015, the closing balance of long-term receivable was RMB 9 billion, including RMB 5.2 billion receivable and RMB 3.8 billion from Baosteel Stainless Steel Co., Ltd., and Baosteel Special Steel Co., Ltd. respectively, reporting an interest income of RMB 168 million and RMB 123 million separately.

2. Matters not disclosed in temporary announcement

☐ Applicable ☒ Not applicable

X. Major Contracts and Performance

(I) Major trusteeships, contracts or leases

☐ Applicable ☒ Not applicable

(II) Guarantees

☒ Applicable ☐ Not applicable

Unit: RMB Yuan

Outside guarantee (Excl. guarantees for subsidiaries)

| Guarantor | Relations between guarantor and listed companies | Warrantee | Amount | Date (when the agreement was signed) | Starting date | Expiry date | Type | If completely fulfilled | If overdue | Overdue amount | Counter guarantee | If for related party | Relations |
|-----------|--|-----------|--------|--------------------------------------|---------------|-------------|------|-------------------------|------------|----------------|-------------------|----------------------|-----------|
|-----------|--|-----------|--------|--------------------------------------|---------------|-------------|------|-------------------------|------------|----------------|-------------------|----------------------|-----------|

Total guaranteed amount in the reporting period (Excl. guarantees for subsidiaries)

Total guarantee balance at the end of the reporting period (A) (Excl. guarantees for subsidiaries)

Guarantees of the Company and its subsidiaries for subsidiaries

Total guaranteed amount in the reporting period for subsidiaries 245,196,592.27

Total guarantee balance at the end of the reporting period for subsidiaries (B) 3,725,766,192.27

Total guaranteed amount (Incl. guarantees for subsidiaries)

Total guaranteed amount (A+B) 3,725,766,192.27

Total guaranteed amount accounting for net asset of the Company (%) 1.6%

Among which:

Guaranteed amount for shareholders, actual controller and its related parties (C)

Direct or indirect guaranteed amount for liabilities of warrantee with asset-liability ratio more than 70% (D)

Amount of total guaranteed amount exceeding 50% of net asset (E)

Total above guaranteed amount (C+D+E)

Notes for possible joint settlement responsibility from guarantees not yet due Above mentioned guarantee companies shall bear joint responsibilities. So far, No matters has resulted in the Company's actual fulfillment of joint responsibility

Notes for guarantees

By the end of 2015, the Company has offered two joint liability performance guarantees for Baosteel Europe Trade Co., a wholly owned subsidiary of the Company, with the amount of USD 531 million and the longest duration to August 2017; offered two joint liability performance guarantees for Baosteel Australia Trading Co., Ltd, a wholly-owned subsidiary of HOWA Trading Co., Ltd. with the amount of USD 14 million and the longest duration to Jan. 2018; offered one joint liability performance guarantee for Baosteel Middle East Co., Ltd., a wholly-owned subsidiary of the Company with the amount of USD 29 million and duration to June 2018. Above guarantees totaled USD 574 million.

Section V Significant Events

(III) trusted management on cash asset

1. Entrusted financial management

√ Applicable ☐ Not applicable

Unit: RMB million

| Partner name | Products type | Amount | Starting date | Expiry date | Determined payment method | Actual principal withdrawn | Actual gain | Legal proceedings | Amount of provision for impairment | Related transaction | Involvement in lawsuits | Relations |
|--|--|-----------|---------------|-------------|----------------------------------|----------------------------|-------------|-------------------|------------------------------------|---------------------|-------------------------|---------------------|
| Industrial Commercial Bank of China Ltd. | ICBC financial product -win-win | 1,600.00 | 2014/11/13 | 2016/3/24 | Annual interest rate 4.5%-5.7% | 1,500.00 | 46.25 | Yes | | No | No | |
| China Construction Bank Corporation | Profit | 3,750.00 | 2014/11/21 | 2015/9/29 | Annual interest rate 5.15%-5.4% | 3,750.00 | 87.11 | Yes | | No | No | |
| Bank of Communications Co., Ltd. | Win of Fortune | 1,000.00 | 2014/11/27 | 2015/5/11 | Annual interest rate 5.2%-5.35% | 1,000.00 | 9.48 | Yes | | No | No | |
| Hwabao Trust Co., Ltd. | Baoying Safety Portfolio | 1,765.50 | 2014/11/28 | 2018/3/30 | Annual interest rate 4.725%-7.5% | 765.50 | 45.59 | Yes | | Yes | No | Brother corporation |
| Bank of China Limited | Zhihui Series | 6,410.00 | 2015/4/1 | 2016/11/14 | Annual interest rate 4%-5.15% | 4,610.00 | 62.74 | Yes | | No | No | |
| China Universal Asset Management Co., Ltd. | China Universal-Baosteel Asset Management Plan No. 1 | 100.00 | 2015/12/31 | 2016/12/30 | Yield range 4.5%-5.5% | | | Yes | | No | No | |
| Total | / | 14,625.50 | / | / | / | 11,625.50 | 251.17 | / | | / | / | / |
| Total of Past-due Principal and Gain (RMB) | | | | | | | | | | | | 0 |
| Notes | | | | | | | | | | | | None |

2. Entrusted loan

√ Applicable ☐ Not applicable

Unit: RMB million

| Debtor name | Amount | Term | Loan rate | Purpose | Pledge or guarantor | Overdue | Related transaction | Extension | Involvement in lawsuits | Relations | Gains or losses |
|-------------------------|--------|---------|-----------|-----------|---------------------|---------|---------------------|-----------|-------------------------|---------------------|-----------------|
| SGIS Songshan Co., Ltd. | 30.00 | 25 days | 4.35% | Operation | None | No | Yes | No | No | Brother corporation | 0.09 |

Note: Shanghai Ouyee Finance Information Service Co., Ltd entrusted Baosteel Group Finance Co., Ltd. to make above loan to SGIS Songshan Co., Ltd., which has been due on Dec. 25. 2015.

3. Other investment and financial management as well as derivative investment

√ Applicable □ Not applicable

Unit: million shares, RMB million

| Type | Signing party | Shares of investment | Investment term | Product type | Profit | Involvement in lawsuits |
|--|-------------------------|----------------------|--------------------|----------------------|---------|-------------------------|
| I. Other investment | | | | | | |
| Available for sale financial assets | | | | | | |
| Policy financial bond | Interbank market | 0.70 | Less than one year | Bond | 4.39 | No |
| Policy financial bond | Interbank market | 1.20 | Over one year | Bond | 4.74 | No |
| Corporate bond | Interbank market | 2.90 | Over one year | Bond | 13.07 | No |
| Corporate bond | Interbank market | 3.70 | Less than one year | Bond | 18.59 | No |
| Corporate bond (Tianwei) | Interbank market | 0.50 | Less than one year | Bond | 2.68 | Yes |
| Open fund | Fund company | 598.92 | Over one year | Fund | 9.85 | No |
| Trust plan | Trust company | 1041.63 | Less than one year | Trust | 25.19 | No |
| Trust plan | Trust company | 20.00 | Over one year | Trust | 0.00 | No |
| Subtotal | | 1669.55 | | | 78.52 | |
| Held-to-maturity investment | | | | | | |
| Bank financial management | Bank | 3200.00 | Less than one year | Financial management | 14.52 | No |
| Trust plan | Trust company | 769.60 | Less than one year | Trust | 17.01 | No |
| Subtotal | | 3969.60 | | | 31.54 | |
| Held-for-trading financial assets | | | | | | |
| Money fund | Fund company | 5435.04 | Less than one year | Fund | 28.57 | No |
| Bank financial management | Bank | 3010.00 | Less than one year | Financial management | 0.77 | No |
| Trust plan | Trust company | 230.00 | Over one year | Trust | 0.44 | No |
| Policy financial bond | Interbank market | 1.00 | Over one year | Bond | 0.90 | No |
| Corporate bond | Shanghai Stock Exchange | 0.30 | Over one year | Bond | 7.76 | No |
| Subtotal | | 8676.34 | | | 38.45 | |
| Total | | 14315.49 | | | 148.50 | |
| II. Investment in derivative products | | | | | | |
| Forwards and Swaps | Bank | 29585.05 | Less than one year | Derivative products | -573.34 | No |

Notes:

- ① Above available-for-sale financial assets involved in lawsuit are 500,000 "11 Tianwei MTN1" bills invested by the Company's subordinate finance company. Because the interest of "11 Tianwei MTN2" medium-term bill, also issued by Baoding Tianwei Group, failed to be paid on April 21 this year, "11 Tianwei MTN1" bill suffers from the default risk, the finance company brought a lawsuit to Shanghai Pudong New District Court for requesting Tianwei Group to immediately pay the principal and interest of the bill per par value and demanding property preservation. Baoding Intermediate People's Court, on Jan. 8, 2016 has officially accepted application of bankruptcy reorganization from Baoding Tianwei Group Corporation. "11 Tianwei MTN1" would be overdue and in default on Feb. 24, 2016.
- ② All of the above financial management businesses were carried out by Ouyee Commerce and Finance Co., a financial subsidiary controlled by the Company. The investment and financial management are within its business scope.
- ③ The "Shares of investment" listed above consisted of the investment balance as at the end of the previous year and the capital investment in this reporting year, and was not the shares of investment corresponding to the investment types held at the end of the period.
- ④ The investment in derivative products consists of the forward business carried out by the Company and its subsidiary, Baosteel Singapore PTE Ltd. etc., to avoid the exchange rate risk of asset liabilities calculated by foreign currencies and the swap business carried out to avoid price fluctuation risk of iron ore.

Section V Significant Events

XI. Notes for other significant events

☒ Applicable ☐ Not applicable

Central bank adjusted RMB central parity regime in August, 2015, which resulted in rapid depreciation of RMB against USD, with annual depreciation up to 6.1%. After such adjustment, according to annual exchange rate risk management proposal, the Company adopted foreign currency debt conversion, which led a slump in foreign currency debt as of the end of 2015 through RMB financing, spot and forward purchase of foreign currency. Due to debt re-evaluation and spot purchase of foreign currency, the Company, in the year, incurred RMB 1.69 billion of exchange gains and losses and RMB 500 million of investment loss from forward foreign exchange transaction was realized for foreign currency debt conversion.

XII. Active Performance of Social Responsibilities

(I) Performance of social responsibility

Please refer to the sustainability report disclosed by the Company at <http://www.sse.com.cn> for details.

(II) Environmental protection of listed companies and their subsidiaries classified as heavy pollution industry by the state Environmental protection department

For environmental protection of the Company, please refer to the sustainability report disclosed by the Company at <http://www.sse.com.cn> for details.

Section VI. Changes of Common Stocks and Shareholders

I. Changes in Common Stock Capital

(I) Table of Changes in common stocks

1. Table of Changes in common stocks

Unit: share

| | Before the change | | | Changes in the period (+, -) | | | After the change | |
|---|-------------------|----------|---------------------|------------------------------|---------------------------------|------------|------------------|------------------------|
| | Shares | Ratio(%) | Shares newly issued | Bonus shares | Shares transferred from reserve | Others | Sub-total | Shares Ratio(%) |
| I. Shares subject to conditional sales | 46,747,200 | 0.284 | | | | -3,508,500 | -3,508,500 | 43,238,700 0.263 |
| 1. State-owned shares | | | | | | | | |
| 2. State-owned legal person shares | | | | | | | | |
| 3. Other domestic shares | 46,747,200 | 0.284 | | | | -3,508,500 | -3,508,500 | 43,238,700 0.263 |
| Among which: domestic non-state-owned legal person shares | | | | | | | | |
| Domestic natural person shares | 46,747,200 | 0.284 | | | | -3,508,500 | -3,508,500 | 43,238,700 0.263 |
| 4. Foreign shares | | | | | | | | |
| Among which: foreign legal person shares | | | | | | | | |
| foreign natural person shares | | | | | | | | |
| II. Tradable shares | 16,424,278,824 | 99.716 | | | | | | 16,424,278,824 99.737 |
| 1.RMB ordinary shares | 16,424,278,824 | 99.716 | | | | | | 16,424,278,824 99.737 |
| 2.Domestic listed foreign shares | | | | | | | | |
| 3.Overseas listed foreign shares | | | | | | | | |
| 4. Others | | | | | | | | |
| III. Total | 16,471,026,024 | 100.000 | | | | -3,508,500 | -3,508,500 | 16,467,517,524 100.000 |

2. Notes for changes in common stocks

Proposal on Adjusting Incentive Object of Restricted Stock Plan was reviewed and approved at the 21st meeting of the fifth Board of Directors held between March 25 and 26, 2015. The Company repurchased 1,737,600 shares of restricted stock on May 26, 2015 failing to reach the unlocking conditions of the incentive object withdrawing from A Restricted Stock Plan, and completed cancellation on May 28, 2015.

Proposal on Adjusting Incentive Object of Restricted Stock Plan was reviewed and approved at the 2nd meeting of the sixth Board of Directors held on Aug. 24, 2015. The Company repurchased 793,500 shares of restricted stock on Nov. 12, 2015 failing to reach the unlocking conditions of the incentive object withdrawing from A Share Restricted Stock Plan, and completed cancellation on Nov. 16, 2015.

Proposal on Adjusting Incentive Object of Restricted Stock Plan was reviewed and approved at the 4th meeting of the sixth Board of Directors held on Nov. 17, 2015. The Company repurchased 977,400 shares of restricted stock on Dec. 21, 2015 failing to reach the unlocking conditions of the incentive object withdrawing from A Share Restricted Stock Plan, and completed cancellation on Dec. 23, 2015.

As of Dec. 23, 2015, the Company's total capital stock has reached 16,467,517,524 shares, including 43,238,700 shares of restricted tradable shares and 16,424,278,824 shares of non-restricted tradable shares.

3. Influences of share changes on the earnings per share, net asset value per share and other financial indicators in last year and period (If any)

During the reporting period, 3,508,500 restricted shares have been cancelled in total and there was basically no influence on current earnings per share, net asset value per share and other financial indicators.

4. Other contents as the Company deems necessary or required by securities regulatory initiations to disclose

None

Section VI. Changes of Common Stocks and Shareholders

(II) Change of shares subject to conditional sales

√ Applicable ☐ Not applicable

Unit: share

| Name of shareholder | Restricted shares at the beginning of year | Restricted shares released in the year | Restricted shares added in the year | Restricted shares at the end of the year | Reason of restriction | Releasing date |
|------------------------|--|--|-------------------------------------|--|-----------------------|----------------|
| Stock incentive object | 46,747,200 | -3,508,500 | | 43,238,700 | Stock incentive | |
| Total | 46,747,200 | -3,508,500 | | 43,238,700 | / | / |

Note: 1. Please refer to "Notes for changes in common stocks" of the Report for reasons reducing shares subject to conditional sales in the year.

2.Date of releasing restricted sales is upon the expiration of two years of restricted period and when the release conditions are met.

II. Issuance of Securities and Listing

(I) Issuance of securities as of the reporting period

Notes for issuance of securities as of the reporting period

Unit: share

| Type of share and its derivative securities | Date of issuance | Interest rate | Number | Listing date | Expiry date |
|---|------------------|---------------|------------------|---------------|---------------|
| Corporate bond | Dec. 5, 2013 | 3.75% | USD 500 million | Dec. 12, 2013 | Dec. 12, 2018 |
| Corporate bond | Feb. 13, 2015 | 1.625% | Euro 500 million | Feb. 23, 2015 | Feb. 23, 2018 |
| Short-term financing bill | Oct. 22, 2015 | 3.18% | RMB 10 billion | Oct. 27, 2015 | Oct. 26, 2016 |
| Medium term note | Oct. 22, 2015 | 3.68% | RMB 2 billion | Oct. 27, 2015 | Oct. 26, 2018 |

(II) Changes of the Company ' s total common stocks, shareholders structure, assets and liabilities structure

The Company's total share was 16,467,517,524 by the end of the reporting period, 3,508,500 shares less than that at the end of 2014. Meanwhile, Baosteel Group held 13,130,265,267 shares of the Company, 1,440,000 shares more than that at the end of 2014, with the holding ratio up to 79.734% by the end of the reporting period from 79.709% at the end of 2014.

The asset-liability ratio of the Company at the end of 2015 was 47.8%, up by 2.1% than that at the beginning of the year.

III. Shareholders and Actual Controllers

(I) Total shareholders:

| | |
|--|---------|
| Total number of common stock holders at the end of the reporting period (people) | 323,660 |
| Total number of common stock holders at the end of last month before the disclosure date of the annual report (people) | 309,970 |

(II) Top 10 shareholders, Top 10 tradable shareholders (or holders of shares not subject to conditional sales) by the end of the reporting period

Unit: share

Top 10 shareholders

| Name (Full Name) | Increase or decrease during the period | Shares at the end of the reporting period | Ratio (%) | Shares subject to conditional sales | pledged or frozen | | Shareholder nature |
|---|--|---|-----------|-------------------------------------|-------------------|--------|-------------------------|
| | | | | | Status | Number | |
| Baosteel Group Corporation | 1,440,000 | 13,130,265,267 | 79.734 | 0 | None | 0 | State-owned |
| China Securities Finance Co., Ltd. | 444,813,261 | 444,813,261 | 2.701 | 0 | None | 0 | State-owned |
| Central Huijin Asset Management Co., Ltd | 122,230,300 | 122,230,300 | 0.742 | 0 | None | 0 | State-owned |
| Meng Lingcui | 33,836,640 | 33,836,640 | 0.205 | 0 | None | 0 | Natural person in China |
| Ping An Annuity Insurance Company, Ltd.-Ping An Annuity Fuying Life Pension Security Entrusted Management product and Fuying Stock-type Portfolio | -2,732,189 | 32,970,563 | 0.200 | 0 | None | 0 | Unknown |
| Bank of China Limited-China AMC new economy flexible configured hybrid securities investment fund | 30,593,576 | 30,593,576 | 0.186 | 0 | None | 0 | Unknown |
| Bank of China Limited- E fund stable yield bond securities investment fund | 23,999,808 | 23,999,808 | 0.146 | 0 | None | 0 | Unknown |
| Hong Kong Securities Clearing Company Ltd. | -50,269,085 | 23,648,600 | 0.144 | 0 | None | 0 | Unknown |
| China AMC-Agricultural Bank of China-China AMC & China Securities Financial Asset Management Plan | 21,645,400 | 21,645,400 | 0.131 | 0 | None | 0 | Unknown |
| ICBC Credit Suisse Asset-Agricultural Bank of China-ICBC Credit Suisse & China Securities Financial Asset Management Plan | 21,645,400 | 21,645,400 | 0.131 | 0 | None | 0 | Unknown |
| Dacheng Fund- Agricultural Bank of China-Dacheng & China Securities Financial Asset Management Plan | 21,645,400 | 21,645,400 | 0.131 | 0 | None | 0 | Unknown |
| GF Fund Management- Agricultural Bank of China- GF Fund & China Securities Financial Asset Management Plan | 21,645,400 | 21,645,400 | 0.131 | 0 | None | 0 | Unknown |
| Harvest Fund- Agricultural Bank of China- Harvest Fund & China Securities Financial Asset Management Plan | 21,645,400 | 21,645,400 | 0.131 | 0 | None | 0 | Unknown |
| Yinhua Fund- Agricultural Bank of China- Yinhua Fund & China Securities Financial Asset Management Plan | 21,645,400 | 21,645,400 | 0.131 | 0 | None | 0 | Unknown |
| E fund- Agricultural Bank of China- E fund & China Securities Financial Asset Management Plan | 21,645,400 | 21,645,400 | 0.131 | 0 | None | 0 | Unknown |
| CSAM- Agricultural Bank of China- CSAM & China Securities Financial Asset Management Plan | 21,645,400 | 21,645,400 | 0.131 | 0 | None | 0 | Unknown |
| Zhong Ou Fund- Agricultural Bank of China- Zhong Ou Fund & China Securities Financial Asset Management Plan | 21,645,400 | 21,645,400 | 0.131 | 0 | None | 0 | Unknown |
| Bosear Fund- Agricultural Bank of China- Bosear Fund & China Securities Financial Asset Management Plan | 21,645,400 | 21,645,400 | 0.131 | 0 | None | 0 | Unknown |

Section VI. Changes of Common Stocks and Shareholders

Unit: share

Top 10 holders of shares not subject to conditional sales

| Name | Number of shares not subject to conditional sales | Type and number of shares | |
|---|--|---------------------------|----------------|
| | | Type | Number |
| Baosteel Group Corporation | 13,130,265,267 | RMB ordinary share | 13,130,265,267 |
| China Securities Finance Co., Ltd. | 444,813,261 | RMB ordinary share | 444,813,261 |
| Central Huijin Asset Management Co., Ltd | 122,230,300 | RMB ordinary share | 122,230,300 |
| Meng Lingcui | 33,836,640 | RMB ordinary share | 33,836,640 |
| Ping An Annuity Insurance Company, Ltd.-Ping An Annuity Fuying Life Pension Security Entrusted Management product and Fuying Stock-type Portfolio | 32,970,563 | RMB ordinary share | 32,970,563 |
| Bank of China Limited-China AMC new economy flexible configured hybrid securities investment fund | 30,593,576 | RMB ordinary share | 30,593,576 |
| Bank of China Limited- E fund stable yield bond securities investment fund | 23,999,808 | RMB ordinary share | 23,999,808 |
| Hong Kong Securities Clearing Company Ltd. | 23,648,600 | RMB ordinary share | 23,648,600 |
| China AMC-Agricultural Bank of China-China AMC & China Securities Financial Asset Management Plan | 21,645,400 | RMB ordinary share | 21,645,400 |
| ICBC Credit Suisse Asset-Agricultural Bank of China- ICBC Credit Suisse & China Securities Financial Asset Management Plan | 21,645,400 | RMB ordinary share | 21,645,400 |
| Dacheng Fund- Agricultural Bank of China-Dacheng & China Securities Financial Asset Management Plan | 21,645,400 | RMB ordinary share | 21,645,400 |
| GF Fund Management- Agricultural Bank of China- GF Fund & China Securities Financial Asset Management Plan | 21,645,400 | RMB ordinary share | 21,645,400 |
| Harvest Fund- Agricultural Bank of China- Harvest Fund & China Securities Financial Asset Management Plan | 21,645,400 | RMB ordinary share | 21,645,400 |
| Yinhua Fund- Agricultural Bank of China- Yinhua Fund & China Securities Financial Asset Management Plan | 21,645,400 | RMB ordinary share | 21,645,400 |
| E fund- Agricultural Bank of China- E fund & China Securities Financial Asset Management Plan | 21,645,400 | RMB ordinary share | 21,645,400 |
| CSAM- Agricultural Bank of China- CSAM & China Securities Financial Asset Management Plan | 21,645,400 | RMB ordinary share | 21,645,400 |
| Zhong Ou Fund- Agricultural Bank of China- Zhong Ou Fund & China Securities Financial Asset Management Plan | 21,645,400 | RMB ordinary share | 21,645,400 |
| Bosear Funds Agricultural Bank of China- Bosear Fund & China Securities Financial Asset Management Plan | 21,645,400 | RMB ordinary share | 21,645,400 |
| Remarks on affiliation, alliance or collusion among the aforementioned shareholders | The Company is not aware of any connected relationship among other shareholders mentioned above or any parties acting in concert specified in Measures for the Administration of Acquisitions by Listed Companies. | | |
| Shareholder holding preferred stocks with voting right restored and their shares | None | | |

Top 10 holders of shares subject to conditional sales, their share and the conditions

Unit: share

| No. | Name | Shares | conditional sold shares available to be listed and traded | | Conditions |
|-----|----------------|---------|---|-----------------------------|------------|
| | | | Date available to be listed and traded | Newly-added tradable shares | |
| 1 | Dai Zhihao | 543,000 | | | See notes |
| 2 | Zhao Zhouli | 543,000 | | | See notes |
| 3 | Zhu Junsheng | 543,000 | | | See notes |
| 4 | Li Yongxiang | 488,700 | | | See notes |
| 5 | Zhou Jianfeng | 488,700 | | | See notes |
| 6 | Wang Jing | 488,700 | | | See notes |
| 7 | Lu Rong | 488,700 | | | See notes |
| 8 | Chu Shuangjie | 488,700 | | | See notes |
| 9 | Zhi Xiwei | 488,700 | | | See notes |
| 10 | Sheng Genghong | 434,400 | | | See notes |
| 11 | Zhang Pijun | 434,400 | | | See notes |
| 12 | Zhang Dianbo | 434,400 | | | See notes |
| 13 | Zhu Kebing | 434,400 | | | See notes |
| 14 | Yao Linlong | 434,400 | | | See notes |
| 15 | Wei Chengwen | 434,400 | | | See notes |
| 16 | Xie Qi | 434,400 | | | See notes |
| 17 | Wang Qiangmin | 434,400 | | | See notes |
| 18 | Shi Bing | 434,400 | | | See notes |
| 19 | Zhong Yongqun | 434,400 | | | See notes |

Notes on affiliation, alliance or collusion among the aforementioned shareholders

All aforementioned shareholders are the incentive subjects of first awarding scheme of 2014 A share restricted share plan. For the conditions, please refer to Baosteel first awarding scheme of A share restricted share plan on the website of Shanghai Stock Exchange <http://www.sse.com.cn>

IV. Controlling Shareholders and Actual Controllers

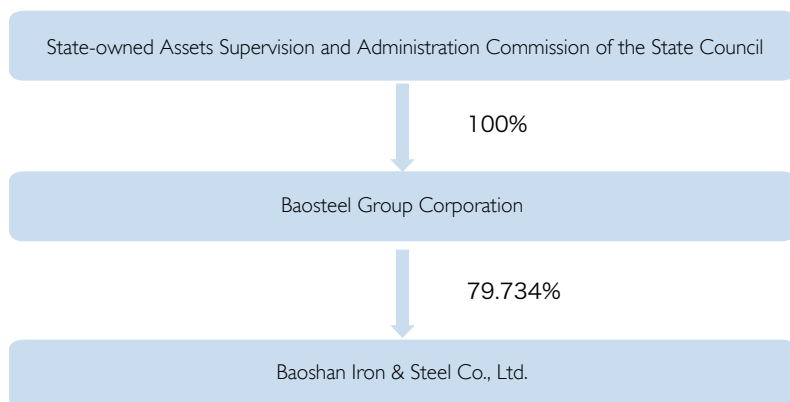
(I) Controlling shareholders

1. Legal person

| | |
|--|---|
| Name | Baosteel Group Corporation |
| Unit Leader or Legal representative | Xu Lejiang |
| Date of incorporation | November 17, 1998 |
| Principal businesses and operations | As a governmental authorized investment vehicle and a state-owned holding company, Baosteel Group Corporation mainly deals with state-owned assets within the authorized scope set by the State Council. The Corporation has also been involved in investments in areas of iron & steel manufacturing, metallurgy and mineral products, chemicals (except for hazardous goods), electricity, piers, warehousing, transportation, and steel-related business, technological development, technology transfer, technical supporting, and technical management consulting, as well as in areas of import and export businesses approved by the Ministry of Foreign Trade & Economic Cooperation (MOFTEC), domestic and international trading (except specific regulations), and the trading service. |
| Shareholdings of other listed companies at home and abroad in the period | According to the 2015 Third Quarter Report of the listed companies, direct or indirect holdings of over 5% equities by Baosteel Group Corp. were as follows: 50.02% A share of Bayi Iron & Steel Co., Ltd., 53.37% A share of SGIS Songshan Co., Ltd., 14.93% A share of China Pacific Insurance Co., Ltd, and 15.11% A share of New China Insurance Co., Ltd. |
| Others | None |

Section VI. Changes of Common Stocks and Shareholders

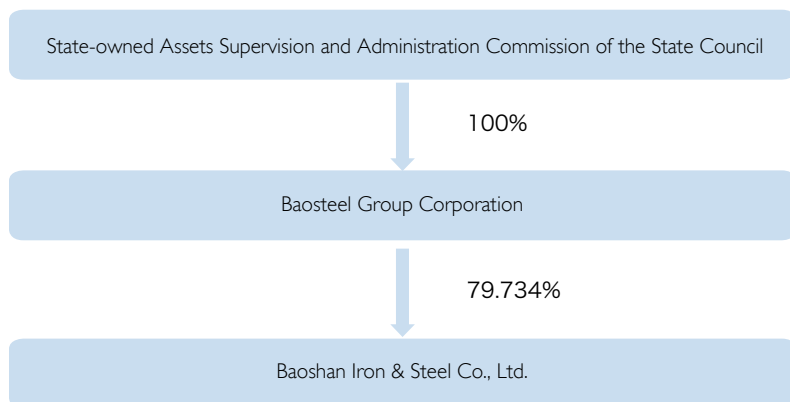
2. The enterprise property rights and controlling relationship between the Company and its controlling shareholders



(II) Actual controller

Actual controller of Baosteel was the State-owned Assets Supervision and Administration Commission of the State Council (SASAC).

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



(III) Other notes for controlling shareholders and actual controller

The controlling shareholders and actual controller of the Company remained unchanged in the reporting period.

Section VII Preferred Stock

☐ Applicable ☒ Not applicable

Section VIII Directors, Supervisors, Senior Executives and Employees

I. Shareholding Change and Remuneration

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

√ Applicable □ Not applicable

Unit: share

| Name | Position | Gender | Age | Beginning of office | End of office | Shares held at beginning of the year | Shares held at end of the year | Share change in the year | Reason for change | Remuneration from the Company in reporting period (pre-tax) (RMB ten thousand) | Compensation from shareholders in reporting period |
|-----------------------|--|--------|-----|---------------------|---------------|--------------------------------------|--------------------------------|--------------------------|--|--|--|
| Chen Derong | Chairman | Male | 54 | Oct. 30, 2014 | Apr. 27, 2018 | | | | | - | Yes |
| Chen Derong | Director | Male | 54 | Oct. 15, 2014 | Apr. 27, 2018 | | | | | - | Yes |
| Dai Zhihao | Director and general manager | Male | 52 | July 22, 2013 | Apr. 27, 2018 | 543,000 | 543,000 | 0 | | 21.6 | No |
| Zhao Zhouli | Director | Male | 59 | Apr. 27, 2012 | Apr. 27, 2018 | 543,000 | 543,000 | 0 | | - | Yes |
| Zhu Junsheng | Director | Male | 55 | Apr. 27, 2012 | Apr. 27, 2018 | 643,800 | 643,800 | 0 | | 156.0 | No |
| Wang Li | Director | Male | 59 | Apr. 27, 2012 | Apr. 27, 2018 | | | | | - | Yes |
| Buck Pei | Director | Male | 58 | Apr. 27, 2012 | Apr. 27, 2018 | | | | | 35.0 | No |
| Yuh-Chang Hwang | Independent director | Male | 60 | Apr. 27, 2012 | Apr. 27, 2018 | | | | | 35.0 | No |
| Liu Wenbo | Independent director | Male | 47 | Apr. 27, 2012 | Apr. 27, 2018 | | | | | 35.0 | No |
| Xia Dawei | Independent director | Male | 62 | Apr. 26, 2013 | Apr. 27, 2018 | | | | | 35.0 | No |
| Li Li | Independent director | Female | 62 | Apr. 24, 2015 | Apr. 27, 2018 | 30,000 | 30,000 | | | 23.33 | No |
| Chen Ying (Note 1) | Chairperson of Board of Supervisors | Female | 44 | Apr. 24, 2015 | Jan. 5, 2016 | 60,000 | 0 | -60,000 | Sold in secondary market before assuming supervisor | - | Yes |
| Zhou Zhuping (Note 2) | Chairperson of Board of Supervisors | Male | 52 | Jan. 27, 2016 | Apr. 27, 2018 | | | | | - | Yes |
| Zhang Yong | Supervisor | Male | 54 | Sep. 12, 2014 | Apr. 27, 2018 | 30,600 | 30,600 | 0 | | 120.40 | No |
| Wu Kunzong | Supervisor | Male | 44 | Apr. 27, 2012 | Apr. 27, 2018 | | | | | - | Yes |
| Liu Guowang | Supervisor | Male | 43 | May 20, 2014 | Apr. 27, 2018 | | | | | - | Yes |
| He Meifen | Supervisor | Female | 51 | Mar. 19, 2013 | Apr. 27, 2018 | | | | | 94.42 | No |
| Li Yongxiang | Vice general manager | Male | 55 | Mar. 26, 2008 | Apr. 27, 2018 | 506,700 | 506,700 | 0 | | 135.45 | No |
| Wang Jing | Vice general manager | Female | 52 | Aug. 27, 2010 | Apr. 27, 2018 | 619,700 | 619,700 | 0 | | 140.40 | No |
| Chu Shuangjie | Vice general manager | Male | 51 | Aug. 27, 2012 | Apr. 27, 2018 | 558,700 | 558,700 | 0 | | 145.35 | No |
| Zhi Xiwei | Vice general manager | Male | 55 | Feb. 10, 2014 | Apr. 27, 2018 | 540,400 | 540,400 | 0 | | 140.40 | No |
| Zhang Dianbo | Vice general manager | Male | 53 | Aug. 28, 2015 | Apr. 27, 2018 | 434,500 | 434,500 | 0 | | 115.91 | No |
| Zhu Keping | CFO, Secretary of Board of Directors | Male | 41 | Aug. 27, 2012 | Apr. 27, 2018 | 444,400 | 444,400 | 0 | | 124.80 | No |
| Wong Pick Kuen Helen | Resigned independent director | Female | 54 | Apr. 27, 2012 | Apr. 24, 2015 | | | | | 11.67 | No |
| Liu Zhanying | Resigned chairperson of Board of Supervisors | Female | 60 | Apr. 27, 2012 | Apr. 24, 2015 | | | | | - | Yes |
| Zhou Jianfeng | Resigned vice general manager | Male | 52 | Apr. 27, 2012 | Jan. 9, 2015 | 573,700 | 498,700 | -75,000 | Sold in secondary market six months later after leaving | 140.40 | No |
| Guo Bin | Resigned vice general manager | Male | 44 | Apr. 29, 2014 | Nov. 16, 2015 | 488,700 | 0 | -488,700 | Quit stock incentive plan, for details, please see temporary announcement 2015-052 | 128.70 | No |
| Hou Angui | Resigned vice general manager | Male | 43 | July. 22, 2013 | Nov. 16, 2015 | 495,300 | 6,600 | -488,700 | Quit stock incentive plan, for details, please see temporary announcement 2015-052 | 133.24 | No |
| Total | / | / | / | / | / | 6,512,500 | 5,400,100 | -1,112,400 | / | 1,772.07 | / |

Note 1: Due to other work, Ms. Chen Ying resigned from the chairperson of Board of Supervisors and supervisor in Jan. 2016.

Note 2: As reviewed by the general meeting of shareholders on Jan. 27, 2016, Mr. Zhou Zhuping was appointed as the chairperson and supervisor of 6th Board of Supervisor.

| Name | Major experience |
|--------------|---|
| Chen Derong | <p>Born in March, 1961, Chinese, Senior Engineer, Director and President of Baosteel Group Corporation, Chairman of the Company.</p> <p>Mr. Chen has rich experience in steel manufacturing management, enterprise operational management and governmental public affairs management. He was the director of Hangzhou Steel Group Converts Plant in Zhejiang Province, vice general manager of Zhejiang metallurgy Group, mayor of Jiaxing, Zhejiang Province, Jiaxing Municipal Party Secretary, Wenzhou Municipal Party Secretary, vice governor and a member of Standing Committee of Zhejiang Province. Since joining Baosteel in August, 2014, he served as the director, general manager and member of standing committee of CPC of Baosteel Group Corporation. He also took a concurrent post of the director of the Company on October 15, 2014, and the chairman of the Company on October 30, 2014.</p> <p>Mr. Chen graduated in steel making from Beijing Institute of Iron and Steel Engineering in 1982, and in steel metallurgy from Wuhan Iron and Steel Institute in 1985, obtaining the Graduate degree and Master Degree in engineering.</p> |
| Dai Zhihao | <p>Born in June, 1963, Chinese, Senior Engineer, Director and President of the Company.</p> <p>Mr. Dai has rich experience in the production and marketing management of iron and steel enterprises, resource trade and financial management. Mr. Dai joined Baosteel in August, 1983, and has worked as the Manager of the Steel Rolling Branch of Baosteel Cold Rolling Plant, Deputy Director of the Planning Department of Baosteel International Economic & Trading Corporation, team leader of the Preparatory Group of Pudong Company, Director of No. 1 Steel Trade Department, the Manager of Steel Trade Company, Vice President of Baosteel International Economic & Trading Corporation, Assistant to President of Shanghai Baosteel Group Corporation and Director of Sales Section of the Market Department, Assistant to President of Baoshan Iron & Steel Co., Ltd., President of Baosteel International Economic & Trading Corporation, Vice President of Baoshan Iron & Steel Co., Ltd. etc. Mr. Dai worked as Vice President of Baosteel Group Corporation from November, 2007 to July, 2013 (concurrently held the position of Chairman of Hwabao Investment Co., Ltd. during this period, and also concurrently held the position of the director of the Company from April, 2009 to April, 2011). Mr. Dai has worked as the Chairman of Baosteel Resources Co., Ltd. and Baosteel Resources (International) Co., Ltd. since March, 2008, the President of Baoshan Iron & Steel Co., Ltd. since July, 2013, and the Director of Baoshan Iron & Steel Co., Ltd. since August, 2013. Now he is in general charge of all production and operation management, as well as strategies, operating improvement, supervision, auditing, legal affairs, foreign affairs and Zhanjiang Iron and Steel project production preparation.</p> <p>Mr. Dai graduated from Shanghai Jiaotong University in July, 1983, and received the Master's degree in economics from West Virginia University in August, 1996.</p> |
| Zhao Zhoulai | <p>Born in April 1956, Chinese, Senior Engineer at professor level, Vice President of Baosteel Group Corporation, Director of the Company.</p> <p>Mr. Zhao is highly experienced in enterprise production and operation, production and equipment management in the steel industry, as well as human resource management. Since he started to work for Baosteel in 1982, Mr. Zhao held various positions in the Company, including vice director and, later, director of the department of equipment, and assistant to President of Baosteel Corporation since April 1996. Since May 2000, he became vice president of Baoshan Iron & Steel (during the period, he worked concurrently as the general manager, and Party Secretary of Baosteel Branch from May 2007 to March 2008), vice president of Baosteel Group since July 2010 (concurrently chairman of Baosteel Engineering & Technology Group Co., Ltd. from January 2010 to December 2010), and president of Baosteel Zhanjiang Iron & Steel Co., Ltd. since December 2010. Since April 2011, he worked concurrently as director of the Company, and in July 2012, he became chairman of Baosteel Zhanjiang Steel. Now he is in charge of project construction of the Company.</p> <p>Mr. Zhao graduated from Northeastern University of Technology in 1982, and obtained his PhD in Machinery Manufacturing and Automation from Northeastern University in 2002.</p> |
| Zhu Junsheng | <p>Born in November 1960, Chinese, Senior Engineer, Director of the Company.</p> <p>Mr. Zhu is highly experienced in management of human resources, the supply chain, and safe production management. Since he joined Baosteel in 1983, Mr. Zhu held various positions in the company, including vice director of the department of production planning, vice director and later director of the department of cost management, vice director of the personnel department, and director of the personnel department of Baoshan Iron & Steel. Since May 2001, he was director of the personnel department and worked concurrently as assistant to the president of the Company. Since June 2003, he was vice president and deputy secretary of CPC committee of the Company (during the period, he was only vice president of Baoshan Iron & Steel from August 2006 to March 2010). In September 2010, he assumed the position of deputy secretary of CPC committee of the Company. Since April 2011, he was director and deputy secretary of CPC committee of the Company. Since February 2014, he became the secretary of CPC committee of the Company. Now he is in full charge of Party-masses affairs, as well as safety management, HR, administrative affairs and staff service management.</p> <p>Mr. Zhu graduated from Maanshan Institute of Iron and Steel in July 1983 and he obtained his EMBA from China Europe International Business School in 2007.</p> |
| Wang Li | <p>Born in June 1956, Chinese, Senior Engineer, Chairman of Shanghai Baosight Co., Ltd., Director of the Company.</p> <p>Mr. Wang is highly experienced in information management, system innovation management, and operation management. Since joining Baosteel in February 1982, he held various positions in the Company including vice director of the department of Baosteel Enterprise Management, director of the department of systematical development, head of the institution of automation, general manager of Baosteel Computer Co., Ltd., as well as deputy party secretary and concurrently secretary for the Commission of Discipline, vice president, senior vice president and president of Baosight Software Co., Ltd. Since October 2006, he was the assistant to the president of Baoshan Iron & Steel, as well as director of the system innovation department. He was the business supervisor of Baosteel Group Corporation since April 2008, and secretary of BOD of Baosteel Group Corporation since January 2009. He retired from the position of business supervisor for Baosteel Group Corporation in May 2009. From May 2009 to March 2011, he worked concurrently as the general manager of the operation improvement department. Since May 2011, he was secretary of BOD, and assistant to president of Baosteel Group Corporation. In September 2012, he stopped to be the secretary of BOD of Baosteel Group Corporation. In April 2013, he started to take the office as the Chairman of Shanghai Baosight Software Co., Ltd., and no longer was the assistant to President of Baosteel Group Corporation. He assumed the position of director of the Company since April, 2012.</p> <p>Mr. Wang graduated from Northeastern University of Technology in 1982.</p> |

Section VIII Directors, Supervisors, Senior Executives and Employees

Born in March 1957, American, Professor of Accounting, PhD Supervisor, Executive Dean (China) of WP Carey School of Business, Arizona State University, Director of the Company.

Mr. Pei is an influential member in American Accounting Association. From 1996 to 1997, he was chairman of the global committee of American Accounting Association. In the same year, he helped to establish the Accounting Society of China. He worked as the chairman of the Chinese Accounting Professors Association of North America in 1993, 1994 and 2004. From 2006 to 2012, he served as an independent director of Baoshan Iron & Steel Co., Ltd. He became director of the Fifth BOD of Baoshan Iron & Steel Co., Ltd. in April 2012.

Mr. Pei graduated from National Taipei University in 1979 and obtained his MBA from Southern Illinois University in 1981 and his PhD in accounting from the University of North Texas in 1986.

Born in January 1955, American, Professor of China Europe International Business School, and Independent Director of the Company.

Mr. Hwang taught in Arizona State University, University of Pittsburgh Katz Business School before China Europe International Business School. Mr. Hwang specializes in such areas as management accounting, strategic cost management, and incentive mechanism and performance assessment. During the 16 years of teaching in Carey School of Business and 8 years of teaching in University of Pittsburgh, he taught various MBA courses, EMBA courses designed for senior managers, and supervised the doctoral research in management accounting. Mr. Hwang was director of the PhD students of Accounting Department in Arizona State University from 2009 to 2012. He has supervised over 20 PhD candidates. Before joining Arizona State University WP Carey School of Business, he was elected as chief secretary of the Management Accounting Association of America Accounting Association for the period from 2007-2009. Since April 2012, he became an independent director of the Company.

Mr. Hwang graduated from National Chengchi University in Taiwan with a Master's degree in 1979, and gained PhD degree from University of California-Berkeley in 1987.

Born in August 1968, Chinese, Global Senior Partner and a member of BOS of Roland Berger Strategy Consultants, and Independent Director of the Company.

Mr. Liu is highly experienced in enterprise management consultant business. Before joining the consultant industry, Mr. Liu spent 7 years in Siemens and DHL. He acted as the external special consultant for P&G (UK) since February 2002, the external special consultant for Smartbead Technology Corp. since November 2002, a senior consultant in A.T. Kearney since September 2003, director of North Asia district for Accenture since September 2005, a Global Senior Partner and Vice President of Greater China of Roland Berger Strategy Consultants since June 2007 and Global Senior Partner and a member of BOS of Roland Berger Strategy Consultants since July 2015. He became an independent director of the Company since April 2012.

Mr. Liu graduated from North China University of Technology in 1991, gained his Master's degree from Cranfield University in the UK in September 2002, and his MBA degree from Cambridge University in September 2003. He took senior management courses in Harvard University Business School during November 2011 to June 2012.

Born in February, 1953, Chinese, Chairman of the Academic Committee of Shanghai National Accounting Institute, Professor, PhD supervisor, and Independent Director of the Company.

Mr. Xia worked as a teacher in Shanghai University of Finance and Economics from 1985 and the guest researcher in Osaka City University from 1988 to 1990. He was promoted to be the professor in 1994. Since 1993 Mr. Xia successively worked as the dean of School of International Business Administration, Principal Assistant, Deputy Principal and Executive Deputy Principal of Shanghai University of Finance and Economics, and the President, Party Secretary and other duties of Shanghai National Accounting Institute.

Mr. Xia is the chairman of the Academic Committee of Shanghai National Accounting Institute, professor and PhD supervisor at present, and enjoys the special government allowance from the State Council. Mr. Xia also holds the concurrent positions of Deputy President of Chinese Industrial Economic Association, President of Shanghai Society of Accountancy, consultant expert in China Accounting Standards Committee, member of China Enterprise Internal Control Committee, honorary professor of Chinese University of Hong Kong, part-time professor in the School of Management, Fudan University, a member of Shanghai Stock Exchange Listing Committee etc. Mr. Xia worked as the Outside Director of Baosteel Group Corporation from October, 2005 to February, 2012, and the independent director of the Company from April, 2013.

Mr. Xia graduated from Changchun University of Technology and received the Bachelor's degree in engineering in 1982, and graduated from Shanghai University of Finance and Economics and received the Master's degree in Economics in 1985.

Born in Dec. 1953, Chinese, Co-President of China Science & Merchants Investment Management Group (CSC) and independent director of the Company.

Ms. Li has extensive experience in investment & financing, M&A management. Her major practice areas in New York are ABS, MBS, Aircraft Financing and Project Financing. In China, Ms. Li has conducted a wide range of business activities for transnational corporations, Chinese companies, and fund management companies, such as M&A, PE fund formation and investment, public offering of securities and FDI. She worked as Attorney, Partner of Winthrop, Stimson, Putnam & Roberts (New York, Hong Kong) between 1991 and 2002, as partner and chief representative in China of Debevoise & Plimpton LLP from 2002 to 2011, as director of Cleary Gottlieb Steen & Hamilton LLP Beijing Representative Office since 2011, as partner of Weil Gotshal & Manges from 2013 to Jan. 2016, as Co-President of CSC since Jan. 2016, as third and fourth chairperson of board of supervisors of the Company from 2006 to 2012 and as independent director of the Company since Apr. 2015.

Ms. Li graduated from Capital Normal University in 1984, obtained Master's degree in economics from Duke University in 1987 and gained Doctor of Juridical Science from Columbia University in 1991.

Born in Mar. 1971, Chinese, Chairperson of Board of Supervisors of the Company from Apr. 2015 to Jan. 2016.

Ms. Chen has rich experience in corporate financial accounting, capital management, cost and budget management, risk management, corporate governance and information disclosure. She has served as secretary to the BOD and chief financial officer of the Company since Oct. 2003, as vice general manager and secretary to the BOD of the Company since Mar. 2008, as secretary to the BOD and as general manager assistant of Baosteel Group since Sept. 2012, as secretary to the BOD and vice general manager of Baosteel Group since Sep. 2013 and as chairperson of board of supervisor of the Company from Apr. 2015 to Jan. 2016.

Ms. Chen graduated from Renmin University of China in 1993, obtained her MBA from Maastricht University in 2003 and MBA from Fudan University in 2005 and title of Senior Accountant in 2014.

| | |
|--------------|--|
| Zhou Zhuping | <p>Born in Mar. 1963, Chinese, Senior Accountant, Secretary to BOD and Vice General Manager of Baosteel Group Corporation, Chairperson of Board of Supervisors of the Company.</p> <p>Mr. Zhou has rich experience in corporate financial accounting, capital management, cost and budget management and corporate governance. He started working in July 1982, joined Baosteel in July 1994. He has worked as vice director of Financing Plan Department (Asset Management Department) of Shanghai Baosteel Group Corporation, secretary to BOD of the Company, vice CFO, director and member of CPC Committee of Shanghai Baosteel International Economic & Trading Co., Ltd., vice general manager of trading subsidiary of the Company, business supervisor and director of finance department of Baosteel Group Corporation, president of Baosteel Development Co., Ltd., vice general manager of Baosteel Group Corporation since Jan. 2009, secretary to BOD of Baosteel Group Corporation since Dec. 2015 and chairperson of board of supervisors of the Company since Jan. 2016.</p> <p>Mr. Zhou graduated from Zhejiang metallurgical Economy College in 1982, obtained his MBA from Tianjin University in Aug. 1996 and MBA from Arizona State University in June 2005.</p> |
| Zhang Yong | <p>Born in September, 1961, Chinese, Senior Engineer, Supervisor and Chairman of the Labor Union of the Company.</p> <p>Mr. Zhang has rich experience in manufacturing and sales of steel and the Labor Union management. Since joining Baosteel in July, 1983, He served as operation head, technical leader and production department planning supervisor of Baosteel cold rolling mill, manager of steel department management division of Baosteel, vice manager and manager of steel trading department of Baosteel International, vice general manager and general manager of Baosteel steel trading, iron and steel vice general manager of Baosteel International, vice general manager of sales center and general manager of marketing management department of the Company, vice general manager of Baosteel International, general manager of sheets sales department of the Company, general manager assistant and secretary of the Party Committee of sales system of the Company, general manager of marketing management department, general manager assistant and director of manufacture management department of the Company. Now he is in charge of the labor union of the Company.</p> <p>Mr. Zhang graduated from Chongqing University in July, 1983.</p> |
| Wu Kunzong | <p>Born in February 1971, Chinese, Senior Accountant, General Manager of the Operation Finance Department of Baosteel Group Corporation, Supervisor of the Company.</p> <p>Mr. Wu has rich experience in auditing management and financial management. Since joining Baosteel in July 1993, he served in various positions, including team leader for the audit check team of Baoshan Iron & Steel, deputy head of the auditing office, vice director, and director of the auditing department, and director of the financial affairs department. He has also been the director for the auditing department of Baosteel Group Corporation. He took the office as the general manager of the Operation Finance Department and assets management supervisor of Baosteel Group Corporation since August 2013. He has been a member of Board of Supervisors of the Company since April 2012.</p> <p>Mr. Wu graduated from East China Institute of Metallurgy in 1993, gained his Master's degree in economics from Shanghai University of Finance and Economics in February 2004, and his MBA degree from China Europe International Business School in September 2008.</p> |
| Liu Guowang | <p>Born in February, 1972, Chinese, Political Engineer, General Manager of Human Resource Department and Director of Party Organization Department of Baosteel Group Corporation, Supervisor of the Company.</p> <p>Mr. Liu has rich experience in human resource management and enterprise operation and management. Since joining Baosteel in July 1994, he served as the director of HR department, as general manager of HR department, director of Party Organization Department and the United Front Work Department of Baosteel Group Corporation from May, 2014, and as general manager of HR department and the director of Party Organization of Baosteel Group Corporation from December, 2014, as well as supervisor of the Board of Supervisors of the Company from May, 2014.</p> <p>Mr. Liu graduated from Wuhan College of Architecture in 1994 and obtained the Bachelor's degree in labor economics and social securities from Fudan University in 2004.</p> |
| He Meifen | <p>Born in May, 1964, Chinese, Senior Engineer, Director of the Auditing Department of the Company, Supervisor of the Company.</p> <p>Ms. He has rich experiences in the planning management of iron and steel products, financial management and internal audit. Ms. He joined Baosteel in 1984, and successively worked as the section member in the Planning Department of Baoshan Iron & Steel Co., Ltd., office secretary of Baosteel Group Corporation, chief of the Budget Section of the Business Management Department, Director of the Budget Section of the Cost Management Department, Deputy Director of the Cost Management Department and Deputy Director of the Finance Department of Baoshan Iron & Steel Co., Ltd., Director of the Administration Department of Baosteel-NSC/Arcelor Automotive Steel Sheets Co., Ltd., and Deputy Director of the Auditing Department of Baoshan Iron & Steel Co., Ltd., and has taken the office of the Director of the Auditing Department of Baoshan Iron & Steel Co., Ltd. from May, 2009, and the staff supervisor of the board of supervisors of the Company from March, 2013.</p> <p>Ms. He graduated from Northeastern University of Technology in the major of Metal Working in 1984, received the MBA degree from Shanghai University of Finance and Economics in January, 1998 and the Master's degree in Accountancy from Chinese University of Hong Kong in December, 2005.</p> |
| Li Yongxiang | <p>Born in October 1960, Chinese, Senior Engineer, Vice General Manager of the Company.</p> <p>Mr. Li is highly experienced in steel production, marketing and management. Since he started to work for Meishan Company of Metallurgy in 1982, Mr. Li held various positions with the Company, including vice manager and, later, manager of Meishan Company of Metallurgy, member of board of directors and vice president of Shanghai Meishan (Group) Co., Ltd.; member of board of directors, vice president, chairman of the board of directors, and president of Shanghai Meishan Iron & Steel Co., Ltd. as well as member of board of directors and vice president and president of Shanghai Meishan Iron & Steel Co., Ltd.; member of board of directors and vice president of Baosteel Group Shanghai Meishan Co., Ltd.; assistant to president of Baoshan Iron & Steel Co., Ltd. He became the vice president of Baoshan Iron & Steel Co., Ltd. since March 2008. Now he is in charge of Shanghai Meishan Iron & Steel Co., Ltd., a subsidiary of the Company.</p> <p>Mr. Li graduated from Northeastern University of Technology in 1982, obtained his EMBA from China Europe International Business School in 2001, and his Master's degree in metallurgy engineering from Northeastern University in 2003.</p> |
| Wang Jing | <p>Born in October 1963, Chinese, Senior Economist, Vice General Manager of the Company.</p> <p>Ms. Wang has rich experience in marketing and business management. She joined Baosteel in 1985 and has successively held positions of Vice President and President of Tianjin Baosteel Northern Trading Co., Ltd., Assistant to President of Baosteel International Economic & Trading Co., Ltd., President of Bsteel Online Co., Ltd., CIO of Baosteel International Economic & Trading Co., Ltd., President and Chief Representative of Baosteel America Inc., President of Baosteel International Economic & Trading Co., Ltd. She has been working as Vice President of the Company since August 2010. Now she is in charge of the marketing of the Company.</p> <p>Ms. Wang graduated from Wuhan Institute of Iron and Steel in 1985. She received her EMBA degree from Guanghua School of Management, Beijing University in 2000, her PhD degree in engineering from Northeastern University in 2009, and her EMPAcc degree from the Chinese University of Hong Kong in 2011.</p> |

Section VIII Directors, Supervisors, Senior Executives and Employees

Chu
Shuangjie

Born in December 1964, Chinese, Senior Engineer of professor level, Vice General Manager of the Company.
Mr. Chu has rich experience in iron and steel manufacturing and technical management. He joined Baosteel in 1996 and took various positions in the Company, including engineer of Baosteel cold-rolling plant, vice manager and manager of the silicon steel sub-plant of the cold-rolling section, vice manager and manager of the cold-rolling plant, director of the silicon steel department, assistant to the president of the Baosteel Branch and director of the silicon steel department, assistant to the president of the Company, and director of the silicon steel department, manager of the follow-up project team of oriented silicon steel, assistant to president of the Company, and manager of the cold-rolling plant, team manager of the newly-built continuous coating & annealing project, team manager of the fifth cold-rolling project, assistant to president and vice president of the Company. Since December 2013, he has been vice president of the Company and general manager of the business unit of steel tubes, pipes and bars. Now he is in charge of manufacturing, quality management, logistic transportation and division of steel pipes and bar.
Mr. Chu graduated from hot processing major of the machinery department of Anhui Polytechnic University in 1987, gained his Master's degree from the Northwestern Polytechnical University with a major in material science and engineering in 1990, a PhD degree in composite materials from Shanghai Jiaotong University in 1996 and EMBA degree from China Europe International Business School in 2009.

Zhi
Xiwei

Born in February 1960, Chinese, Senior Engineer, Vice General Manager of the Company.
Mr. Zhi has rich experience in steel manufacturing and engineering management. Since joining Baosteel in August 1982, he has been the dean of design department, general manager assistant and vice general manager of Baosteel Group Engineer Co., general manager of Shanghai Baosteel Engineering Technology Co., Ltd., general manager of Baosteel Engineering Technology Group Co., Ltd., general manager assistant, director of investment management department and general manager of major projects of the Company. He has been the vice general manager of the Company since Feb. 2014. Now he is in charge of equipment management, environmental protection on energy, construction & technical renovation, scientific R&D, technical management, military confidentiality, archives management and safety management of directly affiliated production plants of the Company.
Mr. Zhi graduated from Northeastern University in August, 1982, obtained the Master's degree in metal pressure processing from University of Science and Technology Beijing in July, 1989.

Zhang
Dianbo

Born in Apr. 1962, Chinese, Engineer, Vice General Manager of the Company.
Mr. Zhang has rich experience in purchasing and trading of raw materials for steelmakers. Since joining Baosteel in 1983, he held various positions in the Company, including vice director of raw material management center of production department of the Company, vice director of steel raw material trading division II of Baosteel International Trading, vice general manager of Hong Kong Bao-Island, general manager of ore trading department, mineral division, Baosteel International, general manager of Hong Kong Bao-Island, vice president of raw material division of Baosteel International, general manager of raw material division I of raw material procurement center of the Company, vice general manager of Baosteel Trading, vice general manager of Baosteel Resource (International). He served as general manager assistant, general manager and Party Chief of CPC Committee of raw material purchase center since July 2012, vice general manager of the Company since Aug. 2015 and now he is in charge of purchase of major and auxiliary raw materials and spare materials.
Mr. Zhang graduated from Steel Metallurgy major of Anhui University of Technology in Aug. 1983 and obtained his Master's degree in Steel Metallurgy from University of Science and Technology Beijing in Nov. 1990.

Zhu
Kebing

Born in October 1974, Chinese, Senior Accountant, Certified Public Accountant, Chief Financial Officer and Secretary of the Board of Directors of the Company.
Mr. Zhu is experienced in enterprise finance and investment management. Since joining Baosteel in July 1997, he held various positions in the company, including vice director of the finance department of the Company as well as the Group, and general manager of Operation Finance Department of Baosteel Group Corporation. He was a member of the Fourth Board of Supervisors of the Company from April 2009 to March 2012. He became CFO and secretary of the Board of Directors of the Company in August 2012. Now he is in charge of finance, asset operation management and secretary to BOD of the Company.
Mr. Zhu graduated from Northeastern University in 1997, and gained the EMPAcc degree from the Chinese University of Hong Kong in 2011.

(II) Granted equity incentive of directors, supervisors and senior managements in the reporting period

☐ Applicable ☒ Not applicable

II. Employment of directors, supervisors, and senior executives in service or leaving the Company during the period

(I) Posts in the shareholding company

√ Applicable ☐ Not applicable

| Name | Shareholding company | Post held | Start of term | End of term |
|---|----------------------------|--|---------------|-------------|
| Chen Derong | Baosteel Group Corporation | Director; President | Aug. 2014 | |
| Zhao Zhouli | Baosteel Group Corporation | Vice President | July 2010 | |
| Zhou Zhuping | Baosteel Group Corporation | Secretary to BOD | Dec. 2015 | |
| Zhou Zhuping | Baosteel Group Corporation | Vice President | Jan. 2009 | |
| Chen Ying | Baosteel Group Corporation | Secretary to BOD | Sep. 2012 | Dec. 2015 |
| Chen Ying | Baosteel Group Corporation | Vice President | Oct. 2013 | Jan. 2016 |
| Buck Pei | Baosteel Group Corporation | Outside Director | Feb. 2012 | |
| Wu Kunzong | Baosteel Group Corporation | General Manager of Operation Finance Department & Director of Asset Management | Aug. 2013 | |
| Liu Guowang | Baosteel Group Corporation | General Manager of Human Resources Department | May 2014 | |
| Notes of post in shareholder ' s entity | | | | |

(II) Posts in other entities

√ Applicable ☐ Not applicable

| Name | Name of other entities | Post held | Start of term | End of term |
|-------------|--|---|----------------|-------------|
| Chen Derong | Shanghai Association for Science and Technology | Standing council member | October, 2014 | |
| | The Chinese Society For Metals | Standing council member | October, 2014 | |
| | Northeastern University | vice chairman of the school board | December, 2014 | |
| Dai Zhihao | Baosteel Resources Co., Ltd. | Chairman | March, 2008 | |
| | Baosteel Resources (International) Co., Ltd. | Chairman | March, 2008 | |
| | Treasure Gold Enterprise Co., Ltd. | Chairman | May, 2008 | |
| | China Pacific Insurance (Group) co., Ltd. | Chairman of the board of supervisors | July, 2013 | |
| | The Listed Companies Association of Shanghai | Supervising chairman | August, 2013 | |
| | Baosteel Zhanjiang Iron & Steel Co., Ltd. | Chairman | July, 2012 | |
| Zhao Zhouli | Zhanjiang Iron & Steel Engineering Headquarters | Command-in-chief | March, 2011 | |
| | Northeastern University | Doctoral supervisor | April, 2009 | |
| | Factory Construction Committee of China Metallurgical Construction Association | Vice chairman | June, 2010 | |
| | The Chinese Society For Metals | Council member | 2006 | |
| | Baosteel Engineering & Technology Group Co., Ltd. | Chairman | April, 2015 | |
| Wang Li | Shanghai Baosight Software Co., Ltd. | Chairman | April, 2013 | |
| | Shanghai Baosteel Chemical Co., Ltd. | Chairman | December, 2009 | |
| Buck Pei | W. P. Carey School of Business, Arizona State University | Executive dean (China region) | January, 2013 | |
| | China Merchants Group | Outside director | October, 2015 | |
| | Minmetals Resources Limited | Independent Director | July, 2015 | |
| | Zhong An Real Estate Limited. | Independent Director | Mar. 2007 | |
| | Want Want China Holdings Limited | Independent Director | Sep. 2007 | |
| | Zhejiang Expressway Co., Ltd. | Independent Director | Mar. 2012 | |
| | Yuh-Chang Hwang | Professor | April, 2013 | |
| Liu Wenbo | Roland Berger Strategy Consultants | Member of the Global Board of Supervision/ Senior Partner | June, 2007 | |

Section VIII Directors, Supervisors, Senior Executives and Employees

| Name | Name of other entities | Post held | Start of term | End of term |
|---------------------------------|---|---|-----------------|-------------|
| Xia Dawei | China United Network Communications Limited | Independent Director | November, 2009 | |
| | Shanghai Electric Power Co., Ltd. | Independent Director | November, 2009 | |
| | Lianhua Supermarket Co., Ltd. | Independent Director | September, 2004 | |
| | China Rongsheng Heavy Industry Group Holdings Co., Ltd. | Independent Director | December, 2012 | |
| Li Li | Weil Gotshal & Manges | Partner and chief representative of Beijing representative office | 2013 | Dec. 2015 |
| Zhou Zhuping | Shanghai Baoland Co., Ltd. | Executive director | Apr. 2012 | |
| Zhang Yong | Bsteel E-commerce Co., Ltd. | Director | November, 2011 | |
| Wu Kunzong | Baosteel Group Xinjiang Bayi Iron & Steel Co., Ltd. | Supervisor | May, 2011 | |
| | New China Life Insurance Co., Ltd. | Director | July, 2014 | |
| | Shanghai Baoland Co., Ltd. | Director | June, 2015 | |
| Liu Guowang | Baosteel Group Finance Co., Ltd. | Director | May, 2014 | May, 2017 |
| He Meifen | Shanghai Baosight Software Co., Ltd. | Supervisor | April, 2010 | |
| | Baosteel Group Finance Co., Ltd. | Director | March, 2014 | |
| | Baosteel Zhanjiang Iron & Steel Co., Ltd. | Supervisor | November, 2012 | |
| Li Yongxiang | Shanghai Meishan Iron and Steel Co., Ltd. | Chairman | July, 2012 | |
| | Baosteel-NSC/Arcelor Automotive Steel Sheets Co., Ltd. | Vice Chairman | August, 2012 | |
| | Baosteel Singapore Trading Co., Ltd. | Chairman | December, 2014 | |
| | HOWA Trading Co., Ltd. | Chairman | December, 2014 | |
| Wang Jing | Baosteel Europe GmbH | Chairman | January, 2015 | |
| | Baosteel America Inc. | Chairman | July, 2015 | |
| | Shanghai Jiangnan-Changxing Shipbuilding Co., Ltd. | Vice Chairman | April, 2011 | |
| | Shanghai Jiangnan-Changxing Heavy Industry Co., Ltd. | Vice Chairman | April, 2011 | |
| | Guangzhou JFE Steel Sheet Co., Ltd. | Vice president | March, 2015 | |
| | Baosteel Zhanjiang Iron & Steel Co., Ltd. | Director | 2012 | |
| | Baosteel America Inc. | Director | January, 2015 | |
| Chu Shuangjie | Baosteel Europe GmbH. | Director | January, 2015 | |
| | PetroChina Northwest United Pipeline Co., Ltd. | Director | January, 2015 | |
| | Electrical Steel Branch of the Chinese Society for Metals | Committee vice chairman | 2011 | |
| | Shanghai Jiaotong University | Part-time professor, MA student adviser | 2006 | |
| | Poly Pipe (Thailand) Co., Ltd. | Chairman of BOD | Jan. 2014 | |
| | Baosteel Engineer Technology Group Co., Ltd. | Director | May, 2013 | |
| Zhi Xiwei | Jinan Foundry & Metalforming Machinery Research Institute Co., Ltd. | Director | Oct. 2014 | |
| | Shanghai Baosteel Industry Co., Ltd. | Chairman | June, 2013 | |
| Zhang Dianbo | Hong Kong Bao-Trans Enterprises Ltd. | Chairman | Dec. 2012 | |
| | Baosteel Resource Co., Ltd. | Director | Dec. 2013 | |
| | Baosteel Resource (International) Co., Ltd. | Director | Dec. 2013 | |
| | GLOBAL ORE Pte Ltd | Director | July, 2013 | |
| | Beijing Iron Ore Trading Center Corporation | Director | July, 2013 | |
| | Baosteel Zhanjiang Iron & Steel Co., Ltd. | Director | December, 2012 | |
| Zhu Kebing | Baosteel Group Finance Co., Ltd. | Chairman | February, 2014 | |
| | Bsteel E-commerce Co., Ltd. | Director | November, 2011 | |
| | Hwabao Trust Co., Ltd. | Chairman of board of supervisors | November, 2008 | |
| | Shanghai Baosight Software Co., Ltd. | Director | March, 2013 | |
| Notes of post in other entities | | | | |

III. Annual Remunerations of the Directors, Supervisors, and Senior Executives

Decision procedure

Determination basis

The annual payable remunerations of directors and supervisors will be set and approved by Board of Directors in accordance with their annual performance and with the "Performance Evaluation Method for Senior Executives", "Remuneration Management Method for Senior Executives", and the "Rules for Rewarding the Special Contributions by Senior Executives".

Payable remunerations

The annual payable remunerations of those to be paid by shareholding companies and other related companies would be defined by these companies. The remunerations of the Directors, Supervisors and Senior Executives for the year 2015 totaled RMB 17.7207 million (pre-tax)

Total actual receivable remunerations by the end of reporting period RMB 17.7207 million

IV. Change in directors, superiors and senior executives

| Name | Position | Change | Reason |
|----------------|----------------------|------------------|------------------------------------|
| Wong Pick Kuen | Independent Director | Leaving the Post | Expiry of term in BOD |
| Li Li | Independent Director | Appointed | New appointed independent director |
| Liu Zhanying | Chairwoman of BOS | Leaving the Post | Expiry of term in BOS |
| Chen Ying | Chairwoman of BOS | Appointed | New appointed chairman |
| Chen Ying | Chairwoman of BOS | Leaving the Post | Resign in Jan. 2016 |
| Zhou Zhuping | Chairman of BOS | Appointed | New appointment in Jan. 2016 |
| Zhang Dianbo | Vice General Manager | Appointed | New appointment in Aug. 2015 |
| Zhou Jianfeng | Vice General Manager | Leaving the Post | Resign in Jan. 2015 |
| Guo Bin | Vice General Manager | Leaving the Post | Resign in Nov. 2015 |
| Hou Angui | Vice General Manager | Leaving the Post | Resign in Nov. 2015 |

V. Notes for Punishment from Securities Regulatory Institutions in Past 3 Years

☐ Applicable ☒ Not applicable

VI. Profile of Employees of the Parent Company and Major Subsidiaries

(I) Employees

| | |
|---|--------|
| Number of employees in service in the parent company | 17,438 |
| Number of employees in service in the main subsidiaries | 20,651 |
| Total number of employees in service | 38,089 |
| Number of retired employees to be covered by the parent company and main subsidiaries | |

Professional composition

| Category of professional composition | Number of professionals |
|--------------------------------------|-------------------------|
| Production personnel | 22,745 |
| Sales personnel | 2,288 |
| Technical personnel | 10,169 |
| Financial personnel | 601 |
| Administrative personnel | 2,286 |
| Total | 38,089 |

Section VIII Directors, Supervisors, Senior Executives and Employees

| Educational background | |
|--|-----------------|
| Category of educational background | Number (people) |
| Master's degree or above | 2,853 |
| Bachelor's degree | 13,227 |
| Junior College degree | 13,261 |
| Secondary vocational school education or below | 8,748 |
| Total | 38,089 |

(II) Remuneration Policy

With a compensation budget mechanism oriented toward efficiency and profitability enhancement for the subordinate units, the Company stuck to the concept of "Compensation in line with the post value, performance, and contribution," and continued to perfect the compensation management system. The Company carried out varied incentive policies for employees according to the features of their posts.

(III) Training Scheme

With bearing strategic development and operational tasks in mind, focusing on construction of "leadership, technical skills, and on-site capability" and "planned and determined strategic tasks in new round", the Company optimized and adjusted the methods of personnel training, continued personnel training system in levels and classifications to perfect and guide staff's development, and dramatically enhanced professional capabilities and overall abilities to adapt to market challenges of all staff for the co-development of staff and the Company.

Section IX Corporate Governance

I. Corporate Governance

The Company has established a management structure with Baosteel features, in accordance with characterizations of iron and steel industry to support the strategic development and adapt to the manufacturing and operation. Moreover, the Company strictly stuck to relevant laws and regulations like Corporation Law, Securities Law, Code of Corporate Governance for Listed Companies in China and Rules Governing the Listing of Stocks on Shanghai Stock Exchange Declaration, constantly enhanced standard operation, strengthened scientific management, innovated interaction and communication channels, maintained good investor relationship, kept perfecting internal control system and overall risk management, and rigorously performed the obligation of information disclosure in an effort to improve the quality of operation and running.

10 members of sixth BOD were elected on 2014 annual general shareholders' meeting held on Apr. 24, 2015, including 4 independent directors, accounting for 40%; In addition to that, Mr. Buck Pei remains as an outside director designated by SASAC and a director of the Company, which means his in-dependency.

Special committees are set up and perfected to promote the structure of corporate governance, which enhanced the Company's professional operation and boosted the scientific decision of BOD. During the reporting period, in order to further improve the generation procedures of directors and senior management, optimize BOD member structure, constantly perfect legal person governance structure and level up corporate governance, the Company set up Nomination Committee of BOD.

As of now, 4 special committees have been set up for BOD, of which Strategy and Risk Management Committee consists 7 directors, independent directors accounting for 1/7, with Mr. Chen Derong, the Chairman, as Director; Audit Committee consists of 4 directors, independent directors accounting for 3/4, with Mr. Yuh-Chang Hwang, the independent director and professor of accounting, as Director; Remuneration and Appraisal Committee consists of outside directors, independent directors accounting for 4/5, with Mr. Xia Dawei, the independent director, as Director; Nomination Committee consists of 5 directors, independent directors accounting for 4/5, with Ms. Li Li, the independent director, as the Director. Directors of Audit Committee, Remuneration and Appraisal Committee and Nomination Committee shall be independent, which guarantees in-dependency and fair in auditing and appraisal, as well as appointment of directors and senior executives.

In addition, during the reporting period, in order to adapt to the change of the Company's business development and production scale, the Company optimized and improved the examination and approval authority of fixed-asset investment, foreign long-term investment and other major matters, and conducted timely revision of the Company's Articles of Association, making the duty and authority of Company's management and decision-making level more clear, decision-making process more scientific, and the decision-making efficiency further improved.

In the year of 2015, the Company won awards, including "2015 Most Admired Listed Companies Top 100 by Investors" by China Association for Public Companies, 11th Public Company Board of Director Round Table Top 100 sponsored by *Boards & Directors*, "Great China Best Investor Relations (Material Industry)" by IR Magazine.

Reasons should be clarified if corporate governance has significant difference against relevant rules of China Securities Regulatory Commission.

None.

II. Profile of shareholders' general meeting

| Session | Date of the meeting | Designated web disclosure of the resolutions | Disclosure date |
|---|---------------------|---|-----------------|
| 2015 first extraordinary general meeting | Jan. 26, 2015 | http://www.sse.com.cn | Jan. 27, 2015 |
| 2014 annual general meeting | Apr. 24, 2015 | http://www.sse.com.cn | Apr. 25, 2015 |
| 2015 second extraordinary general meeting | Nov. 18, 2015 | http://www.sse.com.cn | Nov. 19, 2015 |

Section IX Corporate Governance

III. Directors' Duty Fulfillment

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

| Director name | Independent Director or not | Attendance of the board meetings | | | | | | Attendance of the shareholders' meetings |
|--|-----------------------------|--|----------------------|------------------------------|-----------------------------|---------|------------------------|--|
| | | Required number of board meetings for the year | Attendance in person | Attendance by correspondence | Entrusting a representative | Absence | Two successive absence | Times of attendance of the meetings |
| Chen Derong | No | 8 | 8 | 2 | | | No | 2 |
| Dai Zhihao | No | 8 | 8 | 2 | | | No | 2 |
| Zhao Zhouli | No | 8 | 8 | 2 | | | No | 1 |
| Zhu Junsheng | No | 8 | 8 | 2 | | | No | 1 |
| Wang Li | No | 8 | 8 | 2 | | | No | 1 |
| Buck Pei | No | 8 | 7 | 2 | 1 | | No | |
| Wong Pick Kuen | Yes | 4 | 4 | 1 | | | No | |
| Yuh-Chang Hwang | Yes | 8 | 7 | 2 | 1 | | No | 1 |
| Liu Wenbo | Yes | 8 | 8 | 2 | | | No | 1 |
| Xia Dawei | Yes | 8 | 8 | 2 | | | No | 1 |
| Li Li | Yes | 4 | 4 | 1 | | | No | 1 |
| Number of Board Meetings held in the year | | 8 | | | | | | |
| Including: number of on-site meetings | | 6 | | | | | | |
| Number of meetings in communication mode | | 2 | | | | | | |
| Number of on-site meetings combined with other ways of communication | | 0 | | | | | | |

(II) Dissents from Independent Directors to Relevant Matters of the Company

Notes for dissents from independent directors to relevant matters of the Company

No independent director has voiced their dissents on proposals of the Board of Directors and other proposals in the reporting year.

IV. Important Opinions and Suggestion Put Forward by the Special Committees Attached to the Board of Directors during the Reporting Period (details shall be disclosed if any dissent).

In the opinion of the Committee for Strategic Development and Risk Management, successful R&D and industrialization production of significant products contributed a lot to the state and society when replacing imports, reducing imported products price and others. It is suggested that the Company, when investing projects, shall consider proper use of green loan and reducing financing cost.

In the opinion of the Remuneration and Appraisal Committee, performance evaluation system of management shall be constantly optimized and adjusted, whose criteria shall be accordingly adjusted based on strategic objectives, problems and disadvantages in last year, difficulty of the work after internal and external environment changes, thus allowing performance evaluation and appraisal more reasonable and achieving a better motivation.

In light of strategic transformation from manufacturing to service and for the sake of speeding up steel e-commerce business expansion, the Company established Ouyeel Commerce Co., Ltd. in Feb 2015. It is suggested by Audit Committee that risk prevention and internal control system (especially related to finance business) shall be established and perfected as soon as possible, which benefits Ouyeel business features. In the meantime, in the opinion of Audit Committee, under the background of more market-oriented RMB exchange rate regime, exchange rate risk tends to be more severe and liability structure is subject to more impact from exchange rate risk. Therefore, more professional evaluation system and management regime shall be taken into consideration to effectively respond and control exchange rate risk.

V. Notes of the Board of Supervisors on Risks for the Company

The Board of Supervisors held no objection to all aspects under the supervision during the reporting period.

VI. Notes for the Company and Its Controlling Shareholders Unable to Guarantee Independency and Hold Independent Operation in Business, Personnel, Asset, Institution, Finance and Others

None.

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

The Company enjoyed a well-formed structure of corporate governance, with an assessment and appraisal mechanism for senior executives, which was approved by the Remuneration and Appraisal Committee and the Board of Directors. The compensation of senior executives depended on the performances of the Company as a whole and of themselves, and normative procedures have been well established with regards to their targets, daily compensation management, achievements, assessments and achievement-assessment relationship.

VIII. Disclose Internal Control Self-assessment Report

☒ Applicable ☐ Not applicable

The Company carried out the internal control evaluation work according to the Basic Standard for Enterprise Internal Control and Guide for Enterprise Internal Control Evaluation and formed the internal control evaluation report. Evaluation Report has been approved by the 6th session of the 6th Board Meeting of the Company and disclosed to the public, with disclosure information available at: www.sse.com.cn.

Notes for major flaw in internal control during the reporting period

☐ Applicable ☒ Not applicable

IX. Audit Report for the Company's Internal Control

Deloitte Touche Tohmatsu Certified Public Accountants LLP (special general partnership) conducted the internal control audit and gave its audit report for the Company, and the content of the report was disclosed at www.sse.com.cn.

If disclose internal control auditing report: yes

X. Miscellaneous

None.

Section X Corporation Bonds

☐ Applicable ☒ Not applicable

Section XI Financial Statements

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Section XI Financial Statements

AUDITOR'S REPORT

De Shi Bao (Shen) Zi (16) No.P0996

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 2015, 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 2015, 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:

Xu Yusun

Jiang Jian

30 March 2016

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 2015

BAOSHAN IRON & STEEL CO., LTD.

RMB

| Item | Notes | Closing Balance | Opening Balance |
|---|-------|--------------------|--------------------|
| Current Assets: | | | |
| Cash and bank balances | (V)1 | 7,816,943,116.11 | 12,103,757,440.88 |
| Financial assets at fair value through profit or loss | (V)2 | 872,874,998.19 | 180,636,573.51 |
| Notes receivable | (V)3 | 8,192,598,702.78 | 9,222,110,761.77 |
| Accounts receivable | (V)4 | 9,158,063,277.11 | 10,049,072,037.10 |
| Prepayments | (V)5 | 4,159,608,819.61 | 2,923,618,311.69 |
| Interest receivable | (V)6 | 294,162,019.29 | 547,356,317.25 |
| Dividends receivable | (V)7 | 162,869,833.28 | 11,298,647.00 |
| Other receivables | (V)8 | 1,057,234,780.61 | 1,080,179,452.07 |
| Financial assets purchased under resale agreements | (V)9 | 2,140,000,000.00 | 595,000,000.00 |
| Inventories | (V)10 | 23,515,760,734.54 | 26,815,100,722.39 |
| Non-current assets due within one year | (V)11 | 4,500,000,000.00 | 6,358,800,000.00 |
| Other current assets | (V)12 | 8,032,867,446.36 | 4,499,073,089.90 |
| Total Current Assets | | 69,902,983,727.88 | 74,386,003,353.56 |
| Non-current Assets: | | | |
| Loans and advances to customers | (V)13 | 2,238,404,977.48 | 2,948,545,990.88 |
| Available-for-sale financial assets | (V)14 | 10,924,024,795.65 | 10,447,520,041.50 |
| Long-term receivables | (V)15 | 4,579,073,208.90 | 9,012,068,634.07 |
| Long-term equity investments | (V)16 | 5,010,366,850.50 | 4,963,108,955.16 |
| Investment properties | (V)17 | 373,337,165.32 | 450,687,455.44 |
| Fixed assets | (V)18 | 91,067,560,315.55 | 82,897,000,178.55 |
| Construction in progress | (V)19 | 33,628,389,473.68 | 26,758,846,736.54 |
| Materials for construction of fixed assets | (V)20 | 55,433,580.47 | 173,012,390.36 |
| Intangible assets | (V)21 | 9,251,464,486.88 | 9,136,786,103.95 |
| Long-term prepaid expenses | (V)22 | 1,057,177,388.37 | 1,099,681,062.52 |
| Deferred tax assets | (V)23 | 1,520,955,982.61 | 1,826,404,465.21 |
| Other non-current assets | (V)24 | 4,513,975,000.00 | 4,552,848,644.62 |
| Total Non-current Assets | | 164,220,163,225.41 | 154,266,510,658.80 |
| TOTAL ASSETS | | 234,123,146,953.29 | 228,652,514,012.36 |

Legal Representative: Chen Derong

Person in Charge of Accounting Affairs: Zhu Kebing

Person in Charge of Accounting Body: Wang Juan

Consolidated Balance Sheet - continued

AT 31 DECEMBER 2015

BAOSHAN IRON & STEEL CO., LTD.

RMB

| Item | Notes | Closing Balance | Opening Balance |
|---|-------|---------------------------|---------------------------|
| Current Liabilities: | | | |
| Short-term borrowings | (V)25 | 27,111,031,934.70 | 31,480,011,723.61 |
| Loans from the central bank | | 130,730,819.70 | - |
| deposits from banks and other financial institutions | (V)26 | 10,009,980,135.82 | 7,972,063,672.99 |
| Taking from banks and other financial institutions | (V)27 | 198,000,000.00 | - |
| Financial liabilities at fair value through profit or loss | | 3,608,651.05 | - |
| Notes payable | (V)28 | 4,433,892,369.95 | 5,416,879,164.85 |
| Accounts payable | (V)29 | 21,385,905,275.51 | 19,910,369,631.42 |
| Receipts in advance | (V)30 | 12,467,881,559.99 | 11,522,938,150.20 |
| Financial assets sold under repurchase agreements | | - | 169,528,930.40 |
| Employee benefits payable | (V)31 | 1,671,753,461.42 | 1,743,340,738.03 |
| Taxes payable | (V)32 | 1,698,315,074.97 | 2,162,028,290.86 |
| Interest payable | (V)33 | 199,607,814.92 | 281,301,392.21 |
| Dividends payable | (V)34 | 625,765.44 | 12,184,096.83 |
| Other payables | (V)35 | 2,283,044,126.16 | 1,141,614,196.44 |
| Non-current liabilities due within one year | (V)36 | 208,114,896.18 | 7,442,007,303.14 |
| Other current liabilities | (V)37 | 10,057,344,262.30 | - |
| Total Current Liabilities | | 91,859,836,148.11 | 89,254,267,290.98 |
| Non-current Liabilities: | | | |
| Long-term borrowings | (V)38 | 9,111,026,384.68 | 9,936,435,216.96 |
| Bonds payable | (V)39 | 8,747,373,959.29 | 3,024,076,037.38 |
| Long-term payables | (V)40 | 82,585,917.00 | 89,287,152.00 |
| Long-term employee benefit payable | (V)41 | 328,307,328.96 | 162,061,249.06 |
| Special payables | (V)42 | 292,916,697.81 | 287,916,697.81 |
| Deferred income | (V)22 | 1,092,839,458.77 | 1,268,675,356.46 |
| Deferred tax liabilities | (V)43 | 454,701,623.19 | 423,066,461.35 |
| Other non-current liabilities | (V)44 | 7,134,514.14 | 1,902,403.65 |
| Total Non-current Liabilities | | 20,116,885,883.84 | 15,193,420,574.67 |
| TOTAL LIABILITIES | | 111,976,722,031.95 | 104,447,687,865.65 |
| SHAREHOLDERS' EQUITY: | | | |
| Share capital | (V)45 | 16,467,517,524.00 | 16,471,026,024.00 |
| Capital reserve | (V)46 | 33,739,882,090.62 | 33,253,945,989.75 |
| Less: Treasury shares | (V)47 | 82,585,917.00 | 89,287,152.00 |
| Other comprehensive income | (V)48 | (997,587,960.09) | (1,004,817,797.37) |
| Special reserve | (V)49 | 10,915,599.63 | 10,040,556.78 |
| Surplus reserve | (V)50 | 26,516,654,926.34 | 25,851,173,391.46 |
| Retained earnings | (V)51 | 37,148,447,581.69 | 39,765,842,085.69 |
| Total shareholders' equity attributable to owners of the Company | | 112,803,243,845.19 | 114,257,923,098.31 |
| Minority interests | | 9,343,181,076.15 | 9,946,903,048.40 |
| TOTAL SHAREHOLDERS' EQUITY | | 122,146,424,921.34 | 124,204,826,146.71 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 234,123,146,953.29 | 228,652,514,012.36 |

Legal Representative: Chen Derong

Person in Charge of Accounting Affairs: Zhu Kebing

Person in Charge of Accounting Body: Wang Juan

Balance Sheet of the Company

AT 31 DECEMBER 2015

BAOSHAN IRON & STEEL CO., LTD.

RMB

| Item | Notes | Closing Balance | Opening Balance |
|---|-------|---------------------------|---------------------------|
| Current asset: | | | |
| Cash and bank balances | | 2,609,809,152.05 | 6,283,129,815.02 |
| Financial assets at fair value through profit or loss | | | 6,102,202.15 |
| Notes receivable | | 9,485,523,681.41 | 13,011,611,433.29 |
| Accounts receivable | (XV)1 | 14,528,789,667.02 | 9,695,871,978.90 |
| Prepayments | | 1,253,626,615.28 | 942,442,509.53 |
| Interest receivable | | 373,908,851.48 | 624,864,604.91 |
| Other receivables | (XV)2 | 249,886,362.58 | 250,571,482.39 |
| Inventories | | 10,004,843,968.85 | 12,690,611,402.54 |
| Non-current assets due within one year | | 4,500,000,000.00 | 4,500,000,000.00 |
| Other current assets | | 12,923,012,337.05 | 3,265,500,000.00 |
| Total Current Assets | | 55,929,400,635.72 | 51,270,705,428.73 |
| Non-current Assets: | | | |
| Available-for-sale financial assets | | 8,844,897,096.20 | 8,200,996,309.00 |
| Long-term receivables | | 6,645,532,930.56 | 11,073,532,930.56 |
| Long-term equity investments | (XV)3 | 46,254,613,054.24 | 45,216,589,326.30 |
| Fixed assets | | 49,147,433,841.75 | 50,017,975,436.43 |
| Construction in progress | | 2,841,837,566.36 | 3,611,532,901.23 |
| Materials for construction of fixed assets | | 29,585,906.85 | 32,088,334.38 |
| Intangible assets | | 3,707,611,299.90 | 3,788,628,679.26 |
| Long-term prepaid expenses | | 73,013,638.42 | 98,970,720.56 |
| Deferred tax assets | | 851,482,708.40 | 722,797,843.64 |
| Other non-current assets | | 396,867,364.20 | 849,017,843.49 |
| Total Non-current Assets | | 118,792,875,406.88 | 123,612,130,324.85 |
| TOTAL ASSETS | | 174,722,276,042.60 | 174,882,835,753.58 |
| Current Liabilities: | | | |
| Short-term borrowings | | 19,223,563,658.59 | 11,540,228,080.29 |
| Notes payable | | 1,520,322,564.34 | 1,673,935,753.74 |
| Accounts payable | | 16,361,219,616.35 | 25,957,352,170.04 |
| Receipts in advance | | 10,723,769,050.31 | 11,502,863,539.67 |
| Employee benefits payable | | 1,102,916,994.13 | 1,228,950,124.09 |
| Taxes payable | | 2,040,209,581.28 | 2,067,147,371.26 |
| Interest payable | | 52,052,454.92 | 37,402,811.31 |
| Other payables | | 484,621,748.19 | 405,000,081.16 |
| Non-current liabilities due within one year | | 127,713,600.00 | 5,201,150,000.00 |
| Other current liabilities | | 10,057,344,262.30 | 3,123,327,438.98 |
| Total Current Liabilities | | 61,693,733,530.41 | 62,737,357,370.54 |

Legal Representative: Chen Derong

Person in Charge of Accounting Affairs: Zhu Kebing

Person in Charge of Accounting Body: Wang Juan

Balance Sheet of the Company - continued

AT 31 DECEMBER 2015

BAOSHAN IRON & STEEL CO., LTD.

RMB

| Item | Notes | Closing Balance | Opening Balance |
|--|-------|--------------------|--------------------|
| Non-current Liabilities: | | | |
| Long-term borrowings | | | 1,560,345,000.00 |
| Bonds payable | | 2,000,000,000.00 | - |
| Long-term employee benefit payable | | 219,451,130.56 | 130,741,372.43 |
| Long-term payables | | 82,585,917.00 | 89,287,152.00 |
| Special payables | | 239,350,000.00 | 239,350,000.00 |
| Deferred income | | 376,156,642.05 | 605,552,512.81 |
| Deferred tax liabilities | | 442,584,276.06 | 413,994,006.83 |
| Total Non-current Liabilities | | 3,360,127,965.67 | 3,039,270,044.07 |
| TOTAL LIABILITIES | | 65,053,861,496.08 | 65,776,627,414.61 |
| SHAREHOLDERS' EQUITY: | | | |
| Share capital | | 16,467,517,524.00 | 16,471,026,024.00 |
| Capital reserve | | 32,919,701,968.51 | 32,759,853,588.96 |
| Less: Treasury shares | | 82,585,917.00 | 89,287,152.00 |
| Other comprehensive income | | (66,043,945.35) | (102,586,048.25) |
| Surplus reserve | | 26,516,654,926.34 | 25,851,173,391.46 |
| Retained earnings | | 33,913,169,990.02 | 34,216,028,534.80 |
| TOTAL SHAREHOLDERS' EQUITY | | 109,668,414,546.52 | 109,106,208,338.97 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 174,722,276,042.60 | 174,882,835,753.58 |

Legal Representative: Chen Derong

Person in Charge of Accounting Affairs: Zhu Kebing

Person in Charge of Accounting Body: Wang Juan

Consolidated Income Statement

AT 31 DECEMBER 2015

BAOSHAN IRON & STEEL CO., LTD.

RMB

| Item | Notes | Amount for the current period | Amount for the prior period |
|---|-------|-------------------------------|-----------------------------|
| I.Total operating income | | 164,117,135,498.74 | 187,789,009,928.26 |
| Including: Operating income | (V)52 | 163,789,548,495.24 | 187,413,640,104.33 |
| Interest income | | 321,567,791.79 | 371,566,288.84 |
| Fee and commission income | | 6,019,211.71 | 3,803,535.09 |
| Less: Total operating costs | | 163,310,549,025.16 | 180,550,515,935.21 |
| Including: Operating costs | (V)2 | 149,258,356,248.98 | 168,931,135,501.45 |
| Interest expenses | | 266,246,632.79 | 256,830,557.42 |
| Fee and commission expenses | | 1,072,784.07 | 622,101.30 |
| Business taxes and levies | (V)53 | 466,201,435.37 | 470,502,745.64 |
| Selling expenses | (V)54 | 2,152,762,665.55 | 2,200,347,423.93 |
| Administrative expenses | (V)55 | 7,286,612,345.95 | 7,728,236,209.78 |
| Financial expenses | (V)56 | 2,392,567,246.13 | 487,713,867.87 |
| Impairment losses of assets | (V)57 | 1,486,729,666.32 | 475,127,527.82 |
| Add: Gains from changes in fair values | (V)58 | 5,657,956.88 | 23,346,786.23 |
| Investment income | (V)59 | 1,038,207,499.26 | 378,905,995.20 |
| Including: Income from investments in associates and joint ventures | | 78,022,511.61 | 154,890,243.84 |
| II.Operating profit | | 1,850,451,929.72 | 7,640,746,774.48 |
| Add: Non-operating income | (V)60 | 668,228,033.02 | 1,180,620,074.47 |
| Including: Income from disposal of non-current assets | | 94,590,167.84 | 468,705,992.56 |
| Less: Non-operating expenses | (V)61 | 664,549,233.56 | 543,593,096.02 |
| Including: Losses from disposal of non-current assets | | 638,690,137.29 | 422,747,874.64 |
| III.Total profit | | 1,854,130,729.18 | 8,277,773,752.93 |
| Less: Income tax expenses | (V)62 | 1,140,060,553.87 | 2,187,081,535.04 |
| IV.Net profit | | 714,070,175.31 | 6,090,692,217.89 |
| Net profit attributable to owners of the Company | | 1,012,871,715.20 | 5,792,349,060.90 |
| Profit or loss attributable to minority interests | | (298,801,539.89) | 298,343,156.99 |
| V. Other comprehensive income, net of income tax | (V)63 | 1,377,822.97 | (47,779,813.44) |
| attributes to owners of the company | | 7,229,837.28 | (58,470,404.78) |
| (I)Items that will not be reclassified subsequently to profit or loss | | - | - |
| (II)Items that may be reclassified subsequently to profit or loss | | 7,229,837.28 | (58,470,404.78) |
| 1.Amounts of other comprehensive income attributes to investees that are to be reclassified into profit or loss under equity method | | 39,724,170.18 | (3,770,776.83) |
| 2.Fair value gain/loss on available-for-sale financial assets | | (111,809,711.00) | 75,537,973.06 |
| 3.Exchange differences on translating foreign operations | | 79,315,378.10 | (130,237,601.01) |
| 4.Others | | - | - |
| attributes to non-controlling interest, net of tax | | (5,852,014.31) | 10,690,591.34 |
| VI. Total comprehensive income | | 715,447,998.28 | 6,042,912,404.45 |
| attributes to owners of the company | | 1,020,101,552.48 | 5,733,878,656.12 |
| attributes to non-controlling interest | | (304,653,554.20) | 309,033,748.33 |
| VII. Earnings per share | | | |
| (I)Basic earnings per share (RMB/share) | | 0.06 | 0.35 |
| (II)Diluted earnings per share(RMB/share) | | 0.06 | 0.35 |

Legal Representative: Chen Derong

Person in Charge of Accounting Affairs: Zhu Kebing

Person in Charge of Accounting Body: Wang Juan

Income Statement of the Company

AT 31 DECEMBER 2015

BAOSHAN IRON & STEEL CO., LTD.

RMB

| Item | Notes | Amount for the current period | Amount for the prior period |
|--|-------|-------------------------------|-----------------------------|
| I. Operating income | (XV)4 | 86,533,212,543.05 | 106,018,047,280.89 |
| Less: Operating costs | (XV)4 | 77,716,889,887.37 | 95,147,177,965.01 |
| Business taxes and levies | | 215,748,640.20 | 224,874,152.27 |
| Selling expenses | | 698,038,665.28 | 683,150,896.49 |
| Administrative expenses | | 4,423,445,078.79 | 5,065,663,648.24 |
| Financial expenses | | 1,389,636,028.14 | (690,251,334.45) |
| Impairment losses of assets | | 571,907,628.07 | (37,344,257.83) |
| Add: Gains from changes in fair values | | (6,102,202.15) | 6,102,202.15 |
| Investment income | (XV)5 | 1,845,919,406.94 | 1,717,204,237.36 |
| Including: Income from investments in associates and joint ventures | | 45,192,289.46 | 84,270,441.26 |
| II. Operating profit | | 3,357,363,819.99 | 7,348,082,650.67 |
| Add: Non-operating income | | 394,781,543.35 | 909,651,316.01 |
| Including: Income from disposal of non-current assets | | 69,892,717.07 | 460,231,043.45 |
| Less: Non-operating expenses | | 489,776,828.42 | 416,942,978.13 |
| Including: Losses from disposal of non-current assets | | 478,233,078.36 | 376,473,454.16 |
| III. Total profit | | 3,262,368,534.92 | 7,840,790,988.55 |
| Less: Income tax expenses | | (65,039,139.50) | 1,128,655,011.92 |
| IV. Net profit | | 3,327,407,674.42 | 6,712,135,976.63 |
| V. Other comprehensive income, net of income tax | | 36,542,102.90 | 2,125,489.60 |
| (I) Items that will not be reclassified subsequently to profit or loss | | - | - |
| (II) Items that may be reclassified subsequently to profit or loss | | 36,542,102.90 | 2,125,489.60 |
| 1. Amounts of other comprehensive income attributes to investees that are to be reclassified into profit or loss under equity method | | 36,542,102.90 | 2,125,489.60 |
| 2. Gain or loss on change in fair value of available-for-sale financial assets | | - | - |
| 3. Gain or loss of held-to-maturity investment reclassified to available-for-sale financial assets | | - | - |
| 4. Effective portion of gain or loss of cash flow hedge | | - | - |
| 5. Translation differences of financial statements denominated in foreign currencies | | - | - |
| VI. Total comprehensive income | | 3,363,949,777.32 | 6,714,261,466.23 |

Legal Representative: Chen Derong

Person in Charge of Accounting Affairs: Zhu Kebing

Person in Charge of Accounting Body: Wang Juan

Consolidated Cash Flow Statement

AT 31 DECEMBER 2015

BAOSHAN IRON & STEEL CO., LTD.

RMB

| Item | Notes | Amount for the current period | Amount for the prior period |
|---|----------|-------------------------------|-----------------------------|
| I.Cash Flows from Operating Activities: | | | |
| Cash receipts from the sale of goods and the rendering of services | | 192,145,993,503.64 | 220,165,111,508.39 |
| Net increase in customer deposits and deposits from banks and other financial institutions | | 2,039,322,506.36 | 366,716,421.21 |
| Net decrease in loans and advances to customers | | 671,868,969.82 | 134,308,091.59 |
| Net increase in loans from the central bank | | 130,730,819.70 | - |
| Net increase in taking from banks and other financial institutions | | 198,000,000.00 | - |
| Net decrease in balance with the central bank and due from banks and other financial institutions | | 705,458,139.94 | - |
| Cash receipts from interest, fees and commissions | | 327,907,914.64 | 380,886,261.03 |
| Receipts of tax refunds | | 201,587,516.49 | 167,036,973.08 |
| Other cash receipts relating to operating activities | (V)64(1) | 1,545,990,823.45 | 1,549,173,971.38 |
| Sub-total of cash inflows from operating activities | | 197,966,860,194.04 | 222,763,233,226.68 |
| Cash payments for goods purchased and services received | | 158,725,828,879.03 | 175,027,695,742.19 |
| 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 | | - | 180,114,636.34 |
| Cash payments for interest, fees and commissions | | 394,971,867.28 | 155,682,806.55 |
| Cash payments to and on behalf of employees | | 9,168,729,415.22 | 9,612,829,368.62 |
| Net increase of repurchase of financial asset | | 169,528,930.40 | 497,432,357.03 |
| Payments of various types of taxes | | 5,926,878,875.67 | 6,567,092,964.43 |
| Other cash payments relating to operating activities | (V)64(2) | 2,404,125,782.38 | 2,141,919,412.09 |
| Sub-total of cash outflows from operating activities | | 176,790,063,749.98 | 194,482,767,287.25 |
| Net Cash Flows from Operating Activities | (V)65(1) | 21,176,796,444.06 | 28,280,465,939.43 |
| II.Cash Flows from Investing Activities: | | | |
| Cash receipts from disposals and recovery of investments | | 27,713,469,185.01 | 1,325,638,904.99 |
| Cash receipts from investment income | | 863,887,323.94 | 471,755,146.34 |
| Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets | | 44,952,702.99 | 154,821,136.33 |
| Net cash receipts from disposals of subsidiaries and other business units | | (7,641,688.30) | - |
| Other cash receipts relating to investing activities | (V)64(3) | 5,311,726,571.88 | 5,743,689,381.14 |
| Sub-total of cash inflows from investing activities | | 33,926,394,095.52 | 7,695,904,568.80 |
| Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets | | 23,978,623,342.34 | 21,608,675,890.70 |
| Cash payments to acquire investments | | 30,971,835,198.56 | 4,928,285,693.26 |
| Net cash payments for acquisitions of subsidiaries and other business units | | 3,652,765.63 | - |
| Other cash payments relating to investing activities | (V)64(4) | 648,413,258.39 | 122,851,439.75 |
| Sub-total of cash outflows from investing activities | | 55,602,524,564.92 | 26,659,813,023.71 |
| Net Cash Flows from Investing Activities | | (21,676,130,469.40) | (18,963,908,454.91) |

Legal Representative: Chen Derong

Person in Charge of Accounting Affairs: Zhu Kebing

Person in Charge of Accounting Body: Wang Juan

Consolidated Cash Flow Statement - continued

AT 31 DECEMBER 2015

BAOSHAN IRON & STEEL CO., LTD.

RMB

| Item | Notes | Amount for the current period | Amount for the prior period |
|--|----------|-------------------------------|-----------------------------|
| III.Cash Flows from Financing Activities: | | | |
| Cash receipts from capital contributions | | 2,013,475,646.46 | 309,846,783.44 |
| Including: cash receipts from capital contributions from minority owners of subsidiaries | | 2,013,475,646.46 | 309,846,783.44 |
| Cash receipts from borrowings | | 83,566,582,548.07 | 66,623,173,848.24 |
| Cash receipts from issue of bonds | (V)39(2) | 15,653,821,828.56 | - |
| Other cash receipts relating to financing activities | (V)64(5) | - | 89,287,152.00 |
| Sub-total of cash inflows from financing activities | | 101,233,880,023.09 | 67,022,307,783.68 |
| Cash repayments of borrowings | | 95,892,429,914.60 | 73,010,604,491.13 |
| Cash payments for distribution of dividends or profits or settlement of interest expenses | | 4,960,521,211.79 | 3,357,747,698.09 |
| Including: payments for distribution of dividends or profits to minority owner of subsidiaries | | 548,817,572.92 | 148,222,163.39 |
| Cash payments for repurchase of shares | (V)46 | - | 187,734,750.08 |
| Other cash payments relating to financing activities | (V)64(6) | 1,500,000,000.00 | - |
| Sub-total of cash outflow from financing activities | | 102,352,951,126.39 | 76,556,086,939.30 |
| Net Cash Flows from Financing Activities | | (1,119,071,103.30) | (9,533,779,155.62) |
| IV.Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents | | (563,996,162.28) | (90,341,142.76) |
| V.Net decrease in Cash and Cash Equivalents | | (2,182,401,290.92) | (307,562,813.86) |
| Add: Opening balance of Cash and Cash Equivalents | (V)65(2) | 11,291,289,583.07 | 11,598,852,396.93 |
| VI. Closing Balance of Cash and Cash Equivalents | (V)65(2) | 9,108,888,292.15 | 11,291,289,583.07 |

Legal Representative: Chen Derong

Person in Charge of Accounting Affairs: Zhu Kebing

Person in Charge of Accounting Body: Wang Juan

Cash Flow Statement of the Company

AT 31 DECEMBER 2015

BAOSHAN IRON & STEEL CO., LTD.

RMB

| Item | Notes | Amount for the current period | Amount for the prior period |
|--|-------|-------------------------------|-----------------------------|
| I.Cash Flows from Operating Activities: | | | |
| Cash receipts from the sale of goods and the rendering of services | | 97,022,880,555.42 | 124,287,075,792.62 |
| Receipts of tax refunds | | 98,804,284.62 | 99,632,634.49 |
| Other cash receipts relating to operating activities | | 269,980,649.36 | 608,234,634.64 |
| Sub-total of cash inflows from operating activities | | 97,391,665,489.40 | 124,994,943,061.75 |
| Cash payments for goods purchased and services received | | 88,208,989,303.05 | 96,674,143,544.75 |
| Cash payments to and on behalf of employees | | 5,331,320,521.34 | 5,696,531,283.54 |
| Payments of various types of taxes | | 3,004,042,789.83 | 3,536,940,591.26 |
| Other cash payments relating to operating activities | | 530,353,777.12 | 848,991,677.80 |
| Sub-total of cash outflows from operating activities | | 97,074,706,391.34 | 106,756,607,097.35 |
| Net Cash Flows from Operating Activities | (XV)7 | 316,959,098.06 | 18,238,335,964.40 |
| II.Cash Flows from Financing Activities: | | | |
| Cash receipts from disposals and recovery of investment | | 14,625,500,000.00 | 29,750,000,000.00 |
| Cash receipts from investment income | | 1,805,395,922.10 | 1,807,214,241.90 |
| Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets | | 19,082,867.61 | 121,014,589.31 |
| Other cash receipts relating to investing activities | | 5,365,925,178.35 | 5,961,180,607.53 |
| Sub-total of cash inflows from investing activities | | 21,815,903,968.06 | 37,639,409,438.74 |
| Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets | | 5,750,918,316.78 | 8,110,273,542.15 |
| Cash payments to acquire investments | | 14,535,880,013.32 | 41,492,329,984.00 |
| Other cash payments relating to investing activities | | 640,103,271.19 | 122,851,439.75 |
| Sub-total of cash outflows from investing activities | | 20,926,901,601.29 | 49,725,454,965.90 |
| Net Cash Flows from Investing Activities | | 889,002,366.77 | (12,086,045,527.16) |
| III.Cash Flows from Financing Activities: | | | |
| Cash receipts from borrowings | | 62,794,823,173.16 | 26,852,536,038.43 |
| Cash receipts from debentures | | 12,000,000,000.00 | |
| Other cash receipts relating to financing activities | | - | 1,855,360,379.62 |
| Sub-total of cash inflows from financing activities | | 74,794,823,173.16 | 28,707,896,418.05 |
| Cash repayments of borrowings | | 62,260,435,685.30 | 32,561,180,622.13 |
| Cash payments for distribution of dividends or profits or interest expenses | | 3,547,068,256.73 | 2,112,794,347.77 |
| Cash payments for repurchase of shares | | - | 187,734,750.08 |
| Other cash payments relating to financing activities | | 13,374,900,355.93 | - |
| Sub-total of cash outflow from financing activities | | 79,182,404,297.96 | 34,861,709,719.98 |
| Net Cash Flows from Financing Activities | | (4,387,581,124.80) | (6,153,813,301.93) |
| IV.Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents | | (491,701,003.00) | (5,933,809.93) |
| V.Net decrease in Cash and Cash Equivalents | | (3,673,320,662.97) | (7,456,674.62) |
| Add: Opening balance of Cash and Cash Equivalents | | 6,283,129,815.02 | 6,290,586,489.64 |
| VI.Closing Balance of Cash and Cash Equivalents | | 2,609,809,152.05 | 6,283,129,815.02 |

Legal Representative: Chen Derong

Person in Charge of Accounting Affairs: Zhu Kebing

Person in Charge of Accounting Body: Wang Juan

Consolidated Statement of Changes in Owners' Equity

AT 31 DECEMBER 2015

| Item | Amount for the current year | | | | |
|--|---------------------------------------|-------------------|-----------------------|----------------------------|------------------|
| | Attributable to owners of the Company | | | | |
| | Share capital | Capital reserve | Less: Treasury shares | Other comprehensive income | Special reserves |
| I. Balance on 2015.01.01 | 16,471,026,024.00 | 33,253,945,989.75 | 89,287,152.00 | (1,004,817,797.37) | 10,040,556.78 |
| II. Changes for the year | (3,508,500.00) | 485,936,100.87 | (6,701,235.00) | 7,229,837.28 | 875,042.85 |
| (I) Comprehensive income | - | - | - | 7,229,837.28 | - |
| (II) Owner's contributions and reduction in capital | (3,508,500.00) | 484,519,058.09 | (6,701,235.00) | - | - |
| 1. Capital contribution(reduction) from owners | (3,508,500.00) | 496,407,144.48 | - | - | - |
| 2. Purchase of shares from minority interests | - | (16,323,813.81) | - | - | - |
| 3. Share-based payments recognized in shareholder's equity | - | 4,435,727.42 | - | - | - |
| 4. Others | - | - | (6,701,235.00) | - | - |
| (III) Profit distribution | - | - | - | - | - |
| 1. Transfer to surplus reserve | - | - | - | - | - |
| 2. Distribution to owners of the company | - | - | - | - | - |
| (IV) Transfers within owners' equity | - | - | - | - | - |
| 1. Others | - | - | - | - | - |
| (V) Special reserve | - | - | - | - | 875,042.85 |
| 1. Transfer to special reserve in the year | - | - | - | - | 479,597,276.10 |
| 2. Amount utilized in the year | - | - | - | - | 478,722,233.25 |
| (VI) Others | - | 1,417,042.78 | - | - | - |
| III. Closing balance of the current year | 16,467,517,524.00 | 33,739,882,090.62 | 82,585,917.00 | (997,587,960.09) | 10,915,599.63 |

| Item | Amount for the same period of last year | | | | |
|--|---|-------------------|-----------------------|----------------------------|------------------|
| | Attributable to owners of the Company | | | | |
| | Share capital | Capital reserve | Less: Treasury shares | Other comprehensive income | Special reserves |
| I. Closing balance of the prior year | 16,471,724,924.00 | 32,966,712,988.03 | - | - | 22,160,961.06 |
| Add: Changes in accounting policies | - | 426,950,595.97 | - | (946,347,392.59) | - |
| II. Balance on 2014.01.01 | 16,471,724,924.00 | 33,393,663,584.00 | - | (946,347,392.59) | 22,160,961.06 |
| III. Changes for the year | (698,900.00) | (139,717,594.25) | 89,287,152.00 | (58,470,404.78) | (12,120,404.28) |
| (I) Comprehensive income | -- | - | - | (58,470,404.78) | - |
| (II) Owner's contributions and reduction in capital | (698,900.00) | (140,481,034.16) | 89,287,152.00 | - | - |
| 1. Capital contribution from owners | (698,900.00) | (97,748,698.08) | - | - | - |
| 2. Purchase of shares from minority interests | - | (58,749,414.57) | - | - | - |
| 3. Share-based payments recognized in shareholder's equity | - | 16,017,078.49 | - | - | - |
| 4. Others | - | - | 89,287,152.00 | - | - |
| (III) Profit distribution | - | - | - | - | - |
| 1. Transfer to surplus reserve | - | - | - | - | - |
| 2. Distribution to owners of the company | - | - | - | - | - |
| (IV) Transfers within owners' equity | - | - | - | - | - |
| 1. Others | - | - | - | - | - |
| (V) Special reserve | - | - | - | - | (12,120,404.28) |
| 1. Transfer to special reserve in the year | - | - | - | - | 395,631,820.57 |
| 2. Amount utilized in the year | - | - | - | - | 407,752,224.85 |
| (VI) Others | - | 763,439.91 | - | - | - |
| IV. Closing balance of the current year | 16,471,026,024.00 | 33,253,945,989.75 | 89,287,152.00 | (1,004,817,797.37) | 10,040,556.78 |

Legal Representative: Chen Derong

Person in Charge of Accounting Affairs: Zhu Keping

Person in Charge of Accounting Body: Wang Juan

RMB

| Amount for the current year | | | | | | |
|---|-----------------|--------------------|--|--------------------|----------------------|--------------------|
| Attributable to owners of the Company | | | | Minority interest | Total owners' equity | |
| Surplus reserves | General reserve | Retained earnings | Subtotal | | | |
| 25,851,173,391.46 | - | 39,765,842,085.69 | 114,257,923,098.31 | 9,946,903,048.40 | 124,204,826,146.71 | |
| 665,481,534.88 | - | (2,617,394,504.00) | (1,454,679,253.12) | (603,721,972.25) | (2,058,401,225.37) | |
| - | - | 1,012,871,715.20 | 1,020,101,552.48 | (304,653,554.20) | 715,447,998.28 | |
| - | - | - | 487,711,793.09 | 249,859,125.98 | 737,570,919.07 | |
| - | - | - | 492,898,644.48 | 2,237,789,781.37 | 2,730,688,425.85 | |
| - | - | - | (16,323,813.81) | (1,516,674,104.00) | (1,532,997,917.81) | |
| - | - | - | 4,435,727.42 | - | 4,435,727.42 | |
| - | - | - | 6,701,235.00 | (471,256,551.39) | (464,555,316.39) | |
| 665,481,534.88 | - | (3,630,266,219.20) | (2,964,784,684.32) | (548,817,572.92) | (3,513,602,257.24) | |
| 665,481,534.88 | - | (665,481,534.88) | - | - | - | |
| - | - | (2,964,784,684.32) | (2,964,784,684.32) | (548,817,572.92) | (3,513,602,257.24) | |
| - | - | - | - | - | - | |
| - | - | - | - | - | - | |
| - | - | - | 875,042.85 | (109,971.11) | 765,071.74 | |
| - | - | - | 479,597,276.10 | 7,121.35 | 479,604,397.45 | |
| - | - | - | 478,722,233.25 | 117,092.46 | 478,839,325.71 | |
| - | - | - | 1,417,042.78 | - | 1,417,042.78 | |
| 26,516,654,926.34 | - | 37,148,447,581.69 | 112,803,243,845.19 | 9,343,181,076.15 | 122,146,424,921.34 | |
| Amount for the same period of last year | | | | | | |
| Attributable to owners of the Company | | | | Minority interest | Total owners' equity | |
| Surplus reserves | General reserve | Retained earnings | Translation differences arising on translation of financial statements denominated in foreign currencies Subtotal | | | |
| 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 |
| (19,455,181.78) | - | (81,456,755.60) | 521,151,950.22 | (99,156,783.78) | (9,366,893.85) | (108,523,677.63) |
| 24,508,746,196.14 | - | 36,963,092,712.51 | - | 110,413,040,985.12 | 9,544,366,179.06 | 119,957,407,164.18 |
| 1,342,427,195.32 | - | 2,802,749,373.18 | - | 3,844,882,113.19 | 402,536,869.34 | 4,247,418,982.53 |
| - | - | 5,792,349,060.90 | - | 5,733,878,656.12 | 309,033,748.33 | 6,042,912,404.45 |
| - | - | - | - | (230,467,086.16) | 257,516,198.01 | 27,049,111.85 |
| - | - | - | - | (98,447,598.08) | 309,846,783.44 | 211,399,185.36 |
| - | - | - | - | (58,749,414.57) | (52,330,585.43) | (111,080,000.00) |
| - | - | - | - | 16,017,078.49 | - | 16,017,078.49 |
| - | - | - | - | (89,287,152.00) | - | (89,287,152.00) |
| 1,342,427,195.32 | - | (2,989,599,687.72) | - | (1,647,172,492.40) | (147,297,033.12) | (1,794,469,525.52) |
| 1,342,427,195.32 | - | (1,342,427,195.32) | - | - | - | - |
| - | - | (1,647,172,492.40) | - | (1,647,172,492.40) | (147,297,033.12) | (1,794,469,525.52) |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | (12,120,404.28) | 112,920.62 | (12,007,483.66) |
| - | - | - | - | 395,631,820.57 | 189,334.28 | 395,821,154.85 |
| - | - | - | - | 407,752,224.85 | 76,413.66 | 407,828,638.51 |
| - | - | - | - | 763,439.91 | (16,828,964.50) | (16,065,524.59) |
| 25,851,173,391.46 | - | 39,765,842,085.69 | - | 114,257,923,098.31 | 9,946,903,048.40 | 124,204,826,146.71 |

Statement of Changes in Owners' Equity of the Company

AT 31 DECEMBER 2015

| Item | Amount for the current year | | |
|---|-----------------------------|-------------------|-----------------------|
| | Share capital | Capital reserve | Less: Treasury shares |
| I. Balance on 2015.01.01 | 16,471,026,024.00 | 32,759,853,588.96 | 89,287,152.00 |
| II. Changes for the year | (3,508,500.00) | 159,848,379.55 | (6,701,235.00) |
| (I) Comprehensive income | - | - | - |
| (II) Owner' s contributions and reduction in capital | (3,508,500.00) | 158,334,461.77 | (6,701,235.00) |
| 1. Capital contribution(reduction) from owners | (3,508,500.00) | 153,898,734.35 | - |
| 2. Share-based payments recognized in shareholder' s equity | - | 4,435,727.42 | - |
| 3.Others | - | - | (6,701,235.00) |
| (III) Profit distribution | - | - | - |
| 1. Transfer to surplus reserve | - | - | - |
| 2. Distribution to owners of the company | - | - | - |
| (IV) Transfers within owners' equity | - | - | - |
| 1. Others | - | - | - |
| (V) Special reserve | - | - | - |
| 1. Transfer to special reserve in the year | - | - | - |
| 2. Amount utilized in the year | - | - | - |
| (VI) Others | - | 1,513,917.78 | - |
| III. Closing balance of the current year | 16,467,517,524.00 | 32,919,701,968.51 | 82,585,917.00 |

| Item | Amount for the same period of last year | | |
|---|---|-------------------|-----------------------|
| | Share capital | Capital reserve | Less: Treasury shares |
| I. Closing balance of the prior year | 16,471,724,924.00 | 32,731,184,064.17 | - |
| Add: Changes in accounting policies | - | 104,711,537.85 | - |
| II. Balance on 2014.01.01 | 16,471,724,924.00 | 32,835,895,602.02 | - |
| III. Changes for the year | (698,900.00) | (76,042,013.06) | 89,287,152.00 |
| (I) Comprehensive income | - | - | - |
| (II) Owner' s contributions and reduction in capital | (698,900.00) | (81,731,619.59) | 89,287,152.00 |
| 1. Capital contribution from owners | (698,900.00) | (97,748,698.08) | - |
| 2. Share-based payments recognized in shareholder' s equity | - | 16,017,078.49 | - |
| 3.Others | - | - | 89,287,152.00 |
| (III) Profit distribution | - | - | - |
| 1 . Transfer to surplus reserve | - | - | - |
| 2 . Distribution to owners of the company | - | - | - |
| (IV) Transfers within owners' equity | - | - | - |
| 1 . Others | - | - | - |
| (V) Special reserve | - | - | - |
| 1. Transfer to special reserve in the year | - | - | - |
| 2. Amount utilized in the year | - | - | - |
| (VI) Others | - | 5,689,606.53 | - |
| IV. Closing balance of the current year | 16,471,026,024.00 | 32,759,853,588.96 | 89,287,152.00 |

Legal Representative: Chen Derong

Person in Charge of Accounting Affairs: Zhu Keping

Person in Charge of Accounting Body: Wang Juan

RMB

| Amount for the current year | | | | | |
|---|-----------------|-------------------|-----------------|--------------------|----------------------|
| Other comprehensive income | Special reserve | Surplus reserves | General reserve | Retained earnings | Total owners' equity |
| (102,586,048.25) | - | 25,851,173,391.46 | - | 34,216,028,534.80 | 109,106,208,338.97 |
| 36,542,102.90 | - | 665,481,534.88 | - | (302,858,544.78) | 562,206,207.55 |
| 36,542,102.90 | - | - | - | 3,327,407,674.42 | 3,363,949,777.32 |
| - | - | - | - | - | 161,527,196.77 |
| - | - | - | - | - | 150,390,234.35 |
| - | - | - | - | - | 4,435,727.42 |
| - | - | - | - | - | 6,701,235.00 |
| - | - | 665,481,534.88 | - | (3,630,266,219.20) | (2,964,784,684.32) |
| - | - | 665,481,534.88 | - | (665,481,534.88) | - |
| - | - | - | - | (2,964,784,684.32) | (2,964,784,684.32) |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | 352,081,511.46 | - | - | - | 352,081,511.46 |
| - | 352,081,511.46 | - | - | - | 352,081,511.46 |
| - | - | - | - | - | 1,513,917.78 |
| (66,043,945.35) | - | 26,516,654,926.34 | - | 33,913,169,990.02 | 109,668,414,546.52 |
| Amount for the same period of last year | | | | | |
| Other comprehensive income | Special reserve | Surplus reserves | General reserve | Retained earnings | Total owners' equity |
| - | - | 24,528,201,377.92 | - | 30,571,312,973.03 | 104,302,423,339.12 |
| (104,711,537.85) | - | (19,455,181.78) | - | (77,820,727.14) | (97,275,908.92) |
| (104,711,537.85) | - | 24,508,746,196.14 | - | 30,493,492,245.89 | 104,205,147,430.20 |
| 2,125,489.60 | - | 1,342,427,195.32 | - | 3,722,536,288.91 | 4,901,060,908.77 |
| 2,125,489.60 | - | - | - | 6,712,135,976.63 | 6,714,261,466.23 |
| - | - | - | - | - | (171,717,671.59) |
| - | - | - | - | - | (98,447,598.08) |
| - | - | - | - | - | 16,017,078.49 |
| - | - | - | - | - | (89,287,152.00) |
| - | - | 1,342,427,195.32 | - | (2,989,599,687.72) | (1,647,172,492.40) |
| - | - | 1,342,427,195.32 | - | (1,342,427,195.32) | - |
| - | - | - | - | (1,647,172,492.40) | (1,647,172,492.40) |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | 348,301,699.10 | - | - | - | 348,301,699.10 |
| - | 348,301,699.10 | - | - | - | 348,301,699.10 |
| - | - | - | - | - | 5,689,606.53 |
| (102,586,048.25) | - | 25,851,173,391.46 | - | 34,216,028,534.80 | 109,106,208,338.97 |

Notes To The Financial Statements

AT 31 DECEMBER 2015

(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 91310000631696382C, 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.

The Company has repurchased 626,267,656 shares in year of 2013, and completed the implementation of the repurchase scheme. In accordance with the resolution of the general shareholders' meeting of the Company and the regulations of the revised articles of association, the Company 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.

Due to the restricted stock repurchase has not yet reach the unlock conditions, the company reduce the capital share by 698,900 shares in year 2014. The Company has completed changes of commercial procedures as at 31 December 2014, and hence the registered capital and dividends reach to RMB 16,471,026,024 correspondingly.

Due to the restricted stock repurchase has not yet reach the unlock conditions, the company reduce the capital share by 3,508,500 shares in year 2015. Refer to note (V) 45. By the end of the reporting period, out of the RMB 16,467,517,524 ordinary shares without sales restriction of the Company, Baosteel Group has held 13,130,265,267 shares with an equity interest of 79.73%.

Notes To The Financial Statements – continued

AT 31 DECEMBER 2015

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.

The Company and group consolidation financial statements has been approved by Board of Directors in 2016 March 26.

The detailed scope of consolidated financial statements demonstrates in Notes VII "Interests in other entities".

(II) BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Group has adopted the Accounting Standards for Business Enterprises ("ASBE") issued by the Ministry of Finance ("MoF"). In addition, the Group has disclosed relevant financial information in accordance with Information Disclosure and Presentation Rules for Companies Offering Securities to the Public No. 15 — General Provisions on Financial Reporting (Revised in 2014).

The Group's consolidated financial statements have been prepared on the basis that it will continue as a going concern, since the Group has evaluated its ability to operate on a going concern basis for the next twelve months since December 31, 2015 and no significant doubt was found.

(III) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Statement of compliance with the ASBE

The financial statements of the Company and Group have been prepared in accordance with Accounting Standards for Business Enterprises, and present truly and completely, the Company's and the Group's financial position as of December 31, 2015, and the Company's and the Group's results of operations and cash flows for the year then ended.

2. Basis of accounting and principle of measurement

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

In according with the historical cost method, the assets' value should be the same with the fair value of cash or cash equivalents paid for those assets. The liabilities should be the same amount with the cash or cash equivalents received, the contract amount or the expected repayment in cash or cash equivalent for the present obligations in the ordinary courses.

Fair value is the amount received by selling assets or paid for transferring liabilities in orderly transaction held by market participants on measuring day. Whether fair value is observable or estimated by measurement technology, it was determined on this base in the financial statements for measurement or disclosure.

The fair value was separated into three levels based on observable degree of value inputted and the importance of those inputted value:

Level 1: the inputted value is the same with an unadjusted price of the same assets or liabilities which could be obtained on measuring day;

Level 2: the inputted value is directly or indirectly observable for related assets or liabilities but other than the Level 1 value;

Level 3: the inputted value is unobservable for related assets or liabilities.

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3. Accounting year

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

4. Operating cycle

Operating cycle is the time period between the purchase of raw material for production and the collection of cash from receivable created by the sale of inventory. The Company's operating cycle is twelve months.

5. Functional currency

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

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

Business combinations are classified into business combinations involving enterprises under common control and business combinations not involving enterprises under common control.

6.1 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.

6.2 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.

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.

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7. Preparation of consolidated financial statements

7.1 Preparation of consolidated financial statements

The scope of consolidation in the consolidated financial statements is determined on the basis of control. Control is the power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of the investor's returns. If changes of related facts and situations lead to changes of related elements of control, the Group will undertake reassessment.

The combination of subsidiaries begins with controlling the subsidiary by the Group, and ends with the Group's losing control of the subsidiary.

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

For a subsidiary acquired through a business combination not involving enterprises under common control, the operating results and cash flows from the acquisition date (the date when control is obtained) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

No matter when the business combination occurs in the reporting period, subsidiaries acquired through a business combination involving enterprises under common control or the party being absorbed under merger by absorption are included in the Group's scope of consolidation as if they had been included in the scope of consolidation from the date when they first came under the common control of the ultimate controlling party. Their operating results and cash flows from the beginning of the earliest reporting period are included in the consolidated income statement and consolidated 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 owners' 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 receipts is adjusted to capital reserve under owners' equity. If the capital reserve is not sufficient to absorb the difference, the excess are adjusted against retained earnings.

For the stepwise acquisition of equity interest till acquiring control after a few transactions and leading to business combination not under common control, this should be dealt with for whether this belongs to 'package deal': if it belongs to 'package deal', transactions will be dealt as transaction to acquire control. If it does not belong to 'package deal', transactions to acquire control on acquisition date will be under accounting treatment, the fair value of acquirees' shares held before acquisition date will be revalued, and the difference between fair value and book value will be recognized in profit or loss of current period; if acquirees' shares held before acquisition date involve in changes of other comprehensive income and other equity of owners under equity method, this will be transferred to income of acquisition period.

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

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When the Group loses control of a subsidiary in two or more arrangements (transactions), terms and conditions of the arrangements (transactions) and their economic effects are considered. One or more of the following indicate that the Group shall account for the multiple arrangements as a single transaction: i) they are entered into at the same time or in contemplation of each other; (ii) they form a single transaction designed to achieve an overall commercial effect; (iii) the occurrence of one arrangement is dependent on the occurrence of at least one other arrangement; (iv) one arrangement considered on its own is not economically justified, but it is economically justified when considered together with other arrangements. If the transactions of disposal of equity interest of a subsidiary are assessed as a single transaction, these transactions are accounted for as one transaction of disposal of a subsidiary. Before losing control, the difference of consideration received on disposal and the share of net assets of the subsidiary continuously calculated from acquisition date is recognized as other comprehensive income. When losing control, the cumulated other comprehensive income is transferred to profit or loss of the period of losing control. If the transactions of disposal of equity investment of a subsidiary are not assessed as a single transaction, these transactions are accounted for as unrelated transactions.

8. Classification of joint venture arrangements and accounting treatment for joint operation

Joint venture arrangements include joint operation and joint venture, which is decided by rights and obligations agreed in the arrangements based on the structure, legal form and contract terms. Joint operation is a joint arrangement whereby the parties shares assets as well as obligations under the arrangement. A joint venture is a joint arrangement whereby the parties have rights to the net assets of the joint arrangement only. The Group's investment in the joint venture is accounted by the equity method. Refer to note (III) 14.3.2 "Long-term equity investment under equity method".

9. 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.

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

10.1 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 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 for the current period.

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 "other comprehensive income" 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

10.2 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 are translated at the spot exchange

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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 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.

11. Financial instruments

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

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.

11.1 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.

11.2 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.

11.2.1. 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.

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11.2.2 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.

11.2.3. 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.

11.2.4. 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, 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.

11.3 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;

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(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 held 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 held for trading should be considered when the fair value of such instruments fall below 50% of their original investment or the fair value of such instruments fall below their original investment longer than 24 months.

When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value previously recognized directly in capital reserve is reclassified from the capital reserve to profit or loss. The amount of the cumulative loss that is reclassified from capital reserve to profit or loss is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss. If, subsequent to the recognition of an impairment loss on available-for-sale financial assets, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognized, the previously recognized impairment loss is reversed. The amount of reversal of impairment loss on available-for-sale equity instruments is recognized as other comprehensive income, while the amount of reversal of impairment loss on available-for-sale debt instruments is recognized in profit or loss.

- Impairment of financial assets measured at cost

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

11.4 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.

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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 in fair value allocated to the part derecognized which has been previously recognized in other comprehensive income, is recognized in profit or loss.

11.5 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.

11.5.1. 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) qualified hybrid instruments which embedded with derivatives .

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

11.5.2. 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.

11.6 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.

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11.7 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.

11.8 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.

11.9 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 issuance (including refinancing), repurchase, sales or cancel of equity instruments by the Group is deemed as changes in equity. The Group does not recognize changes in fair value of equity instruments. The consideration received from issuing equity instruments, net of transaction costs, are added to shareholders' equity.

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

11.9.1 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).

11.10 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. The liabilities at fair value will be determined and designated as its initial amount, and the initial amount of conversion option is the issue price of the issued convertible loan notes less the initial amount of liabilities. 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 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).

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12. Accounts receivable

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

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| 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 assesses impairment for individually significant receivables. If the Group determines that no objective evidence of impairment exists for an individually assessed significant receivables, it includes the receivable in a group of financial assets with similar credit risk characteristics and reassesses it for impairment. Receivable for which an impairment loss is individually recognized are not included in such collective assessment of impairment. |

12.2 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 | Other receivables, namely receivables other than 1) receivables that are individually significant and for which bad debt provision is individually assessed; 2) receivables that are not individually significant and for which bad debt provision is individually assessed, is classified into receivables from domestic entities included in consolidated scope Baosteel Group and receivables from other parties according to the nature of entities. 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. Nil of provision for receivables from entities in consolidation scope is made, and that from other entities are set out in the following table: |
|---|---|

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% |

12.3 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. |

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13. Inventories

13.1 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.

13.2 Valuation method of inventories upon delivery

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

13.3 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.

13.4 Stock count system

The perpetual inventory system is maintained for stock system.

13.5 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.

14. Long-term equity investments

14.1 Criteria of determining significant influence over the investee

Control is defined as power over the investee, exposed or having the rights to variable returns from its involvement with the investee and having the ability to use its power to affect its returns. Joint control is defined as the contractually agreed sharing of control of an arrangement. Joint control exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Significant influence is defined as the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. When deciding if the investor can exert control or significant influence over the investee, potential factors for voting rights shall be taken into consideration. The factors are not limited to investee's convertible bonds, stock warrants executable currently possessed by the investors and by other holders.

14.2 Determination of investment cost

For a long-term equity investment acquired through business combination involving enterprises under common control, shares of book value of owners' equity of combined party in financial statements of ultimate controlling party are recognized as initial investment cost of long-term equity investment at combination date. The difference between initial investment cost of long-term equity investment and cash paid, non-cash assets transferred and book value of liabilities assumed, is adjusted in capital reserve. If the balance of capital reserve is not sufficient, any excess is adjusted to retained earnings. If the consideration of the combination is satisfied by the issue of equity securities, the initial investment cost of the long-term equity investment is the share of book value of owners' equity of the acquired entity in the ultimate controlling party's consolidated financial statements at the date of combination. The aggregate face value of the shares issued is accounted for as share capital. The difference between the initial investment cost and the aggregate face value of the shares issued is adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess is adjusted to retained earnings. Where equity interests in an acquiree are acquired in stages through multiple transactions ultimately constituting a business combination involving entities under common control, the acquirer shall determine if these transactions are considered to

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be "a bundled transaction". If yes, these transactions are accounted for as a single transaction where control is obtained. If no, the initial investment cost of the long-term equity investment is the share of book value of owners' equity of the acquired entity in the ultimate controlling party's consolidated financial statements at the date of combination. The difference between the initial investment cost and the sum of carrying amount of equity investments previously held in the acquiree and the new investment cost is adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess is adjusted to retained earnings. Other comprehensive income recognized for the previously held equity investments by accounting treatment of equity method or available-for-sale financial assets is not subject to accounting treatment temporarily.

For a long-term equity investment acquired through business combination not involving enterprises under common control, the investment cost of the long-term equity investment is the cost of acquisition. Where equity interests in an acquiree are acquired in stages through multiple transactions ultimately constituting a business combination not involving entities under common control, the acquirer shall determine if these transactions are considered to be "a bundled transaction". If yes, these transactions are accounted for as a single transaction where control is obtained. If no, the sum of carrying amount of equity investments previously held in the acquiree and the new investment cost is deemed as the initial investment cost of long-term equity investments that was changed to be accounted for using cost method. If the equity previously held was accounted for using the equity method, the corresponding other comprehensive income is not subject to accounting treatment temporarily. If the equity investment previously held was classified as available-for-sale financial assets, the difference between the fair value and carrying amount, together with the accumulated fair value previously included in other comprehensive income are transferred to profit or loss for the period.

The expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services and other associated administrative expenses attributable to the business combination are recognized in profit or loss when they are incurred.

Long-term equity investment acquired otherwise than through a business combination is initially measured at its cost. When the entity is able to exercise significant influence or joint control (but not control) over an investee due to additional investment, the cost of long-term equity investments is the sum of the fair value of previously-held equity investments determined in accordance with Accounting Standard for Business Enterprises No.22 - Financial Instruments: Recognition and Measurement (CAS 22) and the additional investment cost.

14.3 Subsequent measurement and recognition of profit or loss

14.3.1. Long-term equity investment accounted for using the cost method

Long-term equity investments in subsidiaries are accounted for using the cost method in the Company's separate financial statements. A subsidiary is an investee that is controlled by the Group.

Under the cost method, a long-term equity investment is measured at initial investment cost. When additional investment is made or the investment is recouped, the cost of the long-term equity investment is adjusted accordingly. Investment income is recognized in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

14.3.2. 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 a joint arrangement whereby the Group have rights to the net assets of the joint arrangement only.

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

Under the equity method, the Group recognizes its share of the net profit or loss and other comprehensive income of the investee for the period as investment income or loss and other comprehensive income for the period respectively, and adjust the carrying amount of long-term equity investment; The Group calculates its share of profit or dividend as the amount declared by investees, and correspondingly deducts the carrying amount of long-term equity investment; Changes in owners' equity of the investee other than net profit or loss, comprehensive income and profit distribution of investees 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. 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, etc. at the acquisition date after making appropriate

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adjustments to conform with the Company's accounting policies and accounting period, and correspondingly recognizes investment income and other comprehensive income. 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.

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.

14.4 Disposal of long-term equity investments

On disposal of a long term equity investment, the difference between the proceeds actually received 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, if it is still accounted for equity method after disposal, other comprehensive income recognized before controlling the investee according to equity will be accounted on the basis of related assets and liabilities, and recognized in profit or loss. Changes in investees' equity other than net profit or loss, other comprehensive income nor profit distribution, are recognized in profit or loss proportionately for current period.

For a long-term equity investment accounted for using the cost method, if it is still accounted for cost method after disposal, other comprehensive income recognized before controlling the investee according to equity method or recognition and measurement of financial instruments, account for them on the basis of related assets and liabilities, and recognized in profit or loss for proportion; change of other owners' equity except for net profit or loss, other comprehensive income and profit distribution is recognized in profit or loss of current period.

The Group loses control on investee due to disposal of part of shares, during preparing separate financial statement, remaining shares after disposal can make joint control or significant influence on investee, are accounted under equity method, and adjust them as they are accounted under equity method from acquisition date; if remaining shares after disposal cannot make joint control or significant influence on investee, they are accounted according to recognition and measurement of financial instrument, and the difference between fair value on date of losing control and book value is recognized in profit or loss of current period. Before the Group controls the investee, other comprehensive income recognized due to equity method or recognition and measurement of financial instruments, account for them on the basis of related assets and liabilities, and recognized in profit or loss for proportion; change of owners' equity except for net profit or loss, other comprehensive income and profit distribution is recognized in profit or loss of current period. Remaining shares after disposal are accounted under equity method, other comprehensive income and other owners' equity are carried forward as proportion; remaining shares after disposal are accounted due to recognition and measurement of financial instruments other comprehensive income and other owners' equity are all carried forward.

For the Group loses joint control or significant influence on investee after part disposal of shares, remaining shares after disposal are accounted according to recognition and measurement of financial instruments, the difference between fair value at the date of losing joint control or significant influence and book value is recognized in profit or loss of current period. Other comprehensive income recognized under equity method, is accounted on the basis of related assets or liabilities of investees when stop using equity method, change of owners' equity except for net profit or loss, other comprehensive income and profit distribution is recognized in profit or loss of current period

The Group loses control on subsidiaries through step by step transactions of disposal, if transactions are package deal, all transactions are seemed as one transaction of disposal investment on subsidiaries, difference between amount of disposal and book value of long-term equity investment for each disposal, is firstly recognized as other comprehensive income, and subsequently recognized in profit or loss when losing control.

15. 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.

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

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

16. Fixed assets

16.1 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.

16.2 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.

16.3 Other explanations

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

The Group reviews the useful life and 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.

17. 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.

18. 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. Other borrowing costs are recognized as an expense in the period in which they are incurred.

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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.

19. Intangible assets

19.1 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. The amortization method, useful life and net estimated residual value are set out as follows:

| Category | Amortization method | Useful life (year) | Residual value rate (%) |
|-----------------|----------------------|--------------------|-------------------------|
| Land use rights | Straight line method | 40 - 70 | 0% |
| Software | Straight line method | 5 | 0% |
| Others | Straight line method | 3 - 50 | 0% |

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

19.2 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.

20. Impairment of long-term assets

The Group assesses at each balance sheet date whether there is any indication that the long-term equity investment, investment properties, fixed assets and CIP which measured by cost method, and intangible assets with a finite useful life may be impaired. If there is any indication that such assets may be impaired, recoverable amounts are estimated for such assets. Intangible assets with indefinite useful life and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that the assets may be impaired.

Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. The recoverable amount of an asset is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset.

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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 recognised 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.

21. 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.

22. Assets transferred under repurchase agreements

22.1 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.

22.2 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.

23. Employee benefit

23.1 Accounting treatment for short-term employee benefits

Actually occurred short-term employee benefits are recognized as liabilities, with a corresponding charge to the profit or loss for the period or in the costs of relevant assets in the accounting period in which employees provide services to the Group. Staff welfare expenses incurred by the Group are recognized in profit or loss for the period or the costs of relevant assets based on the actually occurred amounts when it actually occurred. Non-monetary staff welfare expenses are measured at fair value.

Payment made by the Group of social security contributions for employees such as premiums or contributions on medical insurance, work injury insurance and maternity insurance, etc. and payments of housing funds, as well as trade union fund and employee education fund provided in accordance with relevant requirements, are calculated according to prescribed bases and percentages in determining the amount of employee benefits and recognized as relevant liabilities, with a corresponding charge to the profit or loss for the period or the costs of relevant assets in the accounting period in which employees provide services.

23.2 Accounting treatment for post-employment benefits

The post-employment benefits of the Group are defined contribution plan.

The contribution payable to a defined contribution plan is recognized as a liability with a corresponding charge to the profit or loss for the current period or the cost of a relevant asset.

23.3 Accounting treatment for termination benefits

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

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23.3 Accounting treatment for termination benefits - continued

The Group provides internal retirement benefits to employees who accept internal retirement arrangement. Internal retirement benefits refers to salaries and social insurance contributions made by the Group to employees who has not reached statutory retirement age but voluntarily quitted his/her position. 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.

23.4 Accounting treatment for other long-term employee benefit

When other long-term employee benefits satisfied the conditions for classifying as a defined contribution plan, whose benefits shall be accounted for in accordance with the requirements related to defined contribution plan

24. Provisions

Provisions are recognized when the Group has a present obligation related to a contingency. It is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money. Where the effect of the time value of money is material, the amount of the provision is determined by discounting the related future cash outflows.

25. Share-based payments and equity instruments

A share-based payment is a transaction which the Group grants equity instruments, or incurs liabilities for amounts that are determined based on the price of equity instruments, in return for services rendered by employees. The Group's share-based payments are equity-settled share-based payments.

25.1 Equity-settled share-based payments

Equity-settled share-based payments in exchange for services rendered by employees are measured at the fair value of the equity instruments granted to employees at the grant date. Such amount is recognized as related costs or expenses on a straight-line basis over the vesting period, based on the best estimate of the number of equity instruments expected to vest at the grant date, with a corresponding increase in capital reserve. At each balance sheet date during the vesting period, the Group makes the best estimate according to the subsequent latest information of change in the number of employees who are granted with options that may vest, etc. and revises the number of equity instruments expected to vest. The effect of the above estimate is recognized as related costs or expenses, with a corresponding adjustment to capital reserve.

25.2 Accounting treatment related to implementation, modification and termination of share-based payment arrangement

In case the Group modifies a share-based payment arrangement, if the modification increases the fair value of the equity instruments granted, the Group will include the incremental fair value of the equity instruments granted in the measurement of the amount recognised for services received. If the modification increases the number of the equity instruments granted, the Group will include the fair value of additional equity instruments granted in the measurement of the amount recognised for services received. The increase in the fair value of the equity instruments granted is the difference between fair value of the equity instruments before and after the modification on the date of the modification. If the Group modifies the terms or conditions of the share-based payment arrangement in a manner that reduces the total fair value of the share-based payment arrangement, or is not otherwise beneficial to the employee, the Group will continue to account for the services received as if that modification had not occurred (other than a cancellation of some or all the equity instruments granted).

If cancellation of the equity instruments granted occurs during the vesting period, the Group will account for the cancellation of the equity instruments granted as an acceleration of vesting, and recognise immediately the amount that otherwise would have been recognised over the remainder of the vesting period in profit or loss for the period, with a corresponding recognition in capital reserve. When the employee or counterparty can choose whether to meet the non-vesting condition but the condition is not met during the vesting period, the Group treats it as a cancellation of the equity instruments granted.

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25.3 Others

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

26. Revenue

26.1 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.

26.2 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 recognized as expenses for the period. When it is not probable that the costs incurred will be recovered, revenue is not recognized.

26.3 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.

26.4 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.

27. Government grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration. They are classified into government grants related to income and government grants related to assets as per the nature of beneficiary according to government documents.

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

27.1 Basis for determining government grants related to an asset and accounting treatment

The Group's government grant generally consists of grant for technology transformation in prior years, which related to purchase or construction fixed assets, it is classified as government grant related to assets.

Government grant is recognized when the Group qualifies relevant criteria and the grant is deemed to be received. 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.

27.2 Basis for determining government grants related to an income and accounting treatment

The Group's government grant generally consists of special fund for international economic cooperation which is directly related to accrued expenses, this government grant is classified as government grant related to income.

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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.

28. Deferred tax assets / deferred tax liabilities

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

28.1. Current income tax

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

28.2. 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.

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.

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AT 31 DECEMBER 2015

28.3 Offset of Income Tax

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

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

29. 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.

29.1 Accounting methods for operating leases

29.1.1 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.

29.1.2 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.

29.2 Accounting treatment of financing leases

29.2.1 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.

30. 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 (III), 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.

Notes To The Financial Statements – continued

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30.1 Inventory Provision

Note III. (13) 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. Appropriate accounting estimates will be made for sales cost of inventories, future production cost till completion, cost of sales and tax expenses applied to net realizable amount. The management ensured the rationality of accounting estimates on the basis of best estimate, historical experience and present cost of production and sales expense. In this regard, the management is satisfied that adequate inventory provision has been made for obsolete and slow-moving inventories.

30.2 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.

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

30.4 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, namely, the higher of net amount of fair value less disposal expense and present value of future cash flow, 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.

30.5 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 III, 11.3) set out by the Group. After considering all the complications, the management of the group believes that it is not necessary to accrue the impairment of the available-for-sale financial asset on the financial statement date.

Notes To The Financial Statements – continued

AT 31 DECEMBER 2015

(IV) TAXES

Major categories of taxes and tax rates

RMB

| 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 |
| Overhead charges of river way | 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.

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

| Item | Closing balance | | | Opening balance | | |
|--|------------------|---------------|------------------|------------------|---------------|-------------------|
| | Foreign Currency | Exchange Rate | Amount in RMB | Foreign Currency | Exchange Rate | Amount in RMB |
| Cash: | | | | | | |
| RMB | | | 664,508.04 | | | 3,220,664.08 |
| Bank: | | | | | | |
| RMB | | | 5,060,080,054.36 | | | 7,961,016,778.51 |
| USD | 187,106,788.26 | 6.4936 | 1,214,996,640.23 | 257,932,713.59 | 6.1190 | 1,578,290,274.47 |
| JPY | 3,069,814,446.94 | 0.0539 | 165,462,998.69 | 8,347,342,797.30 | 0.0514 | 428,811,346.84 |
| EUR | 56,550,294.79 | 7.0952 | 401,235,651.60 | 50,042,817.90 | 7.4556 | 373,099,233.17 |
| HKD | 2,438,742.99 | 0.8377 | 2,042,935.00 | 1,390,488.02 | 0.7887 | 1,096,677.90 |
| Other currencies | | | 59,976,539.75 | | | 128,983,965.00 |
| Other currency funds: | | | | | | |
| RMB | | | 64,428,964.48 | | | 74,812,298.40 |
| USD | | | - | | | 926,349.61 |
| Statutory reserve deposit with PBOC by Finance Co. | | | 848,054,823.96 | | | 1,553,499,852.90 |
| Total | | | 7,816,943,116.11 | | | 12,103,757,440.88 |
| Including: subtotal of deposit with overseas banks | | | 1,639,426,680.42 | | | 2,293,329,335.89 |

Details of restricted bank balance are shown as follows:

RMB

| Item | Closing balance | Opening balance |
|--|-----------------|------------------|
| Deposit reserve in central bank by Finance Co. | 848,054,823.96 | 1,553,499,852.90 |

At 31 December 2015, RMB 1,639,426,680.42 (at 31 December 2014: RMB 2,293,329,335.89) was deposited in overseas banks. At 31 December 2015, other currency funds of the Group mainly consist of cash for investment of RMB 316,726.75 (at 31 December 2014: RMB 7,153,690.05), bank acceptance bill's guarantee deposit of RMB 54,125,398.02 (at 31 December 2014: RMB 53,189,228.37), letter of credit's deposit of RMB 9,531,943.88 (at 31 December 2014: RMB 5,618,324.70) and credit card deposit of RMB 324,915.82 (at 31 December 2014: RMB 59,974.24), and etc.

Notes To The Financial Statements – continued

AT 31 DECEMBER 2015

2. Held-for-trading financial assets

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

| RMB | | |
|---|-----------------|-----------------|
| Item | Closing balance | Opening balance |
| Held-for-trading financial assets | | |
| Including: Held-for-trading bond investment | 10,247,756.02 | 25,692,507.06 |
| Trust and stock investment | 52,039,179.96 | - |
| Held-for-trading fund investment | 810,588,062.21 | 146,031,995.09 |
| Derivative financial assets | - | 8,912,071.36 |
| Total | 872,874,998.19 | 180,636,573.51 |

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

3. Notes receivable

(1) Categories of notes receivable

| RMB | | |
|-----------------------|------------------|------------------|
| Category | Closing balance | Opening balance |
| Bank acceptance | 7,405,501,078.59 | 8,770,444,060.10 |
| Commercial acceptance | 787,097,624.19 | 451,666,701.67 |
| Total | 8,192,598,702.78 | 9,222,110,761.77 |

As at 31 December 2015, a carrying amount of RMB 1,630,486,437.98 of undue 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 2014: RMB 2,211,268,388.17 of the bank acceptance is being discounted and no short-term borrowing is recognized)

- (2) At the opening and closing of the year, no notes receivables have been pledged as security at the end of the period.
- (3) 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.
- (4) 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.
- (5) Notes receivable due from related parties refer to Note (X). 6 (1).
- (6) As at 31 December 2015, no bank acceptance was discounted for short term borrowing.

Notes To The Financial Statements – continued

AT 31 DECEMBER 2015

4. Accounts receivable

(1) Disclosure of accounts receivable by categories:

RMB

| Category | Closing balance | | | | | Opening Balance | | | | |
|---|------------------|----------------|--------------------|----------------|------------------|-------------------|----------------|--------------------|----------------|-------------------|
| | Carrying amount | | Bad debt provision | | Carrying amount | Carrying amount | | Bad debt provision | | Carrying amount |
| | Amount | Proportion (%) | Bad debt provision | Proportion (%) | | Amount | Proportion (%) | Bad debt provision | Proportion (%) | |
| Accounts receivable that are individually significant and for which bad debt provision has been assessed individually | 1,611,241,932.67 | 17 | 40,613,092.34 | 3 | 1,570,628,840.33 | 2,128,896,699.99 | 20 | 48,868,178.90 | 2 | 2,080,028,521.09 |
| Accounts receivables with provision accrued collectively on a portfolio basis | 7,939,350,148.71 | 82 | 351,915,711.93 | 4 | 7,587,434,436.78 | 8,340,196,175.47 | 79 | 371,152,659.46 | 4 | 7,969,043,516.01 |
| Accounts receivable that are not individually significant but for which bad debt provision has been assessed individually | 130,707,350.43 | 1 | 130,707,350.43 | 100 | - | 90,295,733.40 | 1 | 90,295,733.40 | 100 | - |
| Total | 9,681,299,431.81 | 100 | 523,236,154.70 | 5 | 9,158,063,277.11 | 10,559,388,608.86 | 100 | 510,316,571.76 | 5 | 10,049,072,037.10 |

Accounts receivable that are individually significant or not individually significant but for which bad debts has been assessed individually as at 31 December 2015:

RMB

| Content of accounts receivable | Closing balance | | | |
|---|------------------|--------------------|-----------------------------|-----------------------|
| | Amount | Bad debt provision | Proportion of provision (%) | Reasons for provision |
| Accounts receivable that are individually significant | 1,611,241,932.67 | 40,613,092.34 | 3 | Note 1 |
| Accounts receivable with long aging | 130,707,350.43 | 130,707,350.43 | 100 | Note 2 |
| Total | 1,741,949,283.10 | 171,320,442.77 | / | / |

Accounts receivable that are individually significant or not individually significant but for which bad debts have been assessed individually as at 31 December 2014:

RMB

| Content of accounts receivable | Opening balance | | | |
|---|------------------|--------------------|-----------------------------|-----------------------|
| | Amount | Bad debt provision | Proportion of provision (%) | Reasons for provision |
| Accounts receivable that are individually significant | 2,128,896,699.99 | 48,868,178.90 | 2 | Note 1 |
| Accounts receivable with long aging | 90,295,733.40 | 90,295,733.40 | 100 | Note 2 |
| Total | 2,219,192,433.39 | 139,163,912.30 | / | / |

Note 1: The Group assessed the bad debt provision of accounts receivable which are individually significant separately. As at 31 December 2015, nil of bad debt provision is accrued for accounts receivable that are individually significant (as at 31 December 2014: Nil). By reference to the Note III.12, receivables for which bad debt provision is collectively assessed on a portfolio basis, as at 31 December 2015, an amount of RMB 40,613,092.34 is accrued as bad debt provision (at 31 December 2014: RMB 48,868,178.90).

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

Notes To The Financial Statements – continued

AT 31 DECEMBER 2015

The aging analysis of accounts receivable 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 | 8,896,959,848.03 | 92 | 314,461,324.78 | 8,582,498,523.25 | 9,860,603,753.72 | 93 | 318,651,301.19 | 9,541,952,452.53 |
| More than 1 year but not exceeding 2 years | 378,613,268.11 | 4 | 35,400,252.29 | 343,213,015.82 | 395,174,012.85 | 4 | 51,089,601.35 | 344,084,411.50 |
| More than 2 years but not exceeding 3 years | 187,468,604.13 | 2 | 42,667,227.20 | 144,801,376.93 | 175,105,677.16 | 2 | 50,279,935.82 | 124,825,741.34 |
| More than 3 years | 218,257,711.54 | 2 | 130,707,350.43 | 87,550,361.11 | 128,505,165.13 | 1 | 90,295,733.40 | 38,209,431.73 |
| Total | 9,681,299,431.81 | 100 | 523,236,154.70 | 9,158,063,277.11 | 10,559,388,608.86 | 100 | 510,316,571.76 | 10,049,072,037.10 |

The aging analysis of bad debt provision in portfolio basis:

| Aging | Closing Balance(note) | | | Opening Balance (Note) | | |
|--|-----------------------|--------------------|----------------|------------------------|--------------------|----------------|
| | Account Receivable | Bad Debt Provision | Proportion (%) | Account Receivable | Bad Debt Provision | Proportion (%) |
| Within 1 year | 7,285,717,915.36 | 273,848,232.44 | 4 | 7,731,707,053.73 | 269,783,122.29 | 3 |
| More than 1 year but not exceeding 2 years | 378,613,268.11 | 35,400,252.29 | 9 | 395,174,012.85 | 51,089,601.35 | 13 |
| More than 2 year but not exceeding 3 years | 187,468,604.13 | 42,667,227.20 | 23 | 175,105,677.16 | 50,279,935.82 | 29 |
| More than 3 years | 87,550,361.11 | - | - | 38,209,431.73 | - | - |
| Total | 7,939,350,148.71 | 351,915,711.93 | 4 | 8,340,196,175.47 | 371,152,659.46 | 4 |

Note: The above accounts receivable include amounts due from companies within the consolidated scope of Baosteel Group. In compliance with accounting policy of bad debt provision, nil of bad debt provision is accrued for accounts receivable that due from companies within consolidated scope of Baosteel Group.

- (2) Bad debt allowance accrual, reversal and change due to foreign currency translations.

For the year, the Company recorded a bad debt allowance of RMB 77,945,377.27, reversed bad debt allowance of RMB 63,158,739.11 due to collections, and reduced bad debt allowance of RMB 1,344,591.32 due to foreign currency translations.

- (3) Accounts receivable write-off

| Item | Write-off amount |
|-------------------------------|------------------|
| Accounts receivable write-off | 522,463.90 |

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

- (5) Top five customers with the largest balances

For period ended December 31 2015, the largest five debtors hold the account receivable balance of RMB 1,611,241,932.67, which accounts for 17% of total account receivable balance. The bad debt provision is 40,613,092.34 RMB.

- (6) As at 31 December 2015, a total carrying amount of RMB 500,000,000.00 (31 December 2014: RMB 1,370,000,000.00) of accounts receivable is mortgaged for a short-term borrowing of RMB 500,000,000.00 by means of bank guarantee (31 December 2014: RMB1, 370,000,000.00).

- (7) At the end of the reporting period, no accounts receivables should be derecognized due to transfer of financial assets.

Notes To The Financial Statements – continued

AT 31 DECEMBER 2015

5. Prepayments

- (1) Aging analysis of prepayments is as follows:

RMB

| Aging | Closing balance | | Opening balance | |
|---|------------------|----------------|------------------|----------------|
| | Amount | Proportion (%) | Amount | Proportion (%) |
| Within 1 year | 4,020,560,343.15 | 97 | 2,803,360,868.31 | 96 |
| More than 1 year but not exceeding 2 years | 79,983,246.13 | 2 | 70,374,877.29 | 2 |
| More than 2 years but not exceeding 3 years | 17,690,997.15 | 0 | 32,619,116.72 | 1 |
| More than 3 years | 41,374,233.18 | 1 | 17,263,449.37 | 1 |
| Total | 4,159,608,819.61 | 100 | 2,923,618,311.69 | 100 |

As at 31 December 2015, prepayments with more than one year are mainly intended for purchase of large equipment used for projects under construction.

- (2) Top five advanced payment to suppliers

As of December 31, 2015, top five balances of advanced payment to suppliers amounted to RMB 1,670,671,267.03, accounting for 40% of total advanced payment to suppliers.

- (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:

RMB

| Category | Closing balance | Opening balance |
|--------------------------------------|------------------|------------------|
| Individually significant prepayments | 1,670,671,267.03 | 1,105,477,123.16 |
| Other insignificant prepayments | 2,488,937,552.58 | 1,818,141,188.53 |
| Total | 4,159,608,819.61 | 2,923,618,311.69 |

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

6. Interest receivable

- (1) Interest receivable

RMB

| Item | Closing balance | Opening balance |
|---------------------|-----------------|-----------------|
| Interest receivable | 294,162,019.29 | 547,356,317.25 |

Category of interest receivable

RMB

| Item | Closing balance | Opening balance |
|---|-----------------|-----------------|
| Time deposit | 1,949,868.15 | 3,293,341.74 |
| Entrusted loan | 1,119,658.85 | 2,120,000.34 |
| Interest receivable from financial assets transfer (Note (V).15 (note 1)) | 290,967,534.24 | 541,923,287.67 |
| Other | 124,958.05 | 19,687.50 |
| Total | 294,162,019.29 | 547,356,317.25 |

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

- (2) Interest receivable due to related parties refer to note (X), 6(4).

Notes To The Financial Statements – continued

AT 31 DECEMBER 2015

7. Dividends receivable

RMB

| Item(or Investee) | Closing balance | Opening balance |
|------------------------------------|-----------------|-----------------|
| CISDI Engineering Co., Ltd. (note) | 23,852,647.00 | 11,298,647.00 |
| Yongcheng Coal (Group) Co., Ltd. | 127,017,186.28 | - |
| Henan Pingbao Coal Co., Ltd. | 12,000,000.00 | - |
| Total | 162,869,833.28 | 11,298,647.00 |

Note: As at 31 December 2015, the aging of above dividends receivable are within one year except that of RMB 11,298,647.00 dividends due from CISDI Engineering Co., Ltd., of which is one to two years. The management believes the recoverable risk of dividend receivable is controllable.

8. Other receivables

(1) Disclosure of other receivables by categories:

RMB

| Category | Closing balance | | | | | Opening balance | | | | |
|---|------------------|----------------|--------------------|----------------|------------------|------------------|----------------|--------------------|----------------|------------------|
| | Balance | | Bad debt provision | | Carrying amount | Balance | | Bad debt provision | | Carrying amount |
| | Amount | Proportion (%) | Amount | Proportion (%) | | Amount | Proportion (%) | Amount | Proportion (%) | |
| Other receivables that are individually significant and for which bad debt provision has been assessed individually | 306,246,025.49 | 27 | - | - | 306,246,025.49 | 200,954,905.63 | 18 | - | - | 200,954,905.63 |
| Other receivables with provision accrued collectively on a portfolio basis | 767,826,770.54 | 69 | 16,838,015.42 | 2 | 750,988,755.12 | 899,276,750.07 | 80 | 20,052,203.63 | 2 | 879,224,546.44 |
| Other receivables that are not individually significant but for which bad debt provision has been assessed individually | 39,744,095.49 | 4 | 39,744,095.49 | 100 | - | 24,226,482.85 | 2 | 24,226,482.85 | 100 | - |
| Total | 1,113,816,891.52 | 100 | 56,582,110.91 | 5 | 1,057,234,780.61 | 1,124,458,138.55 | 100 | 44,278,686.48 | 4 | 1,080,179,452.07 |

Other receivables that are individually significant or not individually significant but for which bad debt provision has been assessed individually as at 31 December 2015:

RMB

| Content of other receivables | Amount | Bad debt provision | Proportion of provision (%) | Reasons |
|---|----------------|--------------------|-----------------------------|---------|
| Other receivables with significant balances | 306,246,025.49 | - | - | Note 1 |
| Other receivables with long aging | 39,744,095.49 | 39,744,095.49 | 100 | Note 2 |
| Total | 345,990,120.98 | 39,744,095.49 | | |

Other receivables that are individually significant or not individually significant but for which bad debt provision has been assessed individually as at 31 December 2014:

RMB

| Content of other receivables | Amount | Bad debt provision | Proportion of provision (%) | Reasons |
|---|----------------|--------------------|-----------------------------|---------|
| Other receivables with significant balances | 200,954,905.63 | - | - | Note 1 |
| Other receivables with long aging | 24,226,482.85 | 24,226,482.85 | 100 | Note 2 |
| Total | 225,181,388.48 | 24,226,482.85 | | |

Note 1: Other receivables with significant balances mainly consist of advances of project expense and electricity deposit, and the Company did not make bad debt provision on such balances in view of the low risk of collection, of which the book balance is RMB 306,246,025.49 (RMB 200,954,905.63 on 31 December 2014).

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

Notes To The Financial Statements – continued

AT 31 DECEMBER 2015

Aging analysis of other receivables is as follows:

RMB

| Aging | Closing balance | | | | Opening balance | | | |
|---|------------------|----------------|--------------------|------------------|------------------|----------------|--------------------|------------------|
| | Amount | Proportion (%) | Bad debt provision | Carrying amount | Amount | Proportion (%) | Bad debt provision | Carrying amount |
| Within 1 year | 875,319,421.55 | 79 | 8,134,692.17 | 867,184,729.38 | 891,426,226.54 | 79 | 7,715,311.12 | 883,710,915.42 |
| More than 1 year but not exceeding 2 years | 37,756,633.22 | 3 | 3,554,264.69 | 34,202,368.53 | 153,718,375.55 | 14 | 2,568,949.49 | 151,149,426.06 |
| More than 2 years but not exceeding 3 years | 131,301,356.72 | 12 | 5,149,058.56 | 126,152,298.16 | 23,938,013.87 | 2 | 9,767,943.02 | 14,170,070.85 |
| More than 3 years | 69,439,480.03 | 6 | 39,744,095.49 | 29,695,384.54 | 55,375,522.59 | 5 | 24,226,482.85 | 31,149,039.74 |
| Total | 1,113,816,891.52 | 100 | 56,582,110.91 | 1,057,234,780.61 | 1,124,458,138.55 | 100 | 44,278,686.48 | 1,080,179,452.07 |

The aging analysis of bad debt provision in portfolio basis:

RMB

| Aging | Closing balance (note) | | |
|--|------------------------|--------------------|----------------|
| | Other receivable | Bad debt provision | Proportion (%) |
| Within 1 year | 701,356,412.16 | 8,134,692.17 | 1 |
| More than 1 year but not exceeding 2 years | 37,756,633.22 | 3,554,264.69 | 9 |
| More than 2 year but not exceeding 3 years | 19,250,716.62 | 5,149,058.56 | 27 |
| More than 3 year | 9,463,008.54 | - | - |
| Total | 767,826,770.54 | 16,838,015.42 | 2 |

RMB

| Aging | Opening balance(note) | | |
|--|-----------------------|--------------------|----------------|
| | Other receivable | Bad debt provision | Proportion (%) |
| Within 1 year | 827,701,961.01 | 7,715,311.12 | 1 |
| More than 1 year but not exceeding 2 years | 41,667,735.45 | 2,568,949.49 | 6 |
| More than 2 year but not exceeding 3 years | 23,938,013.87 | 9,767,943.02 | 41 |
| More than 3 year | 5,969,039.74 | - | - |
| Total | 899,276,750.07 | 20,052,203.63 | 2 |

Note: The above accounts receivable include amounts due from companies within the consolidated scope of Baosteel Group. In compliance with accounting policy of bad debt provision, nil of bad debt provision is accrued for accounts receivable that due from companies within consolidated scope of Baosteel Group.

(2) Bad debt allowance accrual and reversal

For the year, the Company recorded a bad debt allowance of RMB 18,670,306.20, reversed bad debt allowance of RMB 6,360,890.02.

(3) Accounts receivable write-off

RMB

| Item | Write-off amount |
|-------------------------------|------------------|
| Accounts receivable write-off | 5,991.75 |

(4) Other receivables due to shareholders holding at least 5% of the Company's shares with voting power and amount due from other related parties in the current period refer to Note (X). 6(5).

(5) Top five others receivables

As of December 31, 2015, top five balances of other receivables amounted to RMB 306,246,025.49, accounting for 27% of total other receivables. Since nil of bad debt provision is made for these accounts receivable nor from related parties, so nil of bad debt provision is made for other receivables.

(6) At the end of the reporting period, no other receivables are related to government subsidies.

(7) At the end of the reporting period, no other receivables should be derecognized due to transfer of financial assets.

(8) At the end of the reporting period, no assets or liabilities have been formed due to transferring of other receivable and the related continuous involvement.

Notes To The Financial Statements – continued

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9. Financial assets purchased under resale agreements

RMB

| Item | Closing balance | Opening balance |
|--|------------------|-----------------|
| Financial assets purchased under resale agreements | 2,140,000,000.00 | 595,000,000.00 |

10. Inventories

(1) Categories of inventories

RMB

| Item | Closing balance | | | Opening balance | | |
|------------------------|-----------------------|---|---------------------|-----------------------|---|---------------------|
| | 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 | 2,946,702,429.03 | 127,758,317.36 | 2,818,944,111.67 | 4,227,945,657.38 | 51,253,456.53 | 4,176,692,200.85 |
| Work-in-progress | 7,228,761,440.83 | 452,825,371.63 | 6,775,936,069.20 | 8,501,556,445.68 | 384,447,881.74 | 8,117,108,563.94 |
| Finished goods | 11,003,224,858.87 | 860,284,841.79 | 10,142,940,017.08 | 11,669,206,877.71 | 576,324,705.93 | 11,092,882,171.78 |
| Spare parts and others | 3,995,946,319.40 | 218,005,782.81 | 3,777,940,536.59 | 3,609,447,509.58 | 181,029,723.76 | 3,428,417,785.82 |
| Total | 25,174,635,048.13 | 1,658,874,313.59 | 23,515,760,734.54 | 28,008,156,490.35 | 1,193,055,767.96 | 26,815,100,722.39 |

(2) Provision for decline in value of inventories

RMB

| 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 | 51,253,456.53 | 95,301,980.32 | 18,797,119.49 | - | - | 127,758,317.36 |
| Work-in-progress | 384,447,881.74 | 266,486,980.47 | 198,295,323.86 | 380,599.14 | (566,432.42) | 452,825,371.63 |
| Finished goods | 576,324,705.93 | 426,647,966.03 | 140,664,202.81 | 1,300,659.33 | 722,968.03 | 860,284,841.79 |
| Spare parts and others | 181,029,723.76 | 39,265,399.26 | 687,792.73 | 1,601,547.48 | - | 218,005,782.81 |
| Total | 1,193,055,767.96 | 827,702,326.08 | 358,444,438.89 | 3,282,805.95 | 156,535.61 | 1,658,874,313.59 |

(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 | Carrying amount higher than net realizable value | Market price rebound or product cost reduction | 1% |
| Work-in-progress | Carrying amount higher than net realizable value | Market price rebound or product cost reduction | 3% |
| Finished goods | Carrying amount higher than net realizable value | Market price rebound or product cost reduction | 1% |
| Spare parts and others | Carrying amount higher than net realizable value | - | - |

(4) Closing balance of inventories including capitalized borrowing costs:

No inventory was used for guarantee as at 31 December 2015, and no interest expense was capitalized in the closing balance of inventory as at 31 December 2015.

Notes To The Financial Statements – continued

AT 31 DECEMBER 2015

11. Non-current assets due within one year

| RMB | | |
|---|------------------|------------------|
| Item | Closing balance | Opening balance |
| Trust financial products | - | 358,800,000.00 |
| Accounts receivable from disposal of assets (note 1) | 4,500,000,000.00 | 4,500,000,000.00 |
| Zhanjiang Iron & Steel's investment in Guangzhou Steel Sheet (Note 2) | - | 1,500,000,000.00 |
| Total | 4,500,000,000.00 | 6,358,800,000.00 |

Note 1: 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), 15 note (1).

Note 2: 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 three years later. If Guangzhou Iron & Steel Enterprise Group will waive the repurchase right at maturity, Zhanjiang Iron & Steel shall transfer the prepayment for investment in Zhanjiang Steel Project to long term equity investment. 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 accounts payable to Baosteel Group of RMB 1.5 billion. Guangzhou Iron & Steel Enterprise Group didn't exercise the repurchase right in 2015, so Zhanjiang Iron & Steel transferred the prepayment for investment in Zhanjiang Steel Project to long term equity investment.

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

12. Other current assets

| Item | Closing balance | Opening balance |
|---------------------------|------------------|------------------|
| Deductible VAT input | 2,944,403,352.66 | 1,363,573,089.90 |
| Financial products (note) | 5,088,464,093.70 | 3,135,500,000.00 |
| Total | 8,032,867,446.36 | 4,499,073,089.90 |

Note: Financial products are financial instruments which are classified by the group as available for sale financial assets and are non-guaranteed floating income, no active market quotation and major investing in money market instruments, high credit grade bonds and trust planning (benefited right) etc.. Because of its maturity within one year, the Group lists it as other current assets.

13. Loans and advances to customers

(1) Category of loans and advances to customers

| RMB | | |
|-------------------------------|------------------|------------------|
| Item | Closing balance | Opening balance |
| Loans | 990,478,072.43 | 1,029,014,041.90 |
| Discounts | 1,412,450,723.68 | 2,039,396,647.98 |
| Provision for loan impairment | (164,523,818.63) | (119,864,699.00) |
| Total | 2,238,404,977.48 | 2,948,545,990.88 |

Notes To The Financial Statements – continued

AT 31 DECEMBER 2015

(2) Loan loss provisions

RMB

| 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 | | |
| Loan loss provisions | 119,864,699.00 | 44,659,119.63 | - | - | - | 164,523,818.63 |

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 (X). 6(7).

14. Available-for-sale financial assets

(1) Available-for-sale financial assets

RMB

| Item | Closing balance | | | Opening balance | | |
|---------------------------------------|-------------------|---------------|-------------------|-------------------|--------------|-------------------|
| | Carrying value | Provision | Book value | Carrying value | Provision | Book value |
| Available-for-sale debt instruments | 403,945,851.70 | 50,240,011.70 | 353,705,840.00 | 884,309,352.90 | - | 884,309,352.90 |
| Available-for-sale equity instruments | 10,577,723,157.92 | 7,404,202.27 | 10,570,318,955.65 | 9,570,614,890.87 | 7,404,202.27 | 9,563,210,688.60 |
| Including: Fair Value measurement | 977,617,036.31 | - | 977,617,036.31 | 614,408,171.98 | - | 614,408,171.98 |
| Cost measurement | 9,600,106,121.61 | 7,404,202.27 | 9,592,701,919.34 | 8,956,206,718.89 | 7,404,202.27 | 8,948,802,516.62 |
| Total | 10,981,669,009.62 | 57,644,213.97 | 10,924,024,795.65 | 10,454,924,243.77 | 7,404,202.27 | 10,447,520,041.50 |

(2) Closing balance of available-for-sale financial assets using fair value measurement:

RMB

| Categories | Available-for-sale debt instruments | Available-for-sale equity instruments | Total |
|---|-------------------------------------|---------------------------------------|------------------|
| Cost of available-for-sale equity instruments / Closing amortized cost of available-for-sale debt instruments | 405,964,004.55 | 1,466,119,612.60 | 1,872,083,617.15 |
| Closing fair value | 353,705,840.00 | 977,617,036.31 | 1,331,322,876.31 |
| Accumulated amount recognized in other comprehensive income arising from the change of fair value | (2,018,152.85) | (488,502,576.29) | (490,520,729.14) |
| Impairment provision accrued | 50,240,011.70 | - | 50,240,011.70 |

Notes To The Financial Statements – continued

AT 31 DECEMBER 2015

(3) Closing balance of available-for-sale financial assets using cost measurement:

| Investees | Carrying balance | | | |
|---|------------------|------------------|------------------|------------------|
| | Opening balance | increase | decrease | Closing balance |
| CISDI | 9,508,999.34 | - | - | 9,508,999.34 |
| Jinchuan Automation Engineering Co. Ltd. | 1,000,000.00 | - | - | 1,000,000.00 |
| Shanghai Huayi Information Technology Co., Ltd | 3,000,000.00 | - | - | 3,000,000.00 |
| Henan Longyu energy Limited by Share Ltd | 370,269,254.56 | - | - | 370,269,254.56 |
| Yongcheng coal (Group) Co., Ltd. | 279,000,000.00 | - | - | 279,000,000.00 |
| Henan Zhenglong Coal Industry Co Ltd | 45,569,714.27 | - | - | 45,569,714.27 |
| China First Capital Management Inc | 3,000,000.00 | - | - | 3,000,000.00 |
| Yantai iron and steel processing Co. Ltd. Po | 5,600,000.00 | - | - | 5,600,000.00 |
| Huarun land (Beijing) Co., Ltd. | 1,618,750.00 | - | - | 1,618,750.00 |
| Anhui merchants Limited by Share Ltd | 3,000,000.00 | - | - | 3,000,000.00 |
| Hanyang Spare Parts Co. Ltd. | 3,311,720.00 | - | - | 3,311,720.00 |
| Bao Hua Rui mining Limited by Share Ltd | 103,282,213.00 | - | - | 103,282,213.00 |
| Shanghai Luoqing Ore Terminal Co., Ltd. | 88,734,096.00 | - | - | 88,734,096.00 |
| The Yangtze River Economic Development (Group) Limited by Share Ltd | 980,000.00 | - | - | 980,000.00 |
| Steam (Beijing) Automotive Lightweight Technology Research Co Ltd | 3,000,000.00 | - | - | 3,000,000.00 |
| PetroChina northwest joint Pipeline Company Limited(note) | 8,000,000,000.00 | - | 8,000,000,000.00 | - |
| Corex | 5,000,000.00 | - | - | 5,000,000.00 |
| Globalore Pte Ltd | 15,285,079.80 | 725,974.80 | - | 16,011,054.60 |
| Baometal S.r.L | 15,046,891.92 | - | 727,359.28 | 14,319,532.64 |
| PetroChina Pipeline Ltd (Note) | - | 8,643,900,787.20 | - | 8,643,900,787.20 |
| Total | 8,956,206,718.89 | 8,644,626,762.00 | 8,000,727,359.2 | 9,600,106,121.61 |

Note: PetroChina Co., Ltd. restructured the equity of PetroChina East Pipeline Co., Ltd., Petro China Pipeline Joint Co., Ltd. and Petro China northwest joint Pipeline Company Limited and established Petro China Pipeline Co., Ltd.. According to the resolution of VI.3rd boarding meeting and the <Share Purchase Agreement>, the Group purchased 3.52% equity of Petro China Pipeline Co., Ltd. by 12.8% equity of Petro China northwest joint Pipeline Company Limited.

Notes To The Financial Statements – continued

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| | Provision | | | Proportion in the investee (%) | Cash bonus |
|--|-----------------|----------|----------|--------------------------------|----------------|
| | Opening balance | increase | decrease | | |
| | - | - | - | 6.28% | 12,554,000.00 |
| | - | - | - | 7.13% | 712,800.00 |
| | - | - | - | 15.00% | - |
| | - | - | - | 12.96% | - |
| | - | - | - | 7.78% | 211,695,310.47 |
| | - | - | - | 4.91% | - |
| | 666,024.47 | - | - | 5.00% | - |
| | - | - | - | 10.00% | - |
| | - | - | - | 0.09% | - |
| | - | - | - | 3.53% | - |
| | 3,311,720.00 | - | - | 20.00% | - |
| | - | - | - | 50.00% | 17,341,411.50 |
| | - | - | - | 12.00% | 7,630,960.66 |
| | - | - | - | 0.15% | 27,300.00 |
| | - | - | - | 6.90% | - |
| | - | - | - | - | 239,051,901.16 |
| | - | - | - | 6.25% | - |
| | 3,426,457.80 | - | - | 14.29% | - |
| | - | - | - | 10.00% | - |
| | - | - | - | 3.52% | - |
| | 7,404,202.27 | - | - | | 489,013,683.79 |

Notes To The Financial Statements – continued

AT 31 DECEMBER 2015

(4) Provision movement of available-for-sale financial during reporting period

RMB

| Categories | Available-for-sale debt instruments | Available-for-sale equity instruments | Total |
|---|-------------------------------------|---------------------------------------|---------------|
| Opening balance | - | 7,404,202.27 | 7,404,202.27 |
| Accrued in current period | 50,240,011.70 | - | 50,240,011.70 |
| Including: transfer from other comprehensive income | - | - | - |
| Decrease in the current period | - | - | - |
| Including: transfer from fair value rebound | - | - | - |
| Closing balance | 50,240,011.70 | 7,404,202.27 | 57,644,213.97 |

(5) Relevant explanation on available-for-sale equity instrument with serious drop or non-temporary drop of fair value but with no impairment recognized

RMB

| Available for sale project | Investment cost | Fair value of closing balance | Declining rate of fair value relative to cost (%) | Continuing declining period | Impairment amount | Reasons for not been impaired |
|------------------------------------|-----------------|-------------------------------|---|-----------------------------|-------------------|-------------------------------|
| Shanxi Xishan Coal Electricity LLC | 941,660,003.69 | 259,362,500.48 | 72.46% | Exceed 12 months | - | Note |

Note: The abovementioned 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 during 2010 to 2011 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 2015, the closing stock price of Xishan CE dropped to RMB 6.08 per share and the total closing value of this financial asset depreciated to RMB 259,362,500.48 with the accumulated decline of RMB 682,297,503.21. 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, taking Shanxi Xishan Coal Electricity LLC 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, 2015 for such available-for-sale financial assets based on the predetermined criteria of available-for-sale financial assets impairment (Note III(11.3)) 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 slump coal market; The operation of Xishan CE has been stable for the past several years. No significant deterioration of operation has occurred to Xishan CE, and;
- 4) The strategic purpose of the Company to hold the equity investment in Xishan CE remains unchanged.

15. Long-term receivables

RMB

| Item | Closing balance | | | Opening balance | | |
|--|------------------|----------------------|------------------|-------------------|----------------------|-------------------|
| | Carrying balance | Impairment provision | Book value | Carrying balance | Impairment provision | Book value |
| Finance leases receivables | 3,750,000.00 | 187,500.00 | 3,562,500.00 | 8,750,000.00 | 175,000.00 | 8,575,000.00 |
| including: Unrealized finance income | (101,250.00) | - | (101,250.00) | (472,500.00) | - | (472,500.00) |
| Accounts receivable from disposal of assets (Note1) | 9,000,000,000.00 | - | 9,000,000,000.00 | 13,500,000,000.00 | - | 13,500,000,000.00 |
| Less: Asset transfer receivables due within one year (Note 1) | 4,500,000,000.00 | - | 4,500,000,000.00 | 4,500,000,000.00 | - | 4,500,000,000.00 |
| Less: Accounts receivable from employee borrowings for down payment of first-time homebuyers (Note2) | 72,180,000.00 | - | 72,180,000.00 | - | - | - |
| Others | 3,330,708.90 | - | 3,330,708.90 | 3,493,634.07 | - | 3,493,634.07 |
| Total | 4,579,260,708.90 | 187,500.00 | 4,579,073,208.90 | 9,012,243,634.07 | 175,000.00 | 9,012,068,634.07 |

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Nil of bad debt provision has been reserved in this current period.

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 Division issued by the Company on March 14, 2012, the Company transferred the assets and equities of the Stainless and Special Steel Business Division at the valuation value based on 31 December 2011 on the asset valuation report issued by Zhongzi Asset Appraisal Co., Ltd..The Company completed the abovementioned asset transfer on April 1, 2012. The accounts receivable from disposal of assets is RMB22.5 billion and will be paid equally in five years (20% for each year). 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 last payment on April 1, 2017. As of December 31, 2015, the closing balance of accounts receivable from disposal of assets is RMB 9 billion, including RMB5.2 billion from Baosteel Stainless and RMB3.8 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, including RMB 2.6 billion from Baosteel Stainless and RMB1.9 billion from Baosteel Special Steel, respectively.

Note 2: Employee borrowings for down payment of first-time homebuyers is provided to some employees with loan limits of RMB300,000 or RMB450,000, and bearing borrowing rate at 50% of that for Housing Provident Fund. The tenure is within 10 years. Early repayment or equal repayment shall be made since the third year after the borrowing. Employees shall make full repayment within 8 years.

Note 3: 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 4: Long-term receivables due from related parties in beginning and end of the current period refer to Note (X). 6(8).

Note 5: In this reporting period, no long term account receivable is recognized due to transferring of financial asset.

Note 6: In this reporting period, no asset and liability are formed due to long-term account receivable continuous involvement.

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16. Investments in joint ventures and associates

Detail of long term equity investment are as following:

| Name of investee | Opening balance | Movement of current year | | |
|---|------------------|--------------------------|----------------|--|
| | | Increase | Decrease | Profit and loss recognized under equity method |
| I. Joint ventures | | | | |
| BNA | 1,672,147,808.63 | | | 97,920,321.46 |
| Bao-Island Enterprise | 604,474,593.50 | | | (52,728,032.00) |
| Shandong Baohua | 93,407,511.62 | | | (18,495,677.05) |
| JFE Steel Sheet | 1,524,755,042.30 | | | 3,925,929.71 |
| Baowei Auto Part | 148,940,305.62 | | | 1,468,773.42 |
| Changsha Baosheng | 8,321,876.25 | | | (2,580,664.04) |
| Baosheng Fineblanking | 75,708,563.13 | | | 50,174.86 |
| Wuhan Baozhang Auto Steel Part Co. | 30,000,000.00 | | | 15,501.34 |
| Wuhan Baohan Welder Co., Ltd. | | 2,549,092.01 | | 462,588.23 |
| Subtotal | 4,157,755,701.05 | 2,549,092.01 | | 30,038,915.93 |
| Associates | | | | |
| Welding Co. | 131,961,920.13 | | | 20,874,279.39 |
| Firsttech Software | 2,558,835.14 | | | 273,005.36 |
| Henan Pingbao | 395,941,430.12 | | | 27,903,405.71 |
| Tianjin BCM | 52,380,878.79 | | | (1,651,564.90) |
| Wuxi Baomit | 69,161,059.68 | | | 810,304.33 |
| Sichuan Daxing | 31,351,868.24 | | | (142,163.44) |
| NSM Siderurgica Modenese SPA | 57,874,754.44 | | | 899,999.97 |
| Vietnam Can Making | 8,701,224.89 | | | 725,317.83 |
| Qingke Chuangtong | 22,433,382.05 | | | 273,085.28 |
| Zhengzhou Hongzhong | 24,766,098.61 | 36,000,000.00 | (3,400,000.00) | 752,097.11 |
| Guangqi Baoshang | 30,581,231.89 | | | (3,398,618.69) |
| Wuxi Baomeifeng | 4,691,080.95 | | | 800,992.64 |
| Foreign Service Baosight | | 6,600,000.00 | | |
| Guangzhou Nansha Gangbao Port | | 9,000,000.00 | | (136,544.91) |
| Tianjin Zhongzhi Tiancheng Technology | 832,403,764.93 | 51,600,000.00 | (3,400,000.00) | 47,983,595.68 |
| Subtotal | 7,949,489.18 | | | |
| Equity transferred from old system trade right due to non-tradable share reform | 4,998,108,955.16 | 54,149,092.01 | (3,400,000.00) | 78,022,511.61 |
| Total | 131,961,920.13 | | | 20,874,279.39 |

No significant differences noted of accounting policies between the Group and its associates and joint ventures under equity method. In addition, liquidity of long term investment and investment income do not have material limitation.

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| | | | | | | RMB | |
|--------------------------------|-----------------------|--|--------------------------|--------|--|------------------|-------------------------------|
| Movement of current year | | | | | | Closing balance | Closing balance of impairment |
| Other comprehensive adjustment | Other equity movement | Cash dividend and profits when announced | Provision for impairment | Others | | | |
| | (1,185,382.22) | (59,076,724.87) | | | | 1,709,806,023.00 | |
| 36,542,102.90 | | (16,420,040.00) | | | | 571,868,624.40 | |
| | 130,000.00 | | | | | 75,041,834.57 | |
| | | | | | | 1,528,680,972.01 | 35,000,000.00 |
| | | | | | | 150,409,079.04 | |
| | | | | | | 5,741,212.21 | |
| | | | | | | 75,758,737.99 | |
| | 13,125.00 | | | | | 30,028,626.34 | |
| | | | | | | 3,011,680.24 | |
| 36,542,102.90 | (1,042,257.22) | (75,496,764.87) | | | | 4,150,346,789.80 | 35,000,000.00 |
| | | (26,852,525.00) | | | | 125,983,674.52 | |
| | | | | | | 2,831,840.50 | |
| | (240,000.00) | (12,000,000.00) | | | | 411,604,835.83 | |
| | | | | | | 50,729,313.89 | |
| | | (1,677,113.46) | | | | 68,294,250.55 | |
| (360,976.19) | | (2,700,000.00) | | | | 28,148,728.61 | |
| 3,543,043.47 | | | | | | 62,317,797.88 | |
| | | (731,322.89) | | | | 8,695,219.83 | |
| | | | | | | 22,706,467.33 | |
| | | | | | | 58,118,195.72 | |
| | | | | | | 27,182,613.20 | |
| | | (497,895.02) | | | | 4,994,178.57 | |
| | | | | | | 6,600,000.00 | |
| | | | | | | 8,863,455.09 | |
| 3,182,067.28 | (240,000.00) | (44,458,856.37) | | | | 887,070,571.52 | |
| | | | | | | 7,949,489.18 | |
| 39,724,170.18 | (1,282,257.22) | (119,955,621.24) | | | | 5,045,366,850.50 | 35,000,000.00 |
| | | (26,852,525.00) | | | | 125,983,674.52 | |

Notes To The Financial Statements – continued

AT 31 DECEMBER 2015

17. Investment properties

Investment properties measured on cost basis.

| | | | RMB |
|---|----------------|----------------|----------------|
| Item | Building | Land use right | Total |
| I. Total original carrying amount | | | |
| 1. Opening balance | 330,597,594.43 | 323,625,025.68 | 654,222,620.11 |
| 2. Reclassification | 5,303,343.85 | (5,303,343.85) | - |
| 3. Decreased amount | 126,144,537.70 | - | 126,144,537.70 |
| (1) disposal | 283,795.34 | - | 283,795.34 |
| (2) transfer into construction in progress | 125,860,742.36 | - | 125,860,742.36 |
| 4. Closing balance | 209,756,400.58 | 318,321,681.83 | 528,078,082.41 |
| II. Total accumulated depreciation and amortization | | | |
| 1. Opening balance | 147,392,440.20 | 56,142,724.47 | 203,535,164.67 |
| 2. Reclassification | 3,994,238.05 | (3,994,238.05) | - |
| 3. Increased amount | 11,978,708.26 | 8,248,080.54 | 20,226,788.80 |
| (1) accrued or amortized amount | 11,978,708.26 | 8,248,080.54 | 20,226,788.80 |
| 4. Decreased amount | 69,021,036.38 | - | 69,021,036.38 |
| (1) disposal | 269,605.57 | - | 269,605.57 |
| (2) transfer into construction in progress | 68,751,430.81 | - | 68,751,430.81 |
| 4. Closing balance | 94,344,350.13 | 60,396,566.96 | 154,740,917.09 |
| III. Total provision for impairment losses | | | |
| 1. Opening balance | - | - | - |
| 2. Increased amount | - | - | - |
| 3. Decreased amount | - | - | - |
| 4. Closing balance | - | - | - |
| IV. Total carrying amount | | | |
| 1. Closing balance | 115,412,050.45 | 257,925,114.87 | 373,337,165.32 |
| 2. Opening balance | 183,205,154.23 | 267,482,301.21 | 450,687,455.44 |

As of 31 December 2015, buildings and land use right with net amount of RMB 65,330,877.26 has yet to obtain certificate of titles (2014:RMB70,125,737.06).

Notes To The Financial Statements – continued

AT 31 DECEMBER 2015

18. Fixed assets

(1) Fixed assets

| | | | | | RMB |
|---|-------------------|-------------------------|-------------------------|----------------------------|--------------------|
| Item | Buildings | Machinery and equipment | Transportation vehicles | Office and other equipment | Total |
| I. Total original carrying amount | | | | | |
| 1. Opening balance | 52,009,174,081.77 | 145,955,288,116.08 | 17,722,201,370.96 | 17,297,848,502.05 | 232,984,512,070.86 |
| 2. Increased amount | 6,825,226,378.84 | 10,048,231,493.38 | 1,571,493,100.58 | 1,231,736,816.80 | 19,676,687,789.60 |
| (1) Acquisition | 57,748,173.50 | 193,781,952.44 | 173,765,360.05 | 117,951,105.26 | 543,246,591.25 |
| (2) Transferred from CIP | 6,767,478,205.34 | 9,854,449,540.94 | 1,397,727,740.53 | 1,113,785,711.54 | 19,133,441,198.35 |
| 3. Decreased amount | 641,438,244.42 | 2,576,934,710.59 | 404,316,109.45 | 490,076,787.62 | 4,112,765,852.08 |
| (1) disposal or retire | 247,423,553.97 | 2,268,924,404.82 | 361,694,154.06 | 462,359,007.88 | 3,340,401,120.73 |
| (2) Transferred to CIP | 391,874,910.17 | 285,383,049.37 | 41,950,099.67 | 28,680,149.74 | 747,888,208.95 |
| (3) disposal of subsidiaries | - | 1,499,050.95 | - | 406,556.15 | 1,905,607.10 |
| (4) Translation differences of FS denominated in foreign currency | 2,139,780.28 | 21,128,205.45 | 671,855.72 | (1,368,926.15) | 22,570,915.30 |
| 4. Closing balance | 58,192,962,216.19 | 153,426,584,898.87 | 18,889,378,362.09 | 18,039,508,531.23 | 248,548,434,008.38 |
| II. Total accumulated depreciation : | | | | | |
| 1. Opening balance | 26,387,859,349.74 | 94,649,382,716.14 | 14,561,251,287.78 | 14,003,227,825.07 | 149,601,721,178.73 |
| 2. Increased amount | 2,257,252,715.01 | 6,562,730,844.01 | 759,359,584.20 | 989,365,730.78 | 10,568,708,874.00 |
| (1) accrued amount | 2,257,252,715.01 | 6,562,730,844.01 | 759,359,584.20 | 989,365,730.78 | 10,568,708,874.00 |
| 3. Decreased amount | 363,894,255.58 | 2,129,391,731.97 | 361,694,489.88 | 455,636,541.00 | 3,310,617,018.43 |
| (1) disposal or retire | 176,382,486.05 | 1,907,400,824.34 | 323,364,168.44 | 434,104,157.87 | 2,841,251,636.70 |
| (2) Transferred to CIP | 188,263,527.71 | 220,155,992.64 | 38,675,466.25 | 22,623,522.72 | 469,718,509.32 |
| (3) disposal of subsidiaries | - | 461,891.31 | - | 261,051.85 | 722,943.16 |
| (4) Translation differences of FS denominated in foreign currency | (751,758.18) | 1,373,023.68 | (345,144.81) | (1,352,191.44) | (1,076,070.75) |
| 4. Closing balance | 28,281,217,809.17 | 99,082,721,828.18 | 14,958,916,382.10 | 14,536,957,014.85 | 156,859,813,034.30 |
| III. Total provision for impairment losses | | | | | |
| 1. Opening balance | 69,839,971.76 | 412,172,259.23 | 705,028.43 | 3,073,454.16 | 485,790,713.58 |
| 2. Increased amount | 17,072,787.58 | 108,548,159.98 | 2,694,519.22 | 7,551,608.52 | 135,867,075.30 |
| (1) accrued amount | 17,072,787.58 | 106,770,887.52 | 2,597,841.63 | 7,237,505.44 | 133,679,022.17 |
| (2) transferred from other non-current assets | - | 1,777,272.46 | 96,677.59 | 314,103.08 | 2,188,053.13 |
| 3. Decreased amount | - | 1,102.51 | 87,791.86 | 508,235.98 | 597,130.35 |
| (1) disposal or retire | - | 1,102.51 | 87,791.86 | 508,235.98 | 597,130.35 |
| 4. Closing balance | 86,912,759.34 | 520,719,316.70 | 3,311,755.79 | 10,116,826.70 | 621,060,658.53 |
| IV. Total carrying amount | | | | | |
| 1. Closing balance | 29,824,831,647.68 | 53,823,143,753.99 | 3,927,150,224.20 | 3,492,434,689.68 | 91,067,560,315.55 |
| 2. Opening balance | 25,551,474,760.27 | 50,893,733,140.71 | 3,160,245,054.75 | 3,291,547,222.82 | 82,897,000,178.55 |

(2) Temporarily idle fixed assets

As at 31 December 2015 and at 31 December 2014, the total carrying amount of temporarily idle fixed assets is Nil.

Notes To The Financial Statements – continued

AT 31 DECEMBER 2015

(3) Fixed assets leased out under operating leases

RMB

| Item | Closing balance | Restated opening balance after business combination involving entities under common control |
|----------------------------|-----------------|---|
| Buildings | 416,723,646.04 | 430,961,252.17 |
| Machinery and equipment | 385,081,696.38 | 371,343,140.93 |
| Transportation vehicles | 127,315,264.45 | 66,587,717.22 |
| Office and other equipment | 32,516,114.08 | 33,995,851.22 |
| Total | 961,636,720.95 | 902,887,961.54 |

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

As at 31 December 2015, the property right of the buildings, amounting to RMB 2,868,428,719.17 (at 31 December 2014: 2,765,334,376.23), is still in the process of being transferred to the Group.

(5) Details of fixed assets:

As at 31 December 2015, the net carrying balance of net value of fixed asset is RMB 72,864,992.38(at 31 December 2014 RMB 77,832,669.12) and that of land use right is RMB 67,699,345.04(at 31 December 2014 RMB 69,435,934.83). Amount which use collateral to obtain long-term borrowing is RMB 21,995,157.86, borrowing due within one year is RMB 5,310,000.00, short-term borrowing is RMB 39,348,927.24. Total borrowing amounting to RMB 66,654,085.10(at 31 December 2014 71,079,039.05).

19. Construction in progress

(1) Details of construction in progress:

RMB

| Item | Closing balance | | | Opening balance | | |
|---|-------------------|--------------------------|---------------------|-------------------|--------------------------|---------------------|
| | Carrying amount | Provision for impairment | Net carrying amount | Carrying amount | Provision for impairment | Net carrying amount |
| Technical upgrade and infrastructure construction | 34,438,681,114.96 | 810,291,641.28 | 33,628,389,473.68 | 27,264,923,990.05 | 506,077,253.51 | 26,758,846,736.54 |

Note: As at 31 December 2015, the Group does not have construction in progress as collateral to obtain loan.

(2) Changes in significant construction in progress:

RMB

| Item | Budget | Opening balance | Increase in the current period | Transfer from fixed assets | Transfer from investment properties | Transfer to fixed assets | Transfer to intangible assets | Transfer to long-term prepayment | Translation difference of FS denominated in foreign currency |
|---|-------------------|-------------------|--------------------------------|----------------------------|-------------------------------------|--------------------------|-------------------------------|----------------------------------|--|
| Technical upgrade and infrastructure construction | 67,058,226,701.00 | 27,264,923,990.05 | 26,043,251,032.97 | 278,169,699.63 | 57,109,311.55 | (19,133,441,198.35) | (77,858,454.34) | (10,215,165.63) | 16,741,899.08 |

| Item | Closing balance | Amount invested as a proportion of budget amount (%) | Accumulated capitalized interest | Including: capitalized interest for the period | Capitalization rate for the period | Capital sources |
|---|-------------------|--|----------------------------------|--|------------------------------------|--------------------------|
| Technical upgrade and infrastructure construction | 34,438,681,114.96 | 79% | 883,093,114.08 | 672,929,742.76 | 4.59%-5.536% | Self-funding & borrowing |

Notes To The Financial Statements – continued

AT 31 DECEMBER 2015

(3) Impairment of construction in progress :

| Construction in progress | Opening balance | Provision charged for current period | Closing balance |
|--------------------------|-----------------|--------------------------------------|-----------------|
| Nantong Steel | 506,077,253.51 | 303,722,016.17 | 809,799,269.68 |
| Chemical Co., | - | 492,371.60 | 492,371.60 |
| Total | 506,077,253.51 | 304,214,387.77 | 810,291,641.28 |

20. Materials for construction of fixed assets

RMB

| Item | Closing balance | Opening balance |
|-------------------|-----------------|-----------------|
| Special materials | 5,863,958.76 | 113,621,057.06 |
| Special equipment | 43,945,769.33 | 51,608,756.12 |
| Others | 5,623,852.38 | 7,782,577.18 |
| Total | 55,433,580.47 | 173,012,390.36 |

21. Intangible assets

RMB

| Item | Land use right | Software | Others | Total |
|--|-------------------|----------------|----------------|-------------------|
| I. Total original carrying amount | | | | |
| 1. Opening balance | 9,997,045,015.28 | 356,399,856.84 | 127,970,703.64 | 10,481,415,575.76 |
| 2. Increased amount | 55,705,890.37 | 209,645,145.73 | 145,930,454.08 | 411,281,490.18 |
| (1) purchase | 55,705,890.37 | 131,786,691.39 | 145,930,454.08 | 333,423,035.84 |
| (2) transferred from construction in progress | - | 77,858,454.34 | - | 77,858,454.34 |
| 3. Reclassification | - | 2,485,800.00 | (2,485,800.00) | - |
| 4. Decreased amount | 371,380.81 | (202,618.16) | - | 168,762.65 |
| (1) Translation differences arising on translation of financial statements denominated in foreign currencies | 371,380.81 | (202,618.16) | - | 168,762.65 |
| 5. Closing balance | 10,052,379,524.84 | 568,733,420.73 | 271,415,357.72 | 10,892,528,303.29 |
| II. Total accumulated amortization | | | | |
| 1. Opening balance | 1,122,231,759.48 | 149,066,891.67 | 67,960,820.66 | 1,339,259,471.81 |
| 2. Increased amount | 200,149,757.80 | 86,268,935.97 | 1,552,398.49 | 287,971,092.26 |
| (1) accrued amount | 200,149,757.80 | 86,268,935.97 | 1,552,398.49 | 287,971,092.26 |
| 3. Reclassification | - | 2,485,800.00 | (2,485,800.00) | - |
| 4. Decreased amount | (20,650.40) | (202,448.44) | - | (223,098.84) |
| (1) Translation differences arising on translation of financial statements denominated in foreign currencies | (20,650.40) | (202,448.44) | - | (223,098.84) |
| 5. closing balance | 1,322,402,167.68 | 238,024,076.08 | 67,027,419.15 | 1,627,453,662.91 |
| III. Total provision for impairment | | | | |
| 1. Opening balance | - | - | 5,370,000.00 | 5,370,000.00 |
| 2. Increased amount | - | - | 8,240,153.50 | 8,240,153.50 |
| (1) accrued amount | - | - | 8,240,153.50 | 8,240,153.50 |
| 3. Decreased amount | - | - | - | - |
| (1) reversal | - | - | - | - |
| 4. closing balance | - | - | 13,610,153.50 | 13,610,153.50 |
| IV. Total carrying amount of intangible assets | | | | |
| 1. Closing balance | 8,729,977,357.16 | 330,709,344.65 | 190,777,785.07 | 9,251,464,486.88 |
| 2. Opening balance | 8,874,813,255.80 | 207,332,965.17 | 54,639,882.98 | 9,136,786,103.95 |

Notes To The Financial Statements – continued

AT 31 DECEMBER 2015

Description of intangible assets:

(1) As at 31 December 2015, land use rights without certificates is nil (at 31 December 2014: RMB 2,359,521,890.39).

(2) As at 31 December 2015, the net carrying balance of fixed assets that the Group hold is RMB 72,864,992.38 (at 31 December 2014: RMB 77,832,669.12). The balance of land use right is RMB 67,699,345.04 (at 31 December 2014 RMB 69,435,934.83). Amount which used as collateral to obtain long-term borrowing is RMB 21,995,157.86; long-term borrowings due within one year is RMB 5,310,000.00; short-term borrowing is RMB 39,348,927.24. Total borrowing amounting to RMB 66,654,085.10 (at 31 December 2014: 71,079,039.05).

22. Long-term prepaid expenses

| RMB | | | | | |
|--|------------------|--------------------------------|-----------------------------|-------------------------|------------------|
| Item | Opening balance | Addition in the current period | Amortization for the period | Disposal for the period | Closing balance |
| Fees for decoration | 158,321,423.18 | 14,167,153.37 | 21,328,866.88 | 390,417.68 | 150,769,291.99 |
| Leasing expenses | 8,793,972.26 | 1,175,197.92 | 1,292,255.62 | - | 8,676,914.56 |
| Relocation expense of Mei steel coke oven (Note) | 830,763,378.24 | - | 25,366,820.76 | - | 805,396,557.48 |
| Huangshi Phase II Codling Rolling High voltage power expense | 1,922,134.50 | - | 591,426.00 | - | 1,330,708.50 |
| Others | 99,880,154.34 | 17,852,476.45 | 26,728,714.95 | - | 91,003,915.84 |
| Total | 1,099,681,062.52 | 33,194,827.74 | 75,308,084.21 | 390,417.68 | 1,057,177,388.37 |

Note: According to the "Agreement on relocating residents in health protection area of Shanghai Meishan iron and steel Co., Ltd. in the 11th 5-year period" signed by Shanghai Meishan iron and steel Co., Ltd., ("Meishan Steel") Banqiao sub-district office of Nanjing Yuhuatai District and Nanjing Yuhua Economic and Technological Development Zone Management Committee on 16 October 2012, residents within 1 kilometer from Meishan coke oven construction project are compensated by Meishan Steel at RMB 880,000,000.00 whereas Meishan Steel shall pay RMB 750,000,000.00 to Banqiao sub-district office of Nanjing Yuhuatai District, and RMB 130,000,000.00 to Nanjing Yuhua Economic and Technological Development Zone Management Committee, respectively. In accordance with the agreement, Meishan Steel has paid RMB 120,000,000.00 in 2012, RMB 510,000,000.00 in 2013, RMB 110,000,000.00 in 2014, and has paid RMB 70,000,000.00 in 2015, which leaves 70,000,000.00 unpaid to be recognized in non-current liabilities due within one year. 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). 36. Note 3.

23. Deferred tax assets/deferred tax liabilities

(1) Deferred tax assets before offsetting

| RMB | | | | |
|---|----------------------------------|--------------------|----------------------------------|--------------------|
| Item | Closing balance | | Opening balance | |
| | Deductible temporary differences | Deferred tax asset | Deductible temporary differences | Deferred tax asset |
| Provision for impairment losses of assets | 4,049,428,220.68 | 1,013,353,762.28 | 3,044,970,690.40 | 765,909,437.72 |
| Unrealized profit from inter-group transactions | 48,827,028.32 | 12,206,757.08 | 176,130,578.64 | 44,032,644.66 |
| Deductible losses | 50,621,260.76 | 12,655,315.19 | 2,373,896,843.54 | 593,474,210.89 |
| Difference in residuals of fixed assets | 214,713.24 | 53,678.31 | 14,865,874.14 | 4,286,096.15 |
| Termination benefits | 490,283,167.08 | 122,570,791.77 | 258,046,027.49 | 64,389,357.74 |
| Losses from changes in fair values | 501,245,019.14 | 125,311,254.79 | 348,489,590.59 | 87,122,397.65 |
| Others | 937,187,688.55 | 234,804,423.19 | 1,066,675,776.01 | 267,190,320.40 |
| Total | 6,077,807,097.77 | 1,520,955,982.61 | 7,283,075,380.81 | 1,826,404,465.21 |

Notes To The Financial Statements – continued

AT 31 DECEMBER 2015

(2) Deferred tax liabilities before offsetting

RMB

| Item | Closing balance | | Opening balance | |
|--|------------------------------|------------------------|------------------------------|------------------------|
| | Temporary taxable difference | Deferred tax liability | Temporary taxable difference | Deferred tax liability |
| Overdue tax payment from investment income | 2,484,949,935.95 | 442,584,276.06 | 2,198,195,918.73 | 413,994,006.83 |
| Gains from changes in fair values | 37,807,806.00 | 9,451,951.50 | 25,498,100.76 | 6,374,525.19 |
| Others | 10,514,696.00 | 2,665,395.63 | 10,653,304.33 | 2,697,929.33 |
| Total | 2,533,272,437.95 | 454,701,623.19 | 2,234,347,323.82 | 423,066,461.35 |

(3) Details of temporary unrecognized deductible deferred tax asset

RMB

| Item | Closing balance | Opening balance |
|---|-------------------|------------------|
| Provision for impairment losses of assets | 1,625,271,620.29 | 1,310,545,221.05 |
| Deductible losses (note) | 9,883,597,331.62 | 5,016,619,400.70 |
| Others | 8,468,952.44 | 25,576,474.96 |
| Total | 11,517,337,904.35 | 6,352,741,096.71 |

Note: As inadequate future taxable profit is expected to make up the losses of previous years from the subsidiary of the Company, Meishan Steel, so RMB 559,799,013.67 of deferred tax assets which recognized in uncovered losses of prior years (RMB: 2,239,196,054.68) is reversed.

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

RMB

| Year | Closing balance | Opening balance |
|----------|------------------|------------------|
| 2015 | - | 226,523,907.34 |
| 2016 | 784,374,042.91 | 227,672,927.08 |
| 2017 | 3,196,360,047.92 | 1,588,080,628.77 |
| 2018 | 1,952,719,366.97 | 1,881,805,475.96 |
| 2019 | 1,085,489,351.97 | 1,092,536,461.55 |
| 2020 | 2,864,654,521.85 | - |
| Subtotal | 9,883,597,331.62 | 5,016,619,400.70 |

24. Other non-current assets

RMB

| Item | Closing balance | Opening balance |
|--|------------------|------------------|
| Prepayment for land use right of Zhanjiang Steel | 2,759,830,784.03 | 2,262,105,256.43 |
| Prepayment for construction equipment | 914,569,629.24 | 2,169,547,279.35 |
| Loans due from Bao-Island Enterprise | 117,905,780.14 | 117,905,780.14 |
| Payment for Trust financial products | 720,039,507.00 | - |
| Others | 1,629,299.59 | 3,290,328.70 |
| Total | 4,513,975,000.00 | 4,552,848,644.62 |

Notes To The Financial Statements – continued

AT 31 DECEMBER 2015

25. Short-term borrowings

| RMB | | |
|---|-------------------|-------------------|
| Item | Closing balance | Opening balance |
| Secured loans with securities under the custody of lenders (note 1) | 500,000,000.00 | 1,370,000,000.00 |
| Mortgage loans (note 2) | 39,348,927.24 | 37,875,376.22 |
| Unsecured and non-guaranteed loans | 26,571,683,007.46 | 30,072,136,347.39 |
| Total | 27,111,031,934.70 | 31,480,011,723.61 |

At the balance sheet date, the interest rate of the Group's short-term borrowings ranges from 3.30% to 5.89% per annum in RMB (2014: 5.04% to 6.60% per annum); from 1 LIBOR+0.6% to 3 LIBOR+2.8% per annum in USD (2014: 3 LIBOR+0.4% to 6 LIBOR+3.6% per annum); from 0.95% to 3.49% per annum in EURO (2014: 1.18% to 3.61% per annum).

Note 1: As at 31 December 2015, loans of RMB500,000,000.00 is secured against factoring business via accounts receivable (31 December 2014: RMB1,370,000,000.00).

Note 2: Details are set out in Note (V). 18(5) and Note (V).21.

Bank facilities

As at 31 December 2015, the unutilized bank facilities of the Group approximate RMB85.908billion (at 31 December 2014: 101.668 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.

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

| RMB | | |
|------------------|-------------------|------------------|
| Item | Closing balance | Opening balance |
| Current deposits | 1,296,771,357.09 | 494,493,427.37 |
| Fixed deposits | 8,713,208,778.73 | 7,477,570,245.62 |
| Total | 10,009,980,135.82 | 7,972,063,672.99 |

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 (X). 6(9).

27. Taking from banks and other financial institutions

| RMB | | |
|----------------------------|-----------------|-----------------|
| Item | Closing balance | Opening Balance |
| Taking from domestic banks | 198,000,000.00 | - |

28. Notes payable

| RMB | | |
|------------------------|------------------|------------------|
| Category | Closing balance | Opening balance |
| Commercial acceptances | 3,339,883,539.09 | 3,747,365,773.67 |
| Bank acceptances | 1,094,008,830.86 | 1,669,513,391.18 |
| Total | 4,433,892,369.95 | 5,416,879,164.85 |

The above notes payable will due in year 2016.

As at 1 December 2015 and 31 December 2014, 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 (X). 6(10)

Notes To The Financial Statements – continued

AT 31 DECEMBER 2015

29. Accounts payable

(1) Details of accounts payable are as follows:

| RMB | | |
|------------------------------------|-------------------|-------------------|
| Item | Closing balance | Opening balance |
| Accounts payable for equipment | 5,282,089,642.19 | 4,200,747,183.56 |
| Accounts payable for raw materials | 16,103,815,633.32 | 15,709,622,447.86 |
| Total | 21,385,905,275.51 | 19,910,369,631.42 |

As at 31 December 2015, accounts payable aged over one year, RMB1,859,453,367.41 in total (2014: RMB1,543,874,976.66), 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 (X). 6(11).

30. Receipts in advance

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

| RMB | | |
|---------------------|-------------------|-------------------|
| Item | Closing balance | Opening balance |
| Receipts in advance | 12,467,881,559.99 | 11,522,938,150.20 |

The receipts in advance with significant balances in the Group are all aged within one year as at 31 December 2015 and 31 December 2014.

(1) As at 1 December 2015 and 31 December 2014, receipts in advance due from any shareholders holding at least 5% of the Company's shares with voting power is nil.

(2) As at 1 December 2015 and 31 December 2014, receipts in advance from related parties refer to Note (X). 6(12).

31. Employee benefits payable

(1) Details of employee benefits payable

| RMB | | | | |
|--|------------------|--------------------------------|--------------------------------|------------------|
| Item | Opening balance | Increase in the current period | Decrease in the current period | Closing balance |
| 1.Short-term employee benefits | 1,618,792,733.84 | 7,951,076,578.28 | 8,070,196,394.74 | 1,499,672,917.38 |
| 2.Post-retirement benefit –defined contribution plan | 1,492,791.87 | 1,269,956,857.45 | 1,269,813,895.84 | 1,635,753.48 |
| 3.Termination benefits | 123,055,212.32 | 206,163,064.79 | 158,773,486.55 | 170,444,790.56 |
| Total | 1,743,340,738.03 | 9,427,196,500.52 | 9,498,783,777.13 | 1,671,753,461.42 |

Notes To The Financial Statements – continued

AT 31 DECEMBER 2015

(2) Details of short-term employee benefit

RMB

| Item | Opening balance | Increase in the current period | Decrease in the current period | Closing balance |
|---|------------------|--------------------------------|--------------------------------|------------------|
| I. Wages or salaries, bonuses, allowances and subsidies | 1,235,373,710.75 | 5,927,762,061.19 | 6,019,942,890.50 | 1,143,192,881.44 |
| II. Staff welfare | - | 388,053,081.00 | 388,053,081.00 | - |
| III. Social security contributions | 630,730.30 | 636,355,394.45 | 635,233,926.20 | 1,752,198.55 |
| Including: Medical insurance | 506,833.74 | 507,809,915.02 | 507,655,720.53 | 661,028.23 |
| Work injury insurance | 24,055.94 | 26,674,176.54 | 26,658,832.16 | 39,400.32 |
| Maternity insurance | 39,501.76 | 45,533,350.92 | 45,521,773.65 | 51,079.03 |
| Disability employment insurance | 60,014.86 | 50,590,095.60 | 50,634,840.32 | 15,270.14 |
| Others | 324.00 | 5,747,856.37 | 4,762,759.54 | 985,420.83 |
| IV. Housing funds | 68,395.06 | 604,908,649.69 | 603,263,781.51 | 1,713,263.24 |
| V. Labor union and education fund | 193,266,174.87 | 202,409,247.24 | 206,989,312.46 | 188,686,109.65 |
| VI. Short-term paid absences | - | 127,081,329.38 | 127,081,329.38 | - |
| VII Others | 189,453,722.86 | 64,506,815.33 | 89,632,073.69 | 164,328,464.50 |
| Total | 1,618,792,733.84 | 7,951,076,578.28 | 8,070,196,394.74 | 1,499,672,917.38 |

(3) Defined contribution plan

RMB

| Item | Opening balance | Increase in the current period | Decrease in the current period | Closing balance |
|-------------------------|-----------------|--------------------------------|--------------------------------|-----------------|
| Basic pension insurance | 1,004,187.50 | 987,463,145.83 | 987,327,542.83 | 1,139,790.50 |
| Unemployment insurance | 85,880.35 | 69,907,786.80 | 69,896,496.56 | 97,170.59 |
| Annuity fund | 402,724.02 | 212,585,924.82 | 212,589,856.45 | 398,792.39 |
| Total | 1,492,791.87 | 1,269,956,857.45 | 1,269,813,895.84 | 1,635,753.48 |

As at 31 December 2015, the employee benefits payable, amounting to RMB 947,040,898.48 (2014: RMB 955,058,255.23) of the Group is in line with pay-to-performance. There are no overdue employee benefits payable or non-monetary benefits as at 31 December 2015.

The Group has set up the pension fund insurance and employment insurance by the government regulation. According to the plan, the Group deposits employee's monthly basic salary into the insurance every month. Besides the mentioned expense above, the group no longer bear any further payments. The relevant expenditure will be accounted into Profit and Loss or capitalized.

In this current period, the Group should deposit RMB 987,463,145.83 and RMB 69,907,786.80 into pension insurance and unemployment insurance, respectively (2014: RMB939, 511,637.02 and RMB 67,195,236.08 respectively). As at December 31, 2015, the Group has outstanding payments of RMB 1,139,790.50 and RMB 97,170.59 (2014: RMB1, 004,187.50 and RMB 85,880.35, respectively) for pension insurance and unemployment insurance. The relevant subsequent payments will be settled after reporting period.

32. Taxes payable

RMB

| Item | Closing balance | Opening balance |
|---------------------------------------|------------------|------------------|
| Value-added tax | (557,122,801.25) | (610,309,166.09) |
| Business tax | 14,967,514.50 | 14,437,214.58 |
| Enterprise income tax | 1,824,943,777.30 | 2,526,257,168.12 |
| Individual income tax | 94,921,564.31 | 124,386,501.24 |
| City construction and maintenance tax | 24,878,561.18 | 20,344,839.08 |
| Property tax | 28,089,124.91 | 20,241,189.52 |
| Others | 267,637,334.02 | 66,670,544.41 |
| Total | 1,698,315,074.97 | 2,162,028,290.86 |

Notes To The Financial Statements – continued

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33. Interest payable

RMB

| Item | Closing balance | Opening balance |
|--|-----------------|-----------------|
| Interest payable on medium-term notes | 13,272,131.15 | 17,033,333.36 |
| Interest payable on short-term borrowings | 131,116,792.40 | 258,531,496.35 |
| Interest payable on corporate bonds of Bao-trans | 55,218,891.37 | 5,736,562.50 |
| Total | 199,607,814.92 | 281,301,392.21 |

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

34. Dividends payable

RMB

| Name of entity | Closing balance | Opening balance |
|---------------------------------------|-----------------|-----------------|
| China Oriental Asset Management Corp. | - | 9,475,888.34 |
| Coming (Hong Kong) Ltd. | - | 2,082,443.05 |
| Guizhou Aluminum Plant | 603,743.23 | 603,743.23 |
| Others | 22,022.21 | 22,022.21 |
| Total | 625,765.44 | 12,184,096.83 |

35. Other payables

(1) Details of other payables are as follows:

RMB

| Items | Closing balance | Opening balance |
|--|------------------|------------------|
| Guarantee and deposit fees | 473,438,875.33 | 366,169,194.36 |
| Advanced fund | 232,618,756.66 | 185,780,324.09 |
| Transportation and port fees | 29,172,718.40 | 24,828,155.24 |
| Construction fees payable | 753,624,742.69 | 480,853,855.64 |
| Safety production risk fund | 55,017,424.30 | 44,892,272.95 |
| Principal and interest payable of investors' financial products (note) | 617,501,551.55 | - |
| Commission fees | 9,600,400.11 | 10,232,090.22 |
| Others | 112,069,657.12 | 28,858,303.94 |
| Total | 2,283,044,126.16 | 1,141,614,196.44 |

Note: This item consists of the principal and interest payable of entrusted products offered by Ouyeel, the subsidiary of the Company invested by investors,

(2) At the opening and closing of the year, 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 (X). 6(14).

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

The other payables aged more than one year amount to RMB 80,876,110.33(2014: RMB 90,880,837.75), which are deposits payable in nature under long-term service contracts.

Notes To The Financial Statements – continued

AT 31 DECEMBER 2015

36. Non-current liabilities due within one year

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

| RMB | | |
|---|-----------------|------------------|
| Item | Closing balance | Opening balance |
| Long-term borrowings due within one year | 138,114,896.18 | 5,302,606,360.49 |
| Other non-current liability due within one year | - | 1,500,000,000.00 |
| Long-term payables due within one year | 70,000,000.00 | 140,000,000.00 |
| Bonds payable due within one year | - | 499,400,942.65 |
| Total | 208,114,896.18 | 7,442,007,303.14 |

(2) Long-term borrowings due within one year

As at December 31 2015, the Group holds balance of long-term borrowing due within one year RMB138,114,896.18 (December 31 2014: RMB 5,302,606,360.49). See note (V). 18(5) for more details of long-term borrowing as collateral.

(3) Long-term payables due within one year

| RMB | | |
|--|-----------------|-----------------|
| Item | Closing balance | Opening balance |
| Payables on compensation for relocation (note) | 70,000,000.00 | 140,000,000.00 |
| Total | 70,000,000.00 | 140,000,000.00 |

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

37. Other current liabilities

(1) Other current liabilities:

| RMB | | |
|----------------------------|-------------------|-----------------|
| Item | Closing balance | Opening balance |
| Short-term financing bills | 10,057,344,262.30 | - |
| Total | 10,057,344,262.30 | - |

(2) Changes of short-term financing bills

| RMB | | | | | | | | | | |
|--|-------------------|--------------|--------------------------|-------------------|-----------------|----------------------|--------------------------------------|---------------------------------------|-----------------------------|-------------------|
| Name | Par value | Issue date | Terms of financing bills | Issue amount | Opening balance | Issue in this period | Accrued interest based on book value | The premium and discount amortization | Payment in the current year | Closing balance |
| Bonds payable — short-term financing bills | 10,000,000,000.00 | 26 Oct. 2015 | One year | 10,000,000,000.00 | - | 10,000,000,000.00 | 57,344,262.30 | - | - | 10,057,344,262.30 |
| Total | 10,000,000,000.00 | | | 10,000,000,000.00 | - | 10,000,000,000.00 | 57,344,262.30 | - | - | 10,057,344,262.30 |

Note: According to the "Proposal on direct financing in domestic and overseas market" approved by first interim board meeting on 26 January, 2015, the Company is eligible to issue short-term financing bonds with principal no more than RMB 10 billion(including RMB10 billion). The first issuance of RMB 10 billion was made on 26 October 2015 at par value of RMB 100. The tenure is 366 days and annual rate is 3.18%. Interests and the principle are paid annually when it is due.

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AT 31 DECEMBER 2015

38. Long-term borrowings

(1) Categories of long-term borrowings

| RMB | | |
|---|------------------|------------------|
| Item | Closing balance | Opening balance |
| Unsecured and non-guaranteed loans | 9,088,269,188.03 | 9,908,551,554.13 |
| Secured loans with securities under the custody of the Group (note) | 21,995,157.86 | 27,883,662.83 |
| Guaranteed loans | 762,038.79 | - |
| Total | 9,111,026,384.68 | 9,936,435,216.96 |

Note: Details of secured loans with securities under the custody of the Group are set out in Note (V). 18(5) and Note (V).21.

Among the borrowing mentioned above, the interest rate of borrowings ranges from 3 LIBOR+1.32% to 3 LIBOR+3.16% per annum in USD ; from 1.50% to 3.58% per annum in EUR; 1% per annum in JPY; 3.05% per annum in Korean Won; and from 3.5% to 5.94% per annum in RMB.

(2) Top five balance of long-term borrowings

As at 31 December 2015, the top five balance of long-term borrowings sum to RMB 2,367,500,000.00 (31 December 2014: RMB 7,195,000,000.00)

39. Bonds payable

(1) Bond payable

| RMB | | |
|--|------------------|------------------|
| Item | Closing balance | Opening balance |
| Medium-term notes (15Baosteel MMT001) (Note 1) | 2,000,000,000.00 | - |
| Bao-trans Corporate Bond(Note2 &3) | 6,747,373,959.29 | 3,024,076,037.38 |
| Total | 8,747,373,959.29 | 3,024,076,037.38 |

(2) Movement of bond payable

| RMB | | | | | | | | | | |
|---------------------------------------|-------------------|-------------|------------------|-------------------|------------------|----------------------|--------------------------------------|-------------------------------------|-----------------------------|------------------|
| Name of bond | Par value | Issue date | Term of the bond | Issue amount | Opening balance | Issue in this period | Accrued interest based on book value | Exchange gains or losses and others | Payment in the current year | Closing balance |
| Baotrans bonds (note 2) | USD500,000,000.00 | 5 Dec 2013 | 5 years | USD500,000,000.00 | 3,024,076,037.38 | - | 117,706,406.25 | (194,577,682.06) | 118,192,500.00 | 3,218,167,625.69 |
| Baotrans bonds (note 3) | EUR500,000,000.00 | 22 Feb 2015 | 3 years | EUR500,000,000.00 | - | 3,434,314,800.00 | 47,768,420.03 | (47,123,113.57) | - | 3,529,206,333.60 |
| Total | | | | | 3,024,076,037.38 | 3,434,314,800.00 | 165,474,826.28 | (241,700,795.63) | 118,192,500.00 | 6,747,373,959.29 |
| Medium-term bills (15Baosteel MMT001) | 2,000,000,000.00 | 26 Oct 2015 | 3 years | 2,000,000,000.00 | - | 2,000,000,000.00 | 13,272,131.15 | - | 13,272,131.15 | 2,000,000,000.00 |

Note 1: According to the "Proposal on direct financing in domestic and overseas market" approved by first interim board meeting on 26 January, 2015, the Company is eligible to issue medium-term bills with principal no more than RMB 20 billion (including RMB20 billion). The principal of this issuance is RMB 20 billion in the current period at par with tenure of 3 years and interest rate of 3.68%. Interests and the principle are paid annually when it is due. The value date is 26 October 2015, and Interests and the principle will be paid on 26 October 2018.

Note2:In December 2013, Baotrans Co., Ltd ("Baotrans"), a subsidiary of the Company was approved by the year 2012 general shareholders' meeting 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. Baotrans issued bonds with issuing price RMB99.199 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.

Note 3: Baotrans Co., Ltd ("Baotrans"), a subsidiary of the Company was approved to issue bonds denominated in Euro with the amount no more than EUR 1 billion (including EUR 1 billion) in accordance with the resolution of the first interim meeting of shareholders' meeting of Developing Direct Financing on 26 January 2015. On 23 February 2015, Baotrans issued bonds with principal of EUR500 million at discount of 99.713% of principal. The fixed interest rate is 1.625% per annum, interest will be paid on every 23 February annually and the bond will be due on 23 February, 2018.

Notes To The Financial Statements – continued

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40. Long-term payables

RMB

| Item | Closing balance | Opening balance |
|--|-----------------|-----------------|
| Accounts payable for relocation expense of Mei steel coke oven | 70,000,000.00 | 140,000,000.00 |
| Less: Long-term payables due within one year | 70,000,000.00 | 140,000,000.00 |
| Repurchase Obligation for Employee Stock Option(Note) | 82,585,917.00 | 89,287,152.00 |
| Total | 82,585,917.00 | 89,287,152.00 |

Note: As at December 31 2015, liability causing by repurchase obligation for employee stock option has recognized, amounting to RMB 82,585,917.00. Refer to Note (XI).I

41. Long-term employment benefits payable

RMB

| Item | Closing balance | Opening balance |
|----------------------|-----------------|-----------------|
| Termination benefits | 328,307,328.96 | 162,061,249.06 |

42. Special payables

RMB

| Item | Opening balance | Increase in the current period | Decrease in the current period | Closing balance |
|----------------------|-----------------|--------------------------------|--------------------------------|-----------------|
| Government subsidies | 287,916,697.81 | 5,000,000.00 | - | 292,916,697.81 |

43. Deferred income

RMB

| Item | Opening balance | Increase in the current period | Decrease in the current period | Closing balance |
|-----------------------------|------------------|--------------------------------|--------------------------------|------------------|
| Government subsidies (note) | 1,268,675,356.46 | 220,769,508.61 | 396,605,406.30 | 1,092,839,458.77 |

Note: Details of deferred income-Government grants:

RMB

| 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 | 880,288,408.39 | 209,698,053.01 | 344,169,493.20 | 10,691,898.89 | 735,125,069.31 | Assets related |
| Interest allowance on special loan | 133,905,378.80 | - | 4,292,782.84 | - | 129,612,595.96 | Assets related |
| Compensation from relocation | 101,669,341.24 | - | 6,292,073.91 | - | 95,377,267.33 | Assets related |
| Allowance for infrastructure | 99,665,904.89 | - | 3,195,122.49 | - | 96,470,782.40 | Assets related |
| High-tech subsidies of Baosight | 50,682,938.66 | 11,071,455.60 | 27,082,775.55 | - | 34,671,618.71 | Income related |
| Other | 2,463,384.48 | - | - | 881,259.42 | 1,582,125.06 | Assets related |
| Total | 1,268,675,356.46 | 220,769,508.61 | 385,032,247.99 | 11,573,158.31 | 1,092,839,458.77 | |

RMB

| Item | Closing balance | Opening balance |
|-------|-----------------|-----------------|
| Other | 7,134,514.14 | 1,902,403.65 |

Notes To The Financial Statements – continued

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45. Share capital

As at 31 December 2015, the registered and paid-in capital of the Company totals at RMB16, 467,517,524.00 with par value of RMB1.00 each. The share class and structure are set out as follows:

| | | | | | | | RMB |
|---------------------------------------|-------------------|------------------------|-------------|-----------------------------------|-----------------|-----------------|-------------------|
| | Opening balance | Changes for the period | | | | | Closing balance |
| | | New issue of shares | Bonus issue | Capitalization of surplus reserve | Others | Subtotal | |
| 2015 : | | | | | | | |
| I. Restricted share | 46,747,200.00 | - | - | - | (3,508,500.00) | (3,508,500.00) | 43,238,700.00 |
| II. Tradable shares | - | - | - | - | - | - | - |
| I. Ordinary shares denominated in RMB | 16,424,278,824.00 | - | - | - | - | - | 16,424,278,824.00 |
| III. Total shares | 16,471,026,024.00 | - | - | - | (3,508,500.00) | (3,508,500.00) | 16,467,517,524.00 |
| 2014 : | | | | | | | |
| I. Restricted share | - | - | - | - | 46,747,200.00 | 46,747,200.00 | 46,747,200.00 |
| II. Tradable shares | - | - | - | - | - | - | - |
| I. Ordinary shares denominated in RMB | 16,471,724,924.00 | - | - | - | (47,446,100.00) | (47,446,100.00) | 16,424,278,824.00 |
| III. Total shares | 16,471,724,924.00 | - | - | - | (698,900.00) | (698,900.00) | 16,471,026,024.00 |

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 Ltd. has verified the change in share capital and issued the capital verification report(capital verification report filed as De Shi Bao (Yan) Zi No.0078)..

Up to 21 May, 2013, the Company has completed the implementation of the share repurchase scheme, whereby the Company repurchased 1,040,323,164 shares in 2013, namely 650,323,164 shares after decreasing 390,000,000 shares of cancelled shares. According to the resolution of board meeting and the Company's revised Articles of Association, the Company applied for reduction of share capital amounting to RMB 650,323,164 and finished all procedures 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 and share capital of the Company was updated to RMB 16,471,724,924.00. The change in registered capital in 2013 has been verified by Deloitte Touche Tohmatsu CPA LLP (capital verification report filed as De Shi Bao (Yan) Zi No.0103).

The share capital decreased 698,000 shares due to repurchase of unlocked restricted share incentive scheme in 2014. The Company had completed business change procedures in related registration authority, and the changed registered capital and dividends amounting to RMB16,471,026,024 hereof.

The share capital decreased 3,508,500 shares due to repurchase of unlocked restricted share incentive scheme in 2015. Details refer to Note (X). As of 31 December 2015, the registered capital and dividends of the Company amounts to RMB16, 467,517,524. Baosteel Group held 13,130,265,267 shares out of 16,424,278,824 shares of unrestricted ordinary shares dominated in RMB, accounting for 79.73% of ownership interests.

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46. Capital reserve

| RMB | | | | |
|---|-------------------|------------------------|------------------------|-------------------|
| Item | Opening balance | Increase in the period | Decrease in the period | Closing balance |
| 2015: | | | | |
| Capital premium | | | | |
| Including: Reserve from conversion of state-owned shares | 5,726,556,609.73 | - | - | 5,726,556,609.73 |
| Share premium (Note 1) | 25,645,904,188.92 | 499,599,879.48 | 3,192,735.00 | 26,142,311,333.40 |
| Difference arising from business combination under common control | 116,748,214.86 | - | - | 116,748,214.86 |
| Share-based payment recognized in capital reserve | 16,017,078.49 | 12,917,561.63 | 8,481,834.21 | 20,452,805.91 |
| Provision for equity investment (Note 2) | 49,081,586.47 | 143,125.00 | 1,425,382.22 | 47,799,329.25 |
| Other capital reserves (Note 3) | 1,699,638,311.28 | 2,699,300.00 | 16,323,813.81 | 1,686,013,797.47 |
| Total | 33,253,945,989.75 | 515,359,866.11 | 29,423,765.24 | 33,739,882,090.62 |
| 2014: | | | | |
| Capital premium | | | | |
| Including: Reserve from conversion of state-owned shares | 5,726,556,609.73 | - | - | 5,726,556,609.73 |
| Share premium | 25,743,652,887.00 | - | 97,748,698.08 | 25,645,904,188.92 |
| Difference arising from business combination under common control | 116,748,214.86 | - | - | 116,748,214.86 |
| Share-based payment recognized in capital reserve | - | 16,017,078.49 | - | 16,017,078.49 |
| Provision for equity investment | 48,859,065.64 | 222,520.83 | - | 49,081,586.47 |
| Other capital reserves | 1,757,846,806.77 | 7,005,900.00 | 65,214,395.49 | 1,699,638,311.28 |
| Total | 33,393,663,584.00 | 23,245,499.32 | 162,963,093.57 | 33,253,945,989.75 |

Note 1: The increase in capital premium constitutes of the difference between the Company's capital contribution in Ouyeel and the net carrying amount of assets it holds in Ouyeel, as the Company transferring its equity from Bsteel E-commerce to Ouyeel.

Note 2: Changes 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: The decrease in capital reserve mainly constitutes of the difference between the consideration payment for acquisition of Guangzhou Steel Sheet and the net assets of minority interests that the Company acquired.

47. Treasury shares

| RMB | |
|----------------------------|----------------|
| Item | Amount |
| 2015 | |
| Opening balance | 89,287,152.00 |
| Decrease in the period: | |
| Cancellation (Note(XI). 1) | (6,701,235.00) |
| Closing Balance | 82,585,917.00 |

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48. Other Comprehensive income

RMB

| Item | Opening balance | Change for the period | | | | | Closing balance |
|--|--------------------|-----------------------|--|--------------------------|--|-------------------------------|------------------|
| | | Before tax balance | Less: transfer from other comprehensive income in previous years | Less: income tax expense | Attributable to the owner of the Company (after tax) | Minority interest (after tax) | |
| I. Items that will not be reclassified subsequently to profit or loss | - | - | - | - | - | - | - |
| II. Items that may be reclassified subsequently to profit or loss | (1,004,817,797.37) | (23,649,557.10) | 11,621,328.25 | (36,648,708.32) | 7,229,837.28 | (5,852,014.31) | (997,587,960.09) |
| Include: Amounts of other comprehensive income attributes to investees that are to be reclassified into profit or loss under equity method | (106,722,756.33) | 39,724,170.18 | - | - | 39,724,170.18 | - | (66,998,586.15) |
| Fair value gain/loss on available-for-sale financial assets | (246,705,489.81) | (134,973,505.00) | 11,621,328.25 | (36,648,708.32) | (111,809,711.00) | 1,863,586.07 | (358,515,200.81) |
| Translation differences arising on translation of financial statements denominated in foreign currencies | (651,389,551.23) | 71,599,777.72 | - | - | 79,315,378.10 | (7,715,600.38) | (572,074,173.13) |
| Other comprehensive income | (1,004,817,797.37) | (23,649,557.10) | 11,621,328.25 | (36,648,708.32) | 7,229,837.28 | (5,852,014.31) | (997,587,960.09) |

RMB

| Item | Opening balance | Change for prior period | | | | | Closing balance |
|--|------------------|-------------------------|---|--------------------------|--|-------------------------------|--------------------|
| | | Before tax balance | Less: transfer from other comprehensive income in previous year | Less: income tax expense | Attributable to the owner of the company (after tax) | Minority interest (after tax) | |
| I. Items that will not be reclassified subsequently to profit or loss | - | - | - | - | - | - | - |
| II. Items that may be reclassified subsequently to profit or loss | (946,347,392.59) | (17,602,756.07) | 2,375,144.15 | 27,801,913.22 | (58,470,404.78) | 10,690,591.34 | (1,004,817,797.37) |
| Include: Amounts of other comprehensive income attributes to investees that are to be reclassified into profit or loss under equity method | (102,951,979.50) | (3,770,776.83) | - | - | (3,770,776.83) | - | (106,722,756.33) |
| Fair value gain/loss on available-for-sale financial assets | (322,243,462.87) | 113,582,797.04 | 2,375,144.15 | 27,801,913.22 | 75,537,973.06 | 7,867,766.61 | (246,705,489.81) |
| Translation differences arising on translation of financial statements denominated in foreign currencies | (521,151,950.22) | (127,414,776.28) | - | - | (130,237,601.01) | 2,822,824.73 | (651,389,551.23) |
| Other comprehensive income | (946,347,392.59) | (17,602,756.07) | 2,375,144.15 | 27,801,913.22 | (58,470,404.78) | 10,690,591.34 | (1,004,817,797.37) |

49. Special reserve

RMB

| Item | Opening balance | Increase in the period | Decrease in the period | Closing balance |
|-----------------------|-----------------|------------------------|------------------------|-----------------|
| 2015: | | | | |
| Production safety fee | 10,040,556.78 | 479,597,276.10 | 478,722,233.25 | 10,915,599.63 |
| 2014: | | | | |
| Production safety fee | 22,160,961.06 | 395,631,820.57 | 407,752,224.85 | 10,040,556.78 |

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

Notes To The Financial Statements – continued

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50. Surplus reserve

RMB

| Item | Opening balance | Increase in the period | Decrease in the period | Closing balance |
|-------------------------------|-------------------|------------------------|------------------------|-------------------|
| 2015: | | | | |
| Statutory surplus reserve | 11,289,860,525.84 | 332,740,767.44 | - | 11,622,601,293.28 |
| Discretionary surplus reserve | 14,561,312,865.62 | 332,740,767.44 | - | 14,894,053,633.06 |
| Total | 25,851,173,391.46 | 665,481,534.88 | - | 26,516,654,926.34 |
| 2014: | | | | |
| Statutory surplus reserve | 10,618,646,928.18 | 671,213,597.66 | - | 11,289,860,525.84 |
| Discretionary surplus reserve | 13,890,099,267.96 | 671,213,597.66 | - | 14,561,312,865.62 |
| Total | 24,508,746,196.14 | 1,342,427,195.32 | - | 25,851,173,391.46 |

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.

51. Retained earnings

RMB

| Item | Amount | Proportion of appropriation |
|--|-------------------|----------------------------------|
| 2015: | | |
| Retained earnings at beginning of year | 39,765,842,085.69 | |
| Add: Net profit attributable to owners of the Company for the period | 1,012,871,715.20 | |
| Less: Appropriation to statutory surplus reserve | 332,740,767.44 | 10% of net profit of the Company |
| Appropriation to discretionary surplus reserve | 332,740,767.44 | 10% of net profit of the Company |
| Declaration of dividends on ordinary shares | 2,964,784,684.32 | note 1 |
| Retained earnings at end of year | 37,148,447,581.69 | |
| 2014: | | |
| Retained earnings at beginning of year | 37,044,549,468.11 | |
| Accounting policies adjustment | (81,456,755.60) | |
| Retained earnings at beginning of year after adjustment | 36,963,092,712.51 | |
| Add: Net profit attributable to owners of the Company for the period | 5,792,349,060.90 | |
| Less: Appropriation to statutory surplus reserve | 671,213,597.66 | 10% of net profit of the Company |
| Appropriation to discretionary surplus reserve | 671,213,597.66 | 10% of net profit of the Company |
| Declaration of dividends on ordinary shares | 1,647,172,492.40 | |
| Retained earnings at end of year | 39,765,842,085.69 | |

Note 1: According to the resolution of Twenty-first Session of the Fifth Board on 27 March 2015, which was approved by the 2014 annual general shareholders' meeting on 24 April 2015, the Company announced cash dividend to all registered shareholders as of the announcement date with total amount of RMB2,964,784,684.32 (before tax) based on the total number of shares of 16,471,724,924 (Note (V). 45).

52. Operating income and operating costs

RMB

| Item | Amount recognized in the current period | | Amount recognized in the prior period | |
|----------------------|---|--------------------|---------------------------------------|--------------------|
| | Income | Cost | Income | Cost |
| Principal businesses | 162,583,262,452.11 | 148,232,241,363.14 | 185,315,514,681.36 | 167,015,096,887.60 |
| Other businesses | 1,206,286,043.13 | 1,026,114,885.84 | 2,098,125,422.97 | 1,916,038,613.85 |
| Total | 163,789,548,495.24 | 149,258,356,248.98 | 187,413,640,104.33 | 168,931,135,501.45 |

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53. Business taxes and levies

RMB

| Item | Amount recognized in the current period | Amount recognized in the prior period | Basis of calculation |
|---------------------------------------|---|---------------------------------------|----------------------|
| Business tax | 63,353,779.73 | 57,774,476.23 | Note |
| City construction and maintenance tax | 206,846,208.69 | 207,309,183.65 | Note |
| Education surcharges | 181,205,380.74 | 183,686,211.68 | Note |
| Others | 14,796,066.21 | 21,732,874.08 | Note |
| Total | 466,201,435.37 | 470,502,745.64 | |

Note: Details of basis of calculation refer to Note (IV).

54. Selling expenses

RMB

| Item | Amount recognized in the current period | Amount recognized in the prior period |
|--|---|---------------------------------------|
| Shipping and storage expenses | 1,027,894,426.98 | 1,095,358,645.01 |
| Payroll | 682,266,629.26 | 674,184,472.77 |
| Depreciation and amortization expenses | 64,132,214.28 | 46,294,431.60 |
| Others | 378,469,395.03 | 384,509,874.55 |
| Total | 2,152,762,665.55 | 2,200,347,423.93 |

55. Administration expenses

RMB

| Item | Amount recognized in the current period | Amount recognized in the prior period |
|--|---|---------------------------------------|
| Research and development expenses | 3,449,361,287.96 | 3,935,123,886.07 |
| Payroll | 2,000,006,145.22 | 1,771,860,588.58 |
| Tax expenses | 520,039,979.24 | 580,515,499.29 |
| Depreciation and amortization expenses | 573,168,948.00 | 557,854,201.42 |
| (Gains) Losses on current assets | (44,983,775.73) | 166,903,254.97 |
| Others | 789,019,761.26 | 715,978,779.45 |
| Total | 7,286,612,345.95 | 7,728,236,209.78 |

56. Financial expenses

RMB

| Item | Amount recognized in the current period | Amount recognized in the prior period |
|-------------------------------------|---|---------------------------------------|
| Interest expenses | 1,879,174,816.44 | 1,822,794,327.93 |
| Less: Capitalized interest expenses | 672,929,742.76 | 410,630,330.30 |
| Less: Interest income | 560,770,818.45 | 1,056,716,550.45 |
| Exchange differences | 1,685,345,408.66 | 88,761,582.97 |
| Others | 61,747,582.24 | 43,504,837.72 |
| Total | 2,392,567,246.13 | 487,713,867.87 |

Notes To The Financial Statements – continued

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57. Impairment losses of assets

RMB

| Item | Amount incurred in the current period | Amount incurred in the prior period |
|---|---------------------------------------|-------------------------------------|
| I. Bad debt losses | 27,108,554.33 | 14,584,333.69 |
| II. Written-down of inventories | 469,257,887.19 | (9,353,470.21) |
| III. Impairment for loans | 44,659,119.63 | (5,475,301.00) |
| IV. Impairment for long term investment | 945,704,105.17 | 475,371,965.34 |
| Total | 1,486,729,666.32 | 475,127,527.82 |

58. Gains or losses from changes in fair values

RMB

| Items resulting in gains from changes in fair values | Amount recognized in the current period | Amount recognized in the prior period |
|--|---|---------------------------------------|
| Financial assets at fair value through profit or loss | 9,266,607.93 | 23,346,786.23 |
| Financial liabilities at fair value through profit or loss | (3,608,651.05) | - |
| Total | 5,657,956.88 | 23,346,786.23 |

59. Investment income

RMB

| Item | Amount recognized in the current period | Amount recognized in the prior period |
|--|---|---------------------------------------|
| Income from long-term equity investments under cost method | 489,013,683.79 | 237,816,517.17 |
| Income from disposal of available-for-sale financial assets (note 1) | 644,247,021.18 | - |
| Income from long-term equity investments under equity method | 78,022,511.61 | 154,890,243.84 |
| Stock investment income | 34,453,932.21 | 715,503.06 |
| Bond investment income | 53,770,809.02 | 57,603,850.03 |
| Fund investment income | 38,445,137.32 | 25,009,968.05 |
| Losses from disposal of derivative financial instruments (note 2) | (581,202,814.15) | (122,721,456.47) |
| Investment income from financial products | 281,457,218.28 | - |
| Others | - | 25,591,369.52 |
| Total | 1,038,207,499.26 | 378,905,995.20 |

Note 1: In compliance with the resolution made by 6th session of the 3rd board meeting and the equity acquisition agreement entered into between the Company and Petro China Pipeline Co., Ltd., this item mainly refers to investment income as the Group purchased 3.52% equity of Petro China Pipeline Co., Ltd. by 12.8% equity of Petro China northwest joint Pipeline Company Limited.

Note 2: This item mainly consists of investment losses arising from forward exchange transaction and ore swap transaction.

60. Non-operating income

(1) Details of non-operating income:

RMB

| Item | Amount incurred in the current period | Amount incurred in the prior period | Amount incurred in non-recurring gains and losses in the current period |
|---|---------------------------------------|-------------------------------------|---|
| Total gains on disposal of non-current assets | 94,590,167.84 | 468,705,992.56 | 94,590,167.84 |
| Including: Gains on disposal of fixed assets | 94,590,167.84 | 468,705,992.56 | 94,590,167.84 |
| Government grants | 506,388,802.97 | 637,191,272.45 | 506,388,802.97 |
| Compensation income | 8,125,480.67 | 13,884,537.97 | 8,125,480.67 |
| Others | 59,123,581.54 | 60,838,271.49 | 59,123,581.54 |
| Total | 668,228,033.02 | 1,180,620,074.47 | 668,228,033.02 |

Notes To The Financial Statements – continued

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

RMB

| Items | Amount incurred in the current period | Amount incurred in the prior period | Assets related/Income related |
|--|---------------------------------------|-------------------------------------|--------------------------------|
| Transfer of prior year government grants related to technology improvement | 225,994,534.00 | 47,015,363.76 | Assets related |
| Subsidies for high-tech achievement transformation | 106,920,549.52 | 65,611,868.86 | Both income and assets related |
| Local fiscal subsidy | 13,681,796.45 | 42,719,458.32 | Income related |
| Tax refund | 25,670,005.91 | 23,116,492.49 | Income related |
| Special fund for foreign trade and economic cooperation | - | 256,660,000.00 | Income related |
| Compensation for relocation | 6,292,073.91 | 30,465,912.25 | Income related |
| Other fiscal subsidies | 127,829,843.18 | 171,602,176.77 | |
| Total | 506,388,802.97 | 637,191,272.45 | |

61. Non-operating expenses

RMB

| Item | Amount incurred in the current period | Amount incurred in the prior period | Amount incurred in non-recurring gains and loss in the current period |
|--|---------------------------------------|-------------------------------------|---|
| Total losses on disposal of non-current assets | 638,690,137.29 | 422,747,874.64 | 638,690,137.29 |
| Including: Losses on disposal of fixed assets | 638,690,137.29 | 422,747,874.64 | 638,690,137.29 |
| Donations to third parties | 11,556,922.00 | 10,317,900.00 | 11,556,922.00 |
| Others | 14,302,174.27 | 110,527,321.38 | 14,302,174.27 |
| Total | 664,549,233.56 | 543,593,096.02 | 664,549,233.56 |

62. Income tax expenses

RMB

| Item | Amount incurred in the current period | Amount incurred in the prior period |
|--|---------------------------------------|-------------------------------------|
| Current tax expense calculated according to tax laws and relevant requirements | 914,326,864.72 | 1,869,028,773.51 |
| Adjustment to prior period's income tax | (147,998,663.61) | (34,725,020.80) |
| Adjustment to deferred income tax | 373,732,352.76 | 352,777,782.33 |
| Total | 1,140,060,553.87 | 2,187,081,535.04 |

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

RMB

| | Amount for the current period | Amount for the prior period |
|--|-------------------------------|-----------------------------|
| Accounting profit | 1,854,130,729.18 | 8,277,773,752.93 |
| Income tax expenses calculated at 25% | 463,532,682.30 | 2,069,443,438.23 |
| Adjustment to prior period's income tax | (147,998,663.61) | (34,725,020.80) |
| Effect of expenses that are not deductible for tax purposes | 33,744,062.96 | 51,017,588.14 |
| Effect of tax-free income | (141,759,048.85) | (98,247,346.48) |
| Effect of unrecognized deductible losses and deductible temporary differences (note) | 1,305,398,664.07 | 651,332,979.66 |
| Effect of using previously unrecognized deductible losses and deductible temporary differences | (6,576,680.84) | (3,498,116.22) |
| Additional tax incentives | (331,583,469.92) | (397,404,336.16) |
| Others | (34,696,992.24) | (50,837,651.33) |
| Total | 1,140,060,553.87 | 2,187,081,535.04 |

Note: Details are set out in Note (V).23.

Notes To The Financial Statements – continued

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63. Other comprehensive income

Refer to Notes (V), 48.

64. Notes to items in the cash flow statement

(1) Other cash receipts relating to operating activities

RMB

| Item | Amount for the current period | Amount for the prior period |
|---|-------------------------------|-----------------------------|
| Non-operating income, government grant and etc. | 1,545,990,823.45 | 1,549,173,971.38 |

(2) Other cash payments relating to operating activities

RMB

| Item | Amount for the current period | Amount for the prior period |
|-------------------------|-------------------------------|-----------------------------|
| Selling expenses | 993,470,330.61 | 900,869,565.32 |
| Administrative expenses | 1,211,691,163.28 | 1,101,684,633.98 |
| Others | 198,964,288.49 | 139,365,212.79 |
| Total | 2,404,125,782.38 | 2,141,919,412.09 |

(3) Other cash receipts relating to investing activities

RMB

| Item | Amount for the current period | Amount for the prior period |
|---|-------------------------------|-----------------------------|
| Proceeds on disposal of assets and investments in Wusong area | 5,208,894,246.60 | 5,471,999,999.96 |
| Interest income | 102,832,325.28 | 271,689,381.18 |
| Total | 5,311,726,571.88 | 5,743,689,381.14 |

(4) Other cash payments relating to investing activities

RMB

| Item | Amount for the current period | Amount for the prior period |
|--|-------------------------------|-----------------------------|
| Cash payment upon the settlement of derivative instruments | 576,233,258.39 | 122,851,439.75 |
| Others | 72,180,000.00 | - |
| Total | 648,413,258.39 | 122,851,439.75 |

(5) Other cash receipts relating to financing activities

RMB

| Item | Amount for the current period | Restated amount for the prior period |
|--|-------------------------------|--------------------------------------|
| Cash receipts from self-funding of equity incentive plan | - | 89,287,152.00 |

(6) Other cash payments relating to financing activities

RMB

| Item | Amount for the current period | Amount for the prior period |
|--------------------------------------|-------------------------------|-----------------------------|
| Repayment to advanced payment (note) | 1,500,000,000.00 | - |

Note: Details are set out in Note (V) || note 2.

Notes To The Financial Statements – continued

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65. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

RMB

| Supplementary information | Current period | Restated amount of Prior period |
|---|--------------------|---------------------------------|
| 1. Reconciliation of net profit to cash flow from operating activities: | | |
| Net profit | 714,070,175.31 | 6,090,692,217.89 |
| Add: Provision for impairment losses of assets | 1,486,729,666.32 | 475,127,527.82 |
| Depreciation of fixed assets and investment properties | 10,260,470,235.91 | 10,207,465,303.50 |
| Amortization of intangible assets | 287,971,092.26 | 252,296,237.88 |
| Amortization of long-term prepaid expenses | 75,308,084.21 | 61,040,446.38 |
| Losses on disposal of fixed assets, intangible assets and other long-term assets (gains are indicated by "-") | 544,099,969.45 | (45,958,117.92) |
| Gains on changes in fair values | (5,657,956.88) | (23,346,786.23) |
| Financial expenses | 2,330,819,663.89 | 444,297,742.29 |
| Gains arising from investments | (1,038,207,499.26) | (378,905,995.20) |
| Decrease in deferred tax assets | 352,809,162.60 | 240,929,342.20 |
| Increase in deferred tax liabilities | 29,782,019.35 | 111,848,440.13 |
| Decrease in inventories | 2,806,755,958.27 | 4,280,992,936.28 |
| Decrease in receivables from operating activities | 2,449,414,715.94 | 3,944,315,077.53 |
| Increase in payables from operating activities | 882,431,156.69 | 2,619,671,566.88 |
| Net cash flow from operating activities | 21,176,796,444.06 | 28,280,465,939.43 |
| 2. Net changes in cash and cash equivalents: | | |
| Closing balance of cash | 6,968,888,292.15 | 10,550,257,587.98 |
| Less: Opening balance of cash | 10,550,257,587.98 | 11,507,852,396.93 |
| Add: Closing balance of cash equivalents | 2,140,000,000.00 | 741,031,995.09 |
| Less: Opening balance of cash equivalents | 741,031,995.09 | 91,000,000.00 |
| Net increase in cash and cash equivalents | (2,182,401,290.92) | (307,562,813.86) |

(2) Composition of cash and cash equivalents

RMB

| Item | Closing balance | Opening balance |
|---|------------------|-------------------|
| I. Cash | 6,968,888,292.15 | 10,550,257,587.98 |
| Including: Cash on hand | 664,508.04 | 3,220,664.08 |
| Bank deposits | 6,903,794,819.63 | 10,490,797,381.05 |
| Other monetary funds | 64,428,964.48 | 56,239,542.85 |
| II. Cash equivalents | 2,140,000,000.00 | 741,031,995.09 |
| III. Closing balance of cash and cash equivalents | 9,108,888,292.15 | 11,291,289,583.07 |

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

66. Assets with restricted ownership or right of use

RMB

| Item | Closing carrying balance | Reason to be restricted |
|------------------------|--------------------------|---|
| Cash and bank balances | 848,054,823.96 | Statutory reserves deposited with People's Bank of China by financial company |
| Fixed asset | 72,864,992.38 | Mortgage loan |
| Intangible asset | 67,699,345.04 | Mortgage loan |
| Total | 988,619,161.38 | |

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67. Foreign Currency Item

(1) Foreign Currency Item

RMB

| Item | Closing balance (O.C) | Rate | Closing balance (RMB) |
|---------------------|-----------------------|--------|-----------------------|
| Cash | | | |
| Including:USD | 187,106,788.26 | 6.4936 | 1,214,996,640.23 |
| JPY | 3,069,814,446.94 | 0.0539 | 165,462,998.69 |
| EUR | 56,550,294.79 | 7.0952 | 401,235,651.60 |
| HKD | 2,438,742.99 | 0.8377 | 2,042,935.00 |
| Others | | | 59,976,539.75 |
| Account Receivables | | | |
| Including:USD | 166,109,101.67 | 6.4936 | 1,078,646,062.60 |
| EUR | 94,459,000.85 | 7.0952 | 670,205,502.83 |
| JPY | 2,676,978,360.00 | 0.0539 | 144,222,209.15 |
| WON | 27,111,090,958.00 | 0.0055 | 149,463,444.45 |
| THB | 21,321,221.80 | 0.1799 | 3,835,687.80 |
| Long-term loan | | | |
| Including:USD | 35,433,328.67 | 6.4936 | 230,089,863.05 |
| EUR | 18,000,000.00 | 7.0952 | 127,713,600.00 |
| WON | 3,989,689,436.00 | 0.0055 | 21,995,157.00 |
| Short-term loan | | | |
| Including:USD | 200,742,082.98 | 6.4936 | 1,303,538,790.04 |
| EUR | 355,354,503.33 | 7.0952 | 2,521,311,272.03 |
| JPY | 9,000,000,000.00 | 0.0539 | 484,875,000.00 |

(VI) CHANGES OF SCOPE OF CONSOLIDATION

1. Disposal of subsidiaries

Unit: RMB'0,000

| Subsidiary | Equity disposal proportion (%) | Means of equity disposal | Timing of losing control | Basis for determining the timing of losing control | Proportion of remaining equity as at the date of losing control | Carrying amount of remaining equity as at the date of losing control | Fair value of remaining equity as at the date of losing control | Gains or losses from recalculation of remaining equity in fair value | Method or main assumption used to determine fair value of remaining equity as at the date of losing control |
|-------------------------------|--------------------------------|--------------------------|--------------------------|--|---|--|---|--|--|
| Wuhan Baohan Welder Co., Ltd. | 4.21 | Capital injection | 30 June 2015 | Completion of capital injection | 46.79% | 177.72 | 237.27 | 59.54 | "Appraisal Report on Capital Increase & Share Expansion of Wuhan Baohan Welder" (filed as Zhong Qi Hua Ping Bao Zi (2014) No.3539) |

According to "Proposal on Capital Increase & Share Expansion of Wuhan Baohan Welder" approved on 7th session of 13th interim board meeting of Baosight Software on 9 January 2015, Wuhan Baohan completed capital increase & share expansion in June 2015, and the proportion of remaining equity the Company held in Wuhan Baohan decreased to 46.79% from 51%, so Wuhan Baohan was no longer in consolidation scope hereby.

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(VII) EQUITY IN OTHER ENTITIES

1. Interests in subsidiaries

(1) Composition of the Group

| Name of the subsidiary | Place of operation | Place of incorporation | Nature of operation | Equity interest held (%) | | Ways of acquisition |
|--------------------------------|--------------------|------------------------|--|--------------------------|------------|--|
| | | | | Directly | Indirectly | |
| Yantai Lubao | China | Yantai city | Manufacture | 100% | - | business combinations involving enterprises under common control |
| Huangshi Coating & Galvanizing | China | Huangshi city | Manufacture | 58.45% | - | business combinations involving enterprises under common control |
| Baosteel International | China | Shanghai city | Steel trading | 100% | - | business combinations involving enterprises under common control |
| Meishan Steel | China | Nanjing city | Manufacture | 77.04% | - | business combinations involving enterprises under common control |
| Baosight Software | China | Shanghai city | Information technology | 55.5% | - | business combinations involving enterprises under common control |
| Baosteel America | USA | Texas, USA | Steel trading | 100% | - | business combinations involving enterprises under common control |
| BNA | Japan | Tokyo, Japan | Steel trading | 100% | - | business combinations involving enterprises under common control |
| Baosteel Europe | Germany | Hamburg, Germany | Steel trading | 100% | - | business combinations involving enterprises under common control |
| Baosteel Singapore | Singapore | Singapore | Steel trading | 100% | - | business combinations involving enterprises under common control |
| Bao-trans | HK SAR, China | HK SAR, China | Steel trading | 100% | - | business combinations involving enterprises under common control |
| Chemical Co., | China | Shanghai city | Manufacture | 100% | - | business combinations involving enterprises under common control |
| Finance Co., | China | Shanghai city | Finance | 62.1% | - | business combinations involving enterprises under common control |
| Nantong Steel | China | Nantong city | Manufacture | 95.82% | - | business combinations involving enterprises under common control |
| Zhanjiang Steel | China | Zhanjiang city | Manufacture | 90% | - | business combinations involving enterprises under common control |
| Yantai Baosteel | China | Yantai city | Manufacture of sales of steel pipes | 80% | 20% | acquired through establishment or investment |
| Huagongbao | China | Shanghai city | E-commerce | - | 54.56% | acquired through establishment or investment |
| Baoma Tube | China | Keramay city | Manufacture of sales of steel pipes | 75% | - | acquired through establishment or investment |
| Poly Pipe | Thailand | Thailand | Steel pipe processing | - | 51% | acquired through establishment or investment |
| BGM (Note 1) | Republic of Korea | Gyeonggi, ROK | Manufacture of sales of steel products | - | 50% | acquired through establishment or investment |
| Ouyeel | China | Shanghai city | E-commerce | 8.67% | 42.33% | acquired through establishment or investment |

Note1: As at balance sheet date, the Group held 50% of shares in BGM, however, the Group has over 50% voting rights in the board of directors, so BGM is included in the consolidation scope of the Group.

(VII) EQUITY IN OTHER ENTITIES

1. Interests in subsidiaries

(2) Significant non-wholly owned subsidiaries

Investees holding long-term equity investment balances amounting over RMB 5 billion at year-end and financial company as the financial segment of the Group shall be disclosed as significant non-wholly owned subsidiaries.

Unit: RMB'000

| Name of subsidiary | Equity interest held by minority interests | Profit or loss attributable to minority interests during the year | Dividend declared to minority interests during the year | Minority interests at December 31, 2015 |
|--------------------|--|---|---|---|
| Meishan Steel | 22.96% | 2,217 | - | 2,566,255 |
| Finance Co., | 37.90% | 61,114 | 24,862 | 711,681 |
| Zhanjiang Steel | 10% | 20,321 | - | 3,459,853 |

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(3) Major financial information of significant non-wholly owned subsidiaries

Unit: RMB'000

| Name of subsidiary | December 31, 2015 | | | | | | December 31, 2014 | | | | | |
|--------------------|-------------------|--------------------|--------------|---------------------|-------------------------|-------------------|-------------------|--------------------|--------------|---------------------|-------------------------|-------------------|
| | Current assets | Non-current assets | Total assets | Current liabilities | Non-current liabilities | Total liabilities | Current assets | Non-current assets | Total assets | Current liabilities | Non-current liabilities | Total liabilities |
| Meishan Steel | 4,902,620 | 24,480,962 | 29,383,582 | 19,760,453 | 198,366 | 19,958,819 | 6,709,588 | 26,175,207 | 32,884,795 | 21,583,582 | 145,671 | 21,729,253 |
| Finance Co., | 5,434,504 | 8,886,162 | 14,320,666 | 12,429,397 | 8,814 | 12,438,211 | 5,477,501 | 7,573,496 | 13,050,997 | 11,166,837 | 6,375 | 11,173,212 |
| Zhanjiang Steel | 5,992,409 | 45,466,151 | 51,458,560 | 21,937,141 | 10,947,042 | 32,884,183 | 8,575,766 | 27,171,853 | 35,747,619 | 4,409,467 | 10,939,960 | 15,349,427 |

Unit: RMB'000

| Name of subsidiary | Year ended at December 31, 2015 | | | | Year ended at December 31, 2014 | | | |
|--------------------|---------------------------------|-------------|----------------------------|---|---------------------------------|-------------|----------------------------|---|
| | Operating income | Net profits | Total comprehensive income | Net cash flow from (used in) operating activities | Operating income | Net profits | Total comprehensive income | Net cash flow from (used in) operating activities |
| Meishan Steel | 19,633,628 | (1,716,559) | (1,716,559) | 4,455,834 | 25,965,760 | 7,606 | 7,606 | 4,592,396 |
| Finance Co., | 506,479 | 133,988 | 148,183 | 2,057,205 | 534,762 | 161,251 | 182,557 | 97,652 |
| Zhanjiang Steel | 597,795 | (323,815) | (323,815) | (705,593) | 904,441 | (108,466) | (108,466) | 42,532 |

There is no significant restriction for above subsidiaries in utilizing the Group's assets and settling the Group's debt.

2. Interests in structured entities that are included in the scope of the consolidated financial statements

The following entrusted products issued by Hua Bao Trust entrusted by Ouyeel are included in consolidated financial statement as at 31 December 2015.

| Name of structured entities | Business type | Trustee agency | Business nature & operating scope | Registered capital (RMB) | Actual capital contribution by year-end (RMB) | Consolidated or not |
|-----------------------------|--------------------|----------------|-----------------------------------|--------------------------|---|---------------------|
| No. I Baoxiang | Entrusted products | Hua Bao Trust | Securities investment | N/A | 11,012,382.64 | Yes |
| No. II Baoxiang | Entrusted products | Hua Bao Trust | Securities investment | N/A | 290,272,153.51 | Yes |
| No. I3 Baoxiang | Entrusted products | Hua Bao Trust | Securities investment | N/A | 301,583,180.30 | Yes |
| Total | | | | | 602,867,716.45 | |

3. Interests in JCEs and associates

(1) Significant JCEs and associates

The investees holding long-term equity investment over RMB600,000,000.00 as at 31 December 2015 are disclosed as significant JECs, and that over 100,000,000.00 as at 31 December 2015 are disclosed as significant associates.

| Name of JCEs and associates | Place of operation | Place of incorporation | Nature of operation | Equity interest held(%) | | Equity interest held(%) |
|-----------------------------|--------------------|------------------------|-----------------------|-------------------------|------------|-------------------------|
| | | | | Directly | Indirectly | |
| I.JCEs | | | | | | |
| BNA | China | Shanghai city | Manufacturing | 50 | - | Equity method |
| Bao-Island Enterprise | China | HK SAR | Ship chartering | 50 | - | Equity method |
| Guangzhou JFE | China | Guangzhou city | Steel manufacturing | - | 50 | Equity method |
| II.Associates | | | | | | |
| Welding Co., | China | Shanghai city | Manufacturing | - | 38 | Equity method |
| Henan Pingbao | China | Xuchang city | Extractive Industries | - | 40 | Equity method |

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(2) Major financial information of significant JCEs

Unit: RMB'000

| | Closing balance / Amount accrued in the current period | | |
|--|--|-----------------------|---------------|
| | BNA | Bao-Island Enterprise | Guangzhou JFE |
| Current assets | 2,742,477 | 510,468 | 1,353,706 |
| Including: Cash and cash equivalents | 962,741 | 437,051 | 398,124 |
| Non-current assets | 2,377,932 | 1,132,763 | 4,115,260 |
| Total assets | 5,120,409 | 1,643,231 | 5,468,966 |
| Current liabilities | 1,674,207 | 230,009 | 2,256,493 |
| Non-current liabilities | 26,590 | 269,484 | 774,952 |
| Total liabilities | 1,700,797 | 499,493 | 3,031,445 |
| Minority interests | - | - | - |
| Shareholders' equity attributable to shareholders of the Company | 3,419,612 | 1,143,737 | 2,437,522 |
| Share of net assets according to portion of shareholding | 1,709,806 | 571,869 | 1,218,760 |
| Reconciliations | | | |
| —Net increase of identifiable net assets appraisal | - | - | 317,981 |
| —Net investment losses of investees as at base date | - | - | 49,647 |
| —Reconciliations of accounting policies of investees | - | - | (57,707) |
| —Provision for impairment losses | - | - | (35,000) |
| Carrying amount of equity investment in JCEs | 1,709,806 | 571,869 | 1,493,681 |
| Operating income | 9,913,506 | 532,709 | 4,155,415 |
| Financial expenses | (9,718) | 4,208 | 231,964 |
| Income tax expenses | 64,433 | 571 | - |
| Net profits | 195,841 | (105,456) | 7,851 |
| Other comprehensive income | - | - | - |
| Total comprehensive income | 195,841 | (105,456) | 7,851 |
| Dividends received from JCEs in the current period | 59,077 | 16,420 | - |

(3) Major financial information of significant associates

Unit: RMB'000

| | Closing balance / Amount accrued in the current period | | Opening balance / Amount accrued in prior period | |
|--|--|--------------|--|--------------|
| | Henan Pingbao | Welding Co., | Henan Pingbao | Welding Co., |
| Current assets | 19,934 | 510,137 | 63,546 | 533,103 |
| Non-current assets | 1,818,083 | 243,373 | 1,717,816 | 274,269 |
| Total assets | 1,838,017 | 753,510 | 1,781,362 | 807,372 |
| Current liabilities | 774,005 | 417,718 | 699,508 | 455,316 |
| Non-current liabilities | 35,000 | 4,256 | 92,000 | 4,788 |
| Total liabilities | 809,005 | 421,974 | 791,508 | 460,104 |
| Minority interests | - | - | - | - |
| Shareholders' equity attributable to shareholders of the Company | 1,029,012 | 331,536 | 989,854 | 347,268 |
| Share of net assets according to portion of shareholding | 411,605 | 125,983 | 395,941 | 131,962 |
| Carrying amount of equity investment in JCEs | 411,605 | 125,983 | 395,941 | 131,962 |
| Operating income | 680,825 | 1,144,589 | 578,070 | 522,827 |
| Net profits | 69,758 | 54,932 | 86,928 | 35,003 |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income | 69,758 | 54,932 | 86,928 | 35,003 |
| Dividends received from JCEs in the current period | 12,000 | 26,852 | - | 19,617 |

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(4) Summarized financial information of insignificant JCEs and associates

Unit: RMB'000

| | Closing balance / Amount accrued in the current period | Opening balance / Amount accrued in prior period |
|---|---|---|
| JCEs: | | |
| Total book value of investments | 339,991 | 356,378 |
| The following items are calculated according to portion of shareholding | | |
| --Net profits | (38,158) | (7,970) |
| --Other comprehensive income | | - |
| -- Total comprehensive income | (38,158) | (7,970) |
| Associates: | | |
| Total book value of investments | 349,482 | 304,500 |
| The following items are calculated according to portion of shareholding | | |
| --Net profits | (2,580) | (42,393) |
| --Other comprehensive income | (3,182) | (5,896) |
| -- Total comprehensive income | (5,762) | (48,289) |

The accounting policies for JCEs and associates of the Group has no significant differences with those for the Group on the basis of equity method, and there is no significant restriction on investment realization and investment income remittance.

(VIII) Financial instruments and risk management

The Group's major financial instruments include cash and bank balances, financial assets at fair value through profit or loss, notes receivable, accounts receivable, interest receivable, dividend receivable, other receivables, financial assets purchased under resell agreements, non-current assets due within one year, financial products of other current assets, loans and advances to customers, available-for-sale financial assets, long-term receivables, short-term borrowings, loans with central bank, customer deposits and deposits from banks and other financial institutions, taking from banks and other financial institutions, financial liabilities at fair value through profit or loss, notes payable, accounts payable, financial assets sold under repurchase agreements, interest payable, dividend payable, other payables, non-current liabilities due within one year, other current liabilities, long-term borrowings, and bonds payables etc. Details of these financial instruments are disclosed in Note (V). The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure the risks are monitored at a certain level.

The Group conducted sensitivity analysis to analyze the impact of reasonable and possible changes of risk variables on profit or loss and equity of the current period. Any risk variables may not change in isolation, so there might be certain relativity between the variables that will have significant effect on the amount influenced by one variable. Thus, the statements below are based on the assumption that every variable changes in isolation.

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 so as to harness the risks in limited scope.

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).

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The Group has a great demand on import of iron ore, which 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, the Group conducts financing activities in USD matched with forward exchange contracts or change financing currencies to mitigate the exchange rate risk.

In a view of interest control, 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 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 Group's risks in the fair value fluctuation of financial instruments which caused by changes in interest rate are mainly related with available-for-sale bond investment, loans issued and long-term receivables.

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

| | | | RMB | |
|-------------------------------------|-------------------------------------|--|-------------------------------------|--|
| | Amount at the end of period | | Amount at the beginning of period | |
| | Available-for-sale financial assets | | Available-for-sale financial assets | |
| More than 1 year | 403,945,851.70 | | 884,309,352.90 | |
| Effective interest rate (per annum) | 3.41%-4.65% | | 5.65%-7.58% | |

| RMB | | | | | | | | |
|-------------------------------------|--|--|------------------|--|--|--|------------------|--|
| Other financial assets | Amount at the end of period | | | | 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) | 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 | - | - | - | 4,500,000,000.00 |
| More than 1 year | - | - | 2,402,928,796.11 | 4,579,260,708.90 | - | - | 3,068,410,689.88 | 9,012,243,634.07 |
| Total | - | - | 2,402,928,796.11 | 9,079,260,708.90 | - | - | 3,068,410,689.88 | 13,512,243,634.07 |
| Effective interest rate (per annum) | - | - | 2.7881%-7.92% | 3.915%-5.04% | - | - | 2.7881%-10.89% | 6.65%-5.904% |

| RMB | | | | | | | | |
|-------------------------------------|----------------------|-------------------|--|-------------------|------------------|-----------------------------------|-----------------|--------------------------------------|
| December 31 2015 | | | | | | | | |
| | Short term financing | loan | Placements with banks and other financial institutions | Deposit | Bond receivables | Sell of purchased financial asset | Account payable | Long-term receivable (within 1 year) |
| Within 1 year | 10,057,344,262.30 | 27,249,146,830.88 | 198,000,000.00 | 10,009,980,135.82 | - | - | - | 70,000,000.00 |
| More than 1 year | - | 9,111,026,384.68 | - | - | 8,747,373,959.29 | - | - | 82,585,917.00 |
| Total | 10,057,344,262.30 | 36,360,173,215.56 | 198,000,000.00 | 10,009,980,135.82 | 8,747,373,959.29 | - | - | 152,585,917.00 |
| Effective interest rate (per annum) | 3.18% | 0.56%-6.22% | 3.40% | 0.4550%-4.6750% | 1.920%-4.070% | - | - | - |

Notes To The Financial Statements – continued

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RMB

| | December 31 2014 | | | | | | | |
|-------------------------------------|----------------------|-------------------|--|------------------|------------------|-----------------------------------|-----------------|--------------------------------------|
| | Short term financing | Borrowings | Placements with banks and other financial institutions | Deposit | Bond payable | Sell of purchased financial asset | Account payable | Long-term receivable (within 1 year) |
| Within 1 year | - | 36,782,618,084.10 | - | 7,972,063,672.99 | 499,400,942.65 | - | - | 140,000,000.00 |
| More than 1 year | - | 9,936,435,216.96 | - | - | 3,024,076,037.38 | 169,528,930.40 | - | 89,287,152.00 |
| Total | - | 46,719,053,301.06 | - | 7,972,063,672.99 | 3,523,476,980.03 | 169,528,930.40 | - | 229,287,152.00 |
| Effective interest rate (per annum) | - | 0.56%-7.21% | - | 0.05%-4.6750% | 3.75%-5.11% | 3.25-3.5% | - | - |

1.1.3. Other price risk

The Group's available-for-sale financial assets and held-for-trading financial assets are measured at fair value at each balance sheet date. Therefore, the Group is exposed to the risks of changes in the security prices. The Group minimises the equity security price risks by holding a portfolio of equity securities with different risks.

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 2015, 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). 14). 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:

RMB'000

| | 31 December 2015 | Highest/Lowest 2015 | 31 December 2014 | Highest/Lowest 2014 |
|---|------------------|---------------------|------------------|---------------------|
| Shanghai—A share indexes of Shanghai Stock Exchange | 3,539 | 5,166/2,927 | 3,235 | 3,235/1,991 |
| Shenzhen—A share indexes of Shenzhen Stock Exchange | 12,665 | 18,098/9,291 | 11,015 | 11,015/6,998 |

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.

RMB'000

| 2015 | Book value of equity investment | Increase/decrease of pre-tax profit | Increase/decrease in other comprehensive income |
|---|---------------------------------|-------------------------------------|---|
| Investments at following stock exchanges: | | | |
| Shanghai—Available-for-sale investment | 212,337 | - | 10,616.85 |
| Shenzhen—Available-for-sale investment | 270,044 | - | 13,502.20 |

RMB'000

| 2014 | Book value of equity investment | Increase/decrease of pre-tax profit | Increase/decrease in other comprehensive income |
|---|---------------------------------|-------------------------------------|---|
| Investments at following stock exchanges: | | | |
| Shanghai—Available-for-sale investment | 263,757 | - | 13,187.85 |
| Shenzhen—Available-for-sale investment | 350,651 | - | 17,532.55 |

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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 2015, 17% of the receivables were due from the top five debtors.

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. The Group's current liabilities exceed current assets at RMB 21.957billion. As at 31 December 2015, the Group has obtained unutilized bank loan facilities of approximately RMB85.908billion. Consequently, the management of the Company believes that no significant liquidity risk was noted for the Group.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. Fair value for measurement and disclosure purposes in the financial statements is determined on such a basis.

Fair values of the financial assets and financial liabilities are determined as follows:

The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active markets are determined with reference to quoted market bid prices and ask prices respectively;

The fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions;

The fair value of derivative instruments are determined with reference to quoted market prices. Where such quoted prices are not available, the fair value of a non-option-based derivative is estimated using discounted cash flow analysis and the applicable yield curve. For an option-based derivative, the fair value is estimated using option pricing model (for example, the binomial model).

Fair value measurements are categorized into 3 levels based on the degree to which the inputs to the fair value measurements are observable and the significances of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 - those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities, including listed equity instruments (stocks, funds), listed securities, etc.;

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(IX) FAIR VALUE DISCLOSURE

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); which mainly consist of derivative instruments in OTC market.

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).

1. Closing balances of fair values of the financial assets and financial liabilities at fair value

| | Closing Balance | | | | RMB |
|---|------------------|--------------|---------|------------------|-----|
| | Level 1 | Level 2 | Level 3 | Total | |
| 1. Continuous fair value measurement | 872,874,998.19 | - | - | 872,874,998.19 | |
| — Debt instrument investment | 10,247,756.02 | - | - | 10,247,756.02 | |
| — Currency fund investment | 810,588,062.21 | - | - | 810,588,062.21 | |
| — Equity instrument investment | 52,039,179.96 | - | - | 52,039,179.96 | |
| 2. Available-for-sale financial assets | 1,331,322,876.31 | - | - | 1,331,322,876.31 | |
| — Debt instrument investment | 353,705,840.00 | - | - | 353,705,840.00 | |
| — Equity instrument investment | 977,617,036.31 | - | - | 977,617,036.31 | |
| Total assets continuously measured at fair value | 2,204,197,874.50 | - | - | 2,204,197,874.50 | |
| Total liabilities continuously measured at fair value | | | | | |
| — Derivative financial liabilities | - | 3,608,651.05 | - | 3,608,651.05 | |

There is no transfer between Level 1 and Level 2 for current year and prior year.

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Parent of the Company

| Name of Company | Place of incorporation | Legal representative | Nature of business | Registered capital RMB | Proportion of the Company's ownership interest held by the parent (%) | Proportion of the Company's voting power held by the parent (%) |
|---|------------------------|----------------------|---|------------------------|---|---|
| Baosteel Group Corporation (Baosteel Group) | Shanghai | Xu Lejiang | Iron and steel manufacturing & processing | 52,791,100,998.89 | 79.73 | 79.73 |

The ultimate controller of the Company is State-owned Assets Supervision and Administration Commission of the State Council.

2. Subsidiaries of the Group

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

3. Associates and joint ventures of the Group

The significant associates and joint ventures of the Group are set out in Note (VII). Following presents the associates and joint ventures who had related party transactions with the Group and formed balances in current or prior period.

| Name of associates and joint ventures | Relation with the Company |
|---------------------------------------|---------------------------|
| Wuxi Baomit | Associate |
| Tianjin BCM | Associate |
| Firsttech Software | Associate |
| Beijing Qingke | Associate |
| Hangzhou Baowei | Joint venture |

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4. Other related parties of the Group

| Name of other related party | Relationship between other related parties and the Company |
|--|--|
| Baosteel Resources (International) Limited (Baosteel Resources (International)) | Fellow subsidiary |
| Baosteel Metal Co., Ltd. and its subsidiaries (Baosteel Metal and its subsidiaries) | Fellow subsidiary |
| Shanghai Baosteel Engineering & Technology Co., Ltd. and its subsidiaries (Engineering & Technology Co. and its subsidiaries) | Fellow subsidiary |
| Fortune Trust Co., Ltd. (Fortune Trust) | Fellow subsidiary |
| Fortune Investment Co., Ltd. (Fortune Investment) | Fellow subsidiary |
| Baosteel Group Baoshan Hotel (Baoshan Hotel) | Fellow subsidiary |
| Baosteel Development Co., Ltd. and its subsidiaries (Baosteel Development and its subsidiaries) | Fellow subsidiary |
| Baosteel Group Shanghai No.2 Iron & Steel Co., Ltd. and its subsidiaries (No. 2 Steel and its subsidiaries) | Fellow subsidiary |
| Baosteel Group Shanghai No.1 Iron & Steel Co., Ltd. and its subsidiaries (No. 1 Steel and its subsidiaries) | Fellow subsidiary |
| Baosteel Group Shanghai Pipes Co., Ltd. (Shanghai Pipes) | Fellow subsidiary |
| Baosteel Group Shanghai Meishan Co., Ltd. and its subsidiaries (Meishan Steel and its subsidiaries) | Fellow subsidiary |
| Baosteel Group Shanghai Pudong Iron & Steel Co., Ltd. and its subsidiaries (Pudong Steel and its subsidiaries) | Fellow subsidiary |
| Baosteel Group Shanghai No.5 Iron & Steel Co., Ltd. and its subsidiaries (No. 5 Steel and its subsidiaries) | Fellow subsidiary |
| Baosteel Group Xinjiang Bayi Iron & Steel Co., Ltd. and its subsidiaries (Xinjiang Bayi and its subsidiaries) | Fellow subsidiary |
| Baosteel Group Resource Co., Ltd. and its subsidiaries (Baosteel Resource and its subsidiaries) | Fellow subsidiary |
| Shanghai Institute of Steel and Iron (Institute of Steel and Iron) | Fellow subsidiary |
| Guangdong Iron & Steel Group Corporation (Guangdong Iron & Steel) | Fellow subsidiary |
| Guangdong Shaoguan Steel Group Co., Ltd. and its subsidiaries (Shaoguan Steel and and its subsidiaries) | Fellow subsidiary |
| Shanghai Baosteel Stainless Steel Co., Ltd. (Shanghai Stainless) | Fellow subsidiary |
| Baosteel Stainless Steel Co., Ltd. (Baosteel Stainless) | Fellow subsidiary |
| Baosteel Special Material Co., Ltd. and its subsidiaries (Baosteel Special Steel and its subsidiaries) | Fellow subsidiary |
| Baosteel Desheng Stainless Steel Co., Ltd. (Baosteel Desheng) | Fellow subsidiary |
| Shanghai Baohua International Tendering Co., Ltd. (Baohua Tendering) | Fellow subsidiary |
| Beijing Huili Property Development Co., Ltd. (Beijing Huili) | Fellow subsidiary |
| Shanghai Baosteel Technical and Economic Development Corporation (Technical & Economic Development Co., Ltd. and its subsidiaries) | Fellow subsidiary |
| Ningbo Baoxin Stainless Steel Co., Ltd. and its subsidiaries (Ningbo Baoxin and its subsidiaries) | Fellow subsidiary |
| Baosteel Australia Mining Co., Ltd. (Bao-Aus Mining) | Fellow subsidiary |
| Baosteel Group (Shanghai) Real Estate Co., Ltd.(Baosteel Real Estate) | Fellow subsidiary |
| Fujian Baosteel Real Estate Co., Ltd. (Fujian Real Estate) | Fellow subsidiary |
| Shanghai Baosteel Changning Real Estate Co., Ltd. (Changning Real Estate) | Fellow subsidiary |
| Ningbo Baosteel New Construction Material Co., Ltd. (New Construction Material) | Fellow subsidiary |
| Baoteel Aviation material Co., Ltd("Aviation Material") | Fellow subsidiary |

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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 | Amount for the current period | Restated amount for the prior period |
|---|---|-------------------------------|--------------------------------------|
| | | Amount | Amount |
| BNA | Steel and iron products, raw material and energy | 8,185,653 | 10,239,218 |
| Meishan Steel and its subsidiaries | Steel and iron products, energy, and spare parts | 1,777,628 | 2,198,853 |
| Baosteel Special Steel and its subsidiaries | Steel and iron products, raw materials, spare parts and equipment | 1,782,014 | 2,126,601 |
| Baosteel Stainless | Steel and iron product raw materials and spare parts and energy | 1,457,496 | 1,791,290 |
| Baosteel Development and its subsidiaries | Steel and iron products, spare parts and energy | 743,880 | 1,522,433 |
| Baosteel Metal and its subsidiaries | Steel and iron products, energy and spare parts | 955,114 | 1,224,914 |
| Baosteel Resource (International) | Raw materials | 1,241,693 | 977,289 |
| Guangzhou JFE | Steel and iron products and equipment | 290,756 | 757,766 |
| Welding Co., | Steel and iron products and raw materials | 328,703 | 475,591 |
| Engineering & Technology Co. and its subsidiaries | Steel and iron products, energy, and spare part | 239,023 | 281,964 |
| Ningbo Baoxin and its subsidiaries | Steel and iron products and raw material | 180,158 | 268,721 |
| Baosteel Resource and its subsidiaries | Raw materials | 360,000 | 194,136 |
| Tianjin BCM | Steel and iron products and raw material | 70,886 | 139,358 |
| Shaoguan Steel and its subsidiaries | Energy and spare parts | 164,592 | 112,158 |
| Wuxi Baomit | Steel and iron products | 81,198 | 84,055 |
| Baosteel Group | Energy and spare parts | 11,213 | 13,836 |
| Baosteel Desheng | Energy and spare parts | 8,201 | 2,199 |
| Xinjiang Bayi and its subsidiaries | Steel and iron products and equipment | 242 | 58 |
| Pudong Steel and its subsidiaries | Spare parts and equipment | 32 | - |
| Others | Energy, raw material and Spare parts | 9,384 | 102,170 |
| Total | | 17,887,866 | 22,512,610 |

(2) Purchase of goods

RMB'000

| Related party | Transaction type | Amount for the current period | Restated amount for the prior period |
|---|--|-------------------------------|--------------------------------------|
| | | Amount | Amount |
| Baosteel Stainless | Steel and iron products | 9,729,054 | 13,158,226 |
| BNA | Steel and iron products, energy and raw material | 8,783,107 | 11,097,186 |
| Baosteel Special Steel and its subsidiaries | Steel and iron products and energy | 4,711,576 | 6,639,782 |
| Ningbo Baoxin and its subsidiaries | Steel and iron products and energy | 5,203,882 | 6,434,148 |
| Baosteel Resource and its subsidiaries | Raw materials and fuel | 3,535,890 | 4,007,944 |
| Meishan Steel and its subsidiaries | Raw materials and spare parts | 737,259 | 1,292,813 |
| Baosteel Development and its subsidiaries | Steel and iron products, spare parts and energy | 1,081,347 | 1,196,258 |
| Xinjiang Bayi and its subsidiaries | Steel and iron products | 510,838 | 1,121,032 |
| Engineering & Technology Co. and its subsidiaries | Raw materials and equipment | 2,776,789 | 1,107,227 |
| Guangzhou JFE | Steel and iron products | 554,570 | 679,536 |
| Baosteel Desheng | Steel and iron products | 466,155 | 459,703 |
| Baosteel Resource International | Raw materials | 37,592 | 362,534 |
| Baosteel Metal and its subsidiaries | spare parts | 379,991 | 90,367 |
| Shaoguan Steel and its subsidiaries | Steel and iron products | 298,569 | 44,064 |
| No. 5 Steel and its subsidiaries | Energy | - | 8 |
| Others | Spare parts, energy and etc. | 6,895 | 2,702,775 |
| Total | | 38,813,514 | 50,393,603 |

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(3) Provision of transportation service and technical supports

RMB'000

| Related party | Transaction type | Amount for the current period | Restated amount for the prior period |
|---|--|-------------------------------|--------------------------------------|
| | | Amount | Amount |
| Baosteel Stainless | Technical supports | 98,480 | 112,366 |
| BNA | Transportation services and technical supports | 114,850 | 107,302 |
| Engineering & Technology Co. and its subsidiaries | Technical supports | 59,911 | 88,494 |
| Baosteel Special Material and its subsidiaries | Processing, technical supports and transportation services | 97,489 | 86,770 |
| Baosteel Resource and its subsidiaries | Technical supports | 86,763 | 85,964 |
| Xinjiang Bayi and its subsidiaries | Transportation services and technical supports | 38,014 | 68,686 |
| Baosteel Group | Transportation services and technical supports | 30,384 | 53,923 |
| Meishan Steel and its subsidiaries | Technical supports | 62,167 | 48,742 |
| Baosteel Development and its subsidiaries | Transportation services and technical supports | 33,735 | 29,900 |
| Baosteel Desheng | Technical supports | 15,866 | 19,794 |
| Ningbo Baoxin and its subsidiaries | Technical supports | 19,012 | 19,736 |
| Shaoguan Steel and its subsidiaries | Technical supports | 56,280 | 18,583 |
| Guangzhou JFE | Technical supports | 219 | 17,700 |
| Baosteel Metal and its subsidiaries | Transportation services and technical supports | 22,387 | 12,674 |
| Baohua Tendering | Technical supports | 1,901 | 9,009 |
| Welding Co. | Technical supports | 2,061 | 2,385 |
| Fortune Trust | Technical supports | 12,601 | 1,160 |
| Pudong Steel and its subsidiaries | Technical supports | 330 | 480 |
| No. 5 Steel and its subsidiaries | Technical supports | 227 | 261 |
| No. 1 Steel and its subsidiaries | Transportation services and technical supports | - | - |
| Baosteel Resource International | Transportation services | 207,015 | 504,922 |
| Others | Technical supports | 48,405 | 68,522 |
| Total | | 1,008,097 | 1,357,373 |

(4) Receipt of services

RMB'000

| Related party | Transaction type | Amount for the current period | Restated amount for the prior period |
|---|---|-------------------------------|--------------------------------------|
| | | Amount | Amount |
| Engineering & Technology Co. and its subsidiaries | Project, examination, and maintenance fees | 2,240,140 | 1,995,120 |
| Baosteel Development and its subsidiaries | Logistics, project, transportation, examination, and maintenance fees | 1,703,452 | 1,749,688 |
| Meishan Steel and its subsidiaries | Logistics, project, transportation, examination, and maintenance fees | 1,369,888 | 1,372,256 |
| Baosteel Resource and its subsidiaries | Transportation fees | 526,935 | 387,569 |
| BNA | Processing fees | 220,533 | 245,955 |
| Bao-Island Enterprise | Transportation fees | 107,234 | 396,146 |
| Baosteel Group | Training fees | 52,241 | 53,979 |
| Baosteel Resource International | Transportation fees | 16,862 | 42,141 |
| Baosteel Stainless | Technical service fees | 8,935 | 7,188 |
| Baosteel Special Steel and its subsidiaries | Processing fees | 13,814 | 6,744 |
| Shaoguan Steel and its subsidiaries | Labor | - | 2,343 |
| Baohua Tendering | Tendering and other services | 2,454 | 2,271 |
| No. 5 Steel and its subsidiaries | Logistics and transportation fees | 1,530 | 1,792 |
| Baosteel metal and its subsidiaries | Examination, and maintenance fees | 8,251 | 1,034 |
| Ningbo Baoxin and its subsidiaries | Logistics fees | 605 | 809 |
| No. 1 Steel and its subsidiaries | Logistics fees | 31 | 33 |
| Firsttech Software | Logistics fees | 36,592 | - |
| Others | Logistics and transportation fees | 3,558 | 1,283 |
| Total | | 6,313,055 | 6,266,351 |

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AT 31 DECEMBER 2015

(5) Other major related party transactions

RMB'000

| Items | Note | Amount for the current period | Restated amount for the prior period |
|---|------|-------------------------------|--------------------------------------|
| Rental expenses | 1 | 399,856 | 411,186 |
| Financial service and interest expenses | 3 | 253,030 | 238,245 |
| Financial service and interest income | 2 | 155,573 | 187,030 |
| Rental income | 1 | 33,729 | 44,106 |

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. Due to increase of land use tax, Baosteel Group entered "Supplementary Agreement on Land Use Lease" with the Company on November 2010, which gives rise to increase of land use expenses. In year 2015, land use right lease expense of the Company amounted to RMB234,186,471 (2014: 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.

(6). Related entrust

Detailed related entrust of the Group:

RMB'000

| Entrustor | Entrustee | Type of entrusted asset | Closing balance | Accumulated amount during current period | Income during current period |
|--------------------------|---------------|-----------------------------------|-----------------|--|------------------------------|
| Baoshan Iron & Steel Co. | Fortune Trust | Fund and trust financing products | 2,429,000 | 3,061,000 | 75,000 |

6. Amounts due from / to related parties

(1) Notes receivable

RMB'000

| Item | Related party | Closing balance | | Opening balance | |
|-----------------|---|------------------|-----------|------------------|-----------|
| | | Carrying balance | Provision | Carrying balance | Provision |
| Note receivable | Baosteel Special Steel and its subsidiaries | 274,390 | - | 395,737 | - |
| Note receivable | Baosteel Development and its subsidiaries | 39,157 | - | 191,257 | - |
| Note receivable | Meishan Steel and its subsidiaries | 900 | - | 128,833 | - |
| Note receivable | Baosteel Metal and its subsidiaries | 85,568 | - | 182,601 | - |
| Note receivable | Engineering & Technology Co. and its subsidiaries | 23,502 | - | 38,154 | - |
| Note receivable | Tianjin BCM | - | - | 11,000 | - |
| Note receivable | Ningbo Baoxin and its subsidiaries | 7,206 | - | 6,879 | - |
| Note receivable | Xinjiang Bayi and its subsidiaries | 2,100 | - | 2,950 | - |
| Note receivable | Baosteel Resource and its subsidiaries | 500 | - | - | - |
| Note receivable | Baosteel Desheng | 100 | - | 240 | - |
| Note receivable | Guangzhou JFE | 288 | - | 142,047 | - |
| Note receivable | Others | 49,420 | - | - | - |
| | Total | 483,131 | - | 1,099,698 | - |

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(2) Account receivable

RMB'000

| Item | Related party | Closing balance | | Opening balance | |
|--------------------|---|------------------|-----------|------------------|-----------|
| | | Carrying balance | Provision | Carrying balance | Provision |
| Account receivable | Meishan Steel and its subsidiaries | 464,442 | - | 432,160 | - |
| Account receivable | Shaoguan Steel and its subsidiaries | 86,068 | - | 83,792 | - |
| Account receivable | Baosteel Special Material and its subsidiaries | 356,413 | - | 423,065 | - |
| Account receivable | BNA | 152,377 | - | 259,298 | - |
| Account receivable | Baosteel Stainless | 138,277 | - | 161,633 | - |
| Account receivable | Engineering & Technology Co. and its subsidiaries | 137,454 | - | 144,680 | - |
| Account receivable | Baosteel Metal and its subsidiaries | 18,048 | - | 24,870 | - |
| Account receivable | Baosteel Development and its subsidiaries | 76,873 | - | 35,873 | - |
| Account receivable | Ningbo Baoxin and its subsidiaries | 13,146 | - | 24,413 | - |
| Account receivable | Baosteel Group | 14,266 | - | 29,427 | - |
| Account receivable | Baosteel Resource and its subsidiaries | 103,932 | - | 6,287 | - |
| Account receivable | Baosteel Desheng | 12,477 | - | 12,449 | - |
| Account receivable | Welding Co., | 27,180 | - | 10,671 | - |
| Account receivable | Xinjiang Bayi and its subsidiaries | 78,489 | - | 12,453 | - |
| Account receivable | Fortune Trust | 10,077 | - | 2,862 | - |
| Account receivable | Guangzhou JFE | 8,708 | - | 5,091 | - |
| Account receivable | Beijing Qingke | 1,314 | - | 3,642 | - |
| Account receivable | Others | 5,066 | - | 131,859 | - |
| | Total | 1,704,607 | - | 1,804,525 | - |

(3) Prepayments

RMB'000

| Item | Related party | Closing balance | Opening balance |
|-------------|---|-----------------|-----------------|
| Prepayments | BNA | 986,836 | 452,100 |
| Prepayments | Baosteel Resource and its subsidiaries | 107,173 | 138,176 |
| Prepayments | Xinjiang Bayi and its subsidiaries | 91,343 | 119,007 |
| Prepayments | Shaogang Steel and its subsidiaries | 240,611 | 88,321 |
| Prepayments | Baosteel Stainless | 82,191 | 36,454 |
| Prepayments | Engineering & Technology Co. and its subsidiaries | 81,632 | 88,931 |
| Prepayments | Baosteel Metal and its subsidiaries | 33,176 | 4,271 |
| Prepayments | Baosteel Special Steel and its subsidiaries | 7,343 | 828 |
| Prepayments | Meishan Steel and its subsidiaries | 9,533 | 318 |
| Prepayments | Ningbo Baoxin and its subsidiaries | 90,637 | - |
| Prepayments | Welding Co. | - | 8,785 |
| Prepayments | Guangzhou JFE | 37,015 | 26,220 |
| Prepayments | Others | 134 | 13 |
| | Total | 1,767,624 | 963,424 |

(4) Interest receivables

RMB'000

| Item | Related party | Closing balance | Opening balance |
|---------------------|-------------------------------|-----------------|-----------------|
| Interest receivable | Baosteel Stainless (note) | 168,115 | 313,111 |
| Interest receivable | Baosteel Special Steel (note) | 122,853 | 228,812 |
| | Total | 290,968 | 541,923 |

Note: Interest receivables from Baosteel Stainless and Baosteel Special Material refer to Note (V). 6(1).

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(5) Other receivables

RMB'000

| Item | Related party | Closing balance | Opening balance |
|------------------|---|-----------------|-----------------|
| Other receivable | Baosteel Stainless | 20,119 | 49,647 |
| Other receivable | Baosteel Development and its subsidiaries | 11,462 | 6,656 |
| Other receivable | Baosteel Special Steel and its subsidiaries | 171 | 73 |
| Other receivable | Welding Co. | 1,166 | 1,327 |
| Other receivable | Shaoguan Steel and its subsidiaries | 2,020 | 2,934 |
| Other receivable | Meishan Steel and its subsidiaries | 3,389 | 3,056 |
| Other receivable | Shandong Baohua | - | 513 |
| Other receivable | Xinjiang Bayi and its subsidiaries | 692 | 381 |
| Other receivable | Engineering & Technology Co. and its subsidiaries | - | 131 |
| Other receivable | Baosteel Group | 5,960 | 7,421 |
| Other receivable | Baohua International | 1,753 | 4,230 |
| Other receivable | Fortune Trust | 3,231 | 1,777 |
| Other receivable | Ningbo Baoxin and its subsidiaries | 126 | - |
| Other receivable | Others | 4,666 | 468 |
| | Total | 54,755 | 78,614 |

(6) Non-current assets due within one year

RMB'000

| Item | Related party | Closing balance | Opening balance |
|--|-------------------------------|-----------------|-----------------|
| Non-current assets due within one year | Baosteel Stainless (Note) | 2,600,000 | 2,600,000 |
| Non-current assets due within one year | 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). 11(1).

(7) Loans and advances to customers

RMB'000

| Item | Related party | Closing balance | Opening balance |
|----------------------------------|---|-----------------|-----------------|
| Loans and discounts to customers | Xinjiang Bayi and its subsidiaries | 500,000 | 700,000 |
| Loans and discounts to customers | Baosteel Resource and its subsidiaries | 350,715 | 409,616 |
| Loans and discounts to customers | Engineering & Technology Co. and its subsidiaries | 62,197 | 72,157 |
| Loans and discounts to customers | Baosteel Metal and its subsidiaries | 32,000 | 74,825 |
| Loans and discounts to customers | Welding Co. | 80,000 | 90,000 |
| Loans and discounts to customers | Shaoguan Steel and its subsidiaries | 149,127 | 26,072 |
| | Total | 1,174,039 | 1,372,670 |

(8) Long-term receivables

RMB'000

| Item | Related party | Closing balance | Opening balance |
|-----------------------|---|-----------------|-----------------|
| Long-term receivables | Baosteel Stainless(Note) | 2,600,000 | 5,200,000 |
| Long-term receivables | Baosteel Special Steel (Note) | 1,900,000 | 3,800,000 |
| Long-term receivables | Engineering & Technology Co. and its subsidiaries | 3,750 | 8,750 |
| | Total | 4,503,750 | 9,008,750 |

Note: Details of non-current assets due within one year receivables from Baosteel Stainless and Baosteel Special Steel refer to Note (V). 15(1).

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

RMB'000

| Item | Related party | Closing balance | Opening balance |
|--|---|-----------------|-----------------|
| Customer deposits and deposits from banks and other financial institutions | Baosteel Group | 8,150,003 | 7,280,829 |
| Customer deposits and deposits from banks and other financial institutions | BNA | 910,436 | 326,882 |
| Customer deposits and deposits from banks and other financial institutions | Fortune Trust | 170,637 | 50,394 |
| Customer deposits and deposits from banks and other financial institutions | Baosteel Development and its subsidiaries | 137,219 | 138,128 |
| Customer deposits and deposits from banks and other financial institutions | Engineering & Technology Co. and its subsidiaries | 27,716 | 53,643 |
| Customer deposits and deposits from banks and other financial institutions | Institute of Steel and Iron | 51,002 | 44,087 |
| Customer deposits and deposits from banks and other financial institutions | Baosteel Resource and its subsidiaries | 58,217 | 3,711 |
| Customer deposits and deposits from banks and other financial institutions | Fortune Investment | 160,006 | 6 |
| Customer deposits and deposits from banks and other financial institutions | Shaoguan Steel and its subsidiaries | 190,321 | 697 |
| Customer deposits and deposits from banks and other financial institutions | Others | 45,501 | 2,917 |
| | Total | 9,901,058 | 7,901,294 |

(10) Notes payable

RMB'000

| Item | Related party | Closing balance | Opening balance |
|---------------|---|-----------------|-----------------|
| Notes payable | BNA | 805,214 | 593,640 |
| Notes payable | Meishan Steel and its subsidiaries | 32,726 | 3,948 |
| Notes payable | Ningbo Baoxin and its subsidiaries | 150,608 | 331,800 |
| Notes payable | Baosteel Special Steel and its subsidiaries | 19,475 | 160,279 |
| Notes payable | Baosteel Stainless | 54,707 | 104,302 |
| Notes payable | Engineering & Technology Co. and its subsidiaries | 175,050 | 138,752 |
| Notes payable | Baosteel Development and its subsidiaries | 103,788 | 89,717 |
| Notes payable | Shaoguan Steel and its subsidiaries | 1,451 | 21,584 |
| Notes payable | Baosteel Resource and its subsidiaries | 399,302 | 414,900 |
| Notes payable | Xinjiang Bayi and its subsidiaries | 6,040 | - |
| | Total | 1,748,361 | 1,858,922 |

(11) Accounts payable

RMB'000

| Item | Related party | Closing balance | Opening balance |
|-----------------|---|-----------------|-----------------|
| Account payable | Baosteel Stainless | 878,033 | 1,641,835 |
| Account payable | Baosteel Resource and its subsidiaries | 450,535 | 191,912 |
| Account payable | Engineering & Technology Co. and its subsidiaries | 820,478 | 502,948 |
| Account payable | Meishan Steel and its subsidiaries | 730,804 | 625,562 |
| Account payable | Baosteel Development and its subsidiaries | 349,414 | 427,397 |
| Account payable | BNA | 148,273 | 112,965 |
| Account payable | Ningbo Baoxin and its subsidiaries | 403,923 | 628,960 |
| Account payable | Baosteel Group | 5,599 | 6,390 |
| Account payable | Baosteel Special Steel and its subsidiaries | 143,378 | 251,487 |
| Account payable | Shanghai Stainless | - | 9,020 |
| Account payable | Welding Co. | 14,468 | 18,756 |
| Account payable | Others | 65,533 | 86,295 |
| | Total | 4,010,438 | 4,503,527 |

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(12) Receipts in advance

RMB'000

| Item | Related party | Closing balance | Opening balance |
|---------------------|---|-----------------|-----------------|
| Receipts in advance | Baosteel Metal and its subsidiaries | 229,862 | 163,176 |
| Receipts in advance | Baosteel Development and its subsidiaries | 46,295 | 101,283 |
| Receipts in advance | Engineering & Technology Co. and its subsidiaries | 20,351 | 47,617 |
| Receipts in advance | Guangzhou JFE | 42,850 | 98,102 |
| Receipts in advance | Meishan Steel and its subsidiaries | 73,859 | 86,918 |
| Receipts in advance | Xinjiang Bayi and its subsidiaries | 10,593 | 3,303 |
| Receipts in advance | Tianjin BCM | 1,263 | 24,872 |
| Receipts in advance | Hangzhou Baowei | 79,614 | - |
| Receipts in advance | Wuxi Baomit | 6,402 | 10,523 |
| Receipts in advance | Shaoguan Steel and its subsidiaries | 193 | 3,548 |
| Receipts in advance | Ningbo Baoxin and its subsidiaries | 4,649 | 4,208 |
| Receipts in advance | Baosteel Special Steel and its subsidiaries | 6,608 | 3,086 |
| Receipts in advance | No. 2 Steel and its subsidiaries | 200 | 200 |
| Receipts in advance | Pudong Steel and its subsidiaries | 153 | 153 |
| Receipts in advance | Baosteel Stainless | 7,731 | 48 |
| Receipts in advance | Welding Co. | 1,428 | 2,922 |
| Receipts in advance | Others | 36,893 | 2,473 |
| | Total | 568,944 | 552,432 |

(13) Interest payable

RMB'000

| Item | Related party | Closing balance | Opening balance |
|------------------|-----------------------------|-----------------|-----------------|
| Interest payable | Baosteel Group | 55,616 | 183,599 |
| Interest payable | Institute of Steel and Iron | 434 | 432 |
| Interest payable | Others | 647 | 696 |
| | Total | 56,697 | 184,727 |

(14) Other payables

RMB'000

| Item | Related party | Closing balance | Opening balance |
|---------------|---|-----------------|-----------------|
| Other payable | Baosteel Group | 5,842 | 5,561 |
| Other payable | Engineering & Technology Co. and its subsidiaries | 3,449 | 2,309 |
| Other payable | Baosteel Resource and its subsidiaries | 2,108 | 2,008 |
| Other payable | Baosteel Development and its subsidiaries | 2,085 | 1,636 |
| Other payable | Baosteel Metal and its subsidiaries | 665 | 1,586 |
| Other payable | Meishan Steel and its subsidiaries | 924 | 1,567 |
| Other payable | Baosteel Special Steel and its subsidiaries | 200 | 195 |
| Other payable | No. 5 Steel and its subsidiaries | 3 | 3 |
| Other payable | Others | 313 | 646 |
| | Total | 15,589 | 15,511 |

(15) Non-current liability due within a year and other non-current liabilities

RMB'000

| Item | Related party | Closing balance | Opening balance |
|---|----------------|-----------------|-----------------|
| Non-current liability due within a year | Baosteel Group | | 1,500,000 |

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(XI) SHARE-BASED PAYMENTS

1. Summary of share-based payments

The interim shareholder meeting of the Company approved "Restricted A Share Scheme", "First Phase Granting Proposal of Restricted A Share Scheme" (hereinafter referred to as "Restricted Share Scheme") and a series of proposals on 20 May 2014, and in succession, the Company approved "The Proposal for Determining Participants and Grant Quantity of Restricted Share Scheme" and "First Phase Granting Proposal of Restricted Share Scheme" in the 15th session of 5th board meeting on 22 May 2014. According to the approved incentive participants list and granting quantity, the Company granted the repurchased A share from Shanghai Stock Exchange as the restricted shares to incentive participants via open bidding. In compliance with Restricted Share Scheme, the restricted shares are forbidden to sell nor transfer in the following 2 years upon granting date, and get unlocked in the following 3 years from the next day of the maturity of forbidden period. The incentive participants can apply for unlocking and transferring the restricted shares on uniform unlocking proportion (1/3 for each year) in any of the three years given unlocking conditions are satisfied. If unlocking conditions fail to be satisfied in any one of the three years, the Company shall repurchase such unlocked restricted shares at grant price.

As of 11 June 2014, the Company repurchased 47,446,100 shares for share incentive scheme at cost of RMB187,734,750.08. The repurchased shares are designated into treasury stocks.

According to first phase granting proposal, there are 136 incentive participants, with granting price of RMB1.91/share and quantity of 47,446,100 shares. The incentive participants totally paid RMB 90,622,051.00 for acquisition of restricted shares. The Company recognized repurchase obligation for restricted share in liability and treated as acquisition of treasury stocks. As of 24 June 2014, the 47,446,100 non-restricted circulating stocks granted in the first phase had fully changed into restricted circulating stocks, and all the corresponding transfers of ownership had completed.

The Company repurchased and cancelled restricted shares which unqualified to be unlocked at cost of RMB 1,334,899.00 from Mr. Zhang Yong and Ms. Zhang Xiaobo, 434,400 shares and 264,500 shares respectively. The ownership of above mentioned 698,900 shares has been fully transferred to the special repurchase account of the Company and been cancelled on 16 December 2014. Meanwhile, the Company decreased dividend and capital reserve RMB698,900 and RMB635,999 respectively, and the treasury stocks decrease RMB1,334,899.

In 2015, the Company repurchased and cancelled 3,508,500 shares of restricted shares which unqualified to be unlocked, namely 488,700 shares from Mr. Li Shiping, 434,400 shares from Mr. Fu Jianguo, 434,400 shares from Ms. Hu Yuliang, 380,100 shares from Ms. Jia Yiyun, and 264,500 shares from Pei Shibin, Sun Dale and Lu Junyong respectively, and 488,700 shares from Guo Bin and Hou Angui respectively. The ownership of above mentioned 3,508,500 shares has been fully transferred to the special repurchase account of the Company and been cancelled in 2015. Meanwhile, the Company decrease RMB 3,508,500 of dividends and the registered capital reduced to RMB16,467,517,524.

| | |
|--|------------------|
| Total number of the Company's equity instruments granted during the period | - |
| Total number of the Company's equity instruments vested during the period | - |
| Total number of the Company's equity instruments lapsed during the period | 3,508,500 shares |

2. Equity-settled share-based payments

| | | RMB |
|---|--|---------------|
| The method of determining the best estimate of the number of equity instruments expected to be vested | Determining by performance evaluation of each unlocking period for restricted share scheme | |
| Vest conditions | Determining by unlocking conditions of each unlocking period for restricted share scheme | |
| Total equity-settled share-based payment for employees' services | | 43,970,875.32 |
| Accumulated equity-settled share-based payment recognized in capital reserve | | 20,452,805.91 |
| Total equity-settled share-based payment | | 4,435,727.42 |

3. The method of determining the fair value of equity instruments at the grant date

On the basis of Black-Scholes Option Pricing Model, the fair value of the Company's equity instrument is assessed in respect of market price of stock on granting date and terms and conditions of option granting. Following presents input variables for the model.

| | |
|---|-----------|
| Estimate volatility (%) | 18.3-22.9 |
| Risk-free interest rate (%) | 2.7-2.9 |
| Estimated lock period(year) | 2-5 |
| Stock price at granting date(RMB/share) | 3.86 |

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Volatility refers to the historic stock price volatility; estimated lock period is assessed on the basis of annual share transfer ratio of incentive participants, however, it is not always the actual result.

The fair value of restricted share on granting date is set out as below:

| | |
|---|---------------|
| Lockable restricted shares in the first year upon maturity of forbidden period | RMB3.59/share |
| Lockable restricted shares in the second year upon maturity of forbidden period | RMB3.51/share |
| Lockable restricted shares in the third year upon maturity of forbidden period | RMB3.36/share |

(XII) COMMITMENTS

1. Significant commitments

(1) Capital commitments

| | RMB'000 | |
|---|-----------------|-----------------|
| | Closing balance | Opening balance |
| Capital commitments that have been entered into but have not been recognized in the financial statements: | | |
| Contracted but not provided | 15,863,814 | 13,659,100 |
| Approved by the Board but not contracted | 2,715,314 | 2,187,821 |
| Total | 18,579,128 | 15,846,921 |

(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 | 401,927 | 406,128 |
| 2nd year subsequent to the balance sheet date | 382,436 | 385,091 |
| 3rd year subsequent to the balance sheet date | 351,049 | 376,390 |
| Subsequent periods | 1,238,037 | 1,010,217 |
| Total | 2,373,449 | 2,177,826 |

2. Contingencies

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

(XIII) EVENTS AFTER THE BALANCE SHEET DATE

1. Profit appropriation after the balance sheet date

As approved by the 6th session of the 6th board meeting held on 29 and 30 March 2016, based on the total number of shares of 16,467,517,524 (Note (V) 45), the Board of Directors proposed a cash dividend, with a cash dividend of RMB 0.06 per share (before-tax), about 97.55% of net profit attributes to owners of the company. The proposal has been submitted to the general shareholders' meeting for final approval.

(XIV) OTHER SIGNIFICANT EVENTS

1. Key terms of annuity plan and major changes therein

In accordance with the "Reply to Baosteel Group's Application for Trial Enterprise Annuity Plan" (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, Fortune Trust Co., Ltd. since 2009.

Notes To The Financial Statements – continued

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2. Segment reporting

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. The Group management periodically appraise the operating results of the segments so as to determine the resource allocation and appraise its results. 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 segment reports are on the basis of business structure of the Group. 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, Zhanjiang Iron & Steel and other steel and iron producing units;

(2) Processing and distribution: Baosteel International, Baosteel America, Baosteel Europe, Baosteel Singapore, Howa Trading, Bao-trans, BGM and other trading subsidiaries;

(3) Information technology: Baosight Software.

(4) E-commerce: Ouyeel and Huagongbao

(5) Chemical: Chemical Co.,

(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

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(1) Segment information

| | Iron & steel manufacturing | | Processing and distribution | | Information technology | | E-commerce | |
|--------------------------------|----------------------------|--------------|-----------------------------|--------------|------------------------|--------------|----------------|--------------|
| | Current period | Prior period | Current period | Prior period | Current period | Prior period | Current period | Prior period |
| Operating income | | | | | | | | |
| External revenue | 18,607,162 | 24,945,121 | 120,380,933 | 140,265,669 | 2,276,194 | 3,113,416 | 19,869,055 | 15,071,369 |
| Inter-segment revenue | 78,208,742 | 95,663,180 | 20,308,619 | 22,838,986 | 1,661,491 | 958,482 | 192,234 | 37,573 |
| Total segment operating income | 96,815,904 | 120,608,301 | 140,689,552 | 163,104,655 | 3,937,685 | 4,071,898 | 20,061,290 | 15,108,942 |
| Operating expenses | 94,894,944 | 115,793,466 | 138,188,868 | 160,745,622 | 3,659,253 | 3,723,073 | 20,261,355 | 15,111,722 |
| Operating profit | 1,920,960 | 4,814,835 | 2,500,684 | 2,359,033 | 278,432 | 348,825 | (200,065) | (2,780) |

| | Iron & steel manufacturing | | Processing and distribution | | Information technology | | E-commerce | |
|--|----------------------------|--------------|-----------------------------|--------------|------------------------|--------------|----------------|--------------|
| | Current period | Prior period | Current period | Prior period | Current period | Prior period | Current period | Prior period |
| Total segment assets | 213,557,552 | 206,210,319 | 51,829,534 | 61,519,938 | 6,326,394 | 5,132,994 | 3,970,024 | 639,636 |
| Total segment liabilities | 55,758,097 | 35,668,029 | 24,117,298 | 22,287,449 | 2,323,754 | 2,474,894 | 1,463,254 | 441,796 |
| Supplementary information: | | | | | | | | |
| Depreciation and amortization expenses | 9,902,532 | 9,513,937 | 549,689 | 522,264 | 99,354 | 109,052 | 38,031 | 16,320 |
| Impairment loss recognized in the current period | 1,144,855 | 261,895 | 140,225 | 139,377 | 23,575 | 26,807 | (289) | 60.00 |
| Capital expenditures | 24,978,184 | 19,661,930 | 639,550 | 1,118,913 | 573,165 | 272,978 | 228,838 | 42,787 |

Notes To The Financial Statements – continued

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RMB '000

| Chemical | | Finance | | Unallocated items | | Inter-segment eliminations | | Total | |
|----------------|--------------|----------------|--------------|-------------------|--------------|----------------------------|---------------|----------------|--------------|
| Current period | Prior period | Current period | Prior period | Current period | Prior period | Current period | Prior period | Current period | Prior period |
| 2,650,257 | 4,012,246 | 455,487 | 465,577 | - | - | - | - | 164,239,088 | 187,873,398 |
| 4,976,393 | 5,206,878 | 172,945 | 153,573 | - | - | (105,520,425) | (124,858,672) | - | - |
| 7,626,650 | 9,219,124 | 628,432 | 619,150 | - | - | (105,520,425) | (124,858,672) | 164,239,088 | 187,873,398 |
| 7,549,093 | 8,692,111 | 391,809 | 372,368 | - | - | (105,514,070) | (124,850,687) | 159,431,252 | 179,587,675 |
| 77,557 | 527,013 | 236,623 | 246,782 | - | - | (6,355) | (7,985) | 4,807,836 | 8,285,723 |

RMB '000

| Chemical | | Finance | | Unallocated items | | Inter-segment eliminations | | Total | |
|----------------|--------------|----------------|--------------|-------------------|--------------|----------------------------|--------------|----------------|--------------|
| Current period | Prior period | Current period | Prior period | Current period | Prior period | Current period | Prior period | Current period | Prior period |
| 4,971,435 | 5,287,354 | 14,258,585 | 13,008,550 | - | - | (62,311,333) | (64,972,681) | 232,602,191 | 226,826,110 |
| 1,205,991 | 1,175,300 | 12,428,100 | 11,166,837 | - | - | (41,091,951) | (21,161,501) | 56,204,543 | 52,052,804 |
| 354,442 | 352,517 | 8,167 | 6,712 | - | - | - | - | 10,952,215 | 10,520,802 |
| 51,095 | 54,239 | 80,697 | 47,215 | - | - | 46,572 | (54,465) | 1,486,730 | 475,128 |
| 493,493 | 508,231 | 6,691 | 8,833 | - | - | - | - | 26,919,921 | 21,613,672 |

Notes To The Financial Statements – continued

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

RMB'000

| Item | Amount recognized in the current period | Amount recognized in the prior period |
|--|---|---------------------------------------|
| External revenue from domestic customers | 142,714,545 | 166,816,092 |
| External revenue from foreign customers | 21,524,543 | 21,057,306 |
| Sub-total | 164,239,088 | 187,873,398 |

RMB'000

| Item | Amount at the end of period | Amount at the beginning of period |
|---|-----------------------------|-----------------------------------|
| Non-current assets located in domestic country | 162,207,582 | 152,880,035 |
| Non-current assets located in foreign countries | 2,012,581 | 1,386,476 |
| Sub-total | 164,220,163 | 154,266,511 |

External revenue includes:

RMB'000

| Item | Amount recognized in the current period | Amount recognized in the prior period |
|----------------------------------|---|---------------------------------------|
| Investment income of Finance Co. | 121,952 | 84,388 |

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

The segment profit does not include:

RMB'000

| Item | Amount recognized in the current period | Amount recognized in the prior period |
|---|---|---------------------------------------|
| Financial expenses | 2,392,567 | 487,714 |
| Impairment losses of assets | 1,486,730 | 475,128 |
| Losses from changes in fair values | (5,658) | (23,347) |
| Investment income (excluding Finance Co.) | (916,255) | (294,518) |
| Total | 2,957,384 | 644,977 |

Segment assets do not include:

RMB'000

| Item | Amount at the end of period | Amount at the beginning of period |
|---------------------|-----------------------------|-----------------------------------|
| Deferred tax assets | 1,520,956 | 1,826,404 |

Segment liabilities do not include:

RMB'000

| Item | Amount at the end of period | Amount at the beginning of period |
|---|-----------------------------|-----------------------------------|
| Short-term borrowings | 27,111,032 | 31,480,012 |
| Non-current liabilities due within one year | 208,115 | 7,442,007 |
| Other current liabilities | 10,057,344 | - |
| Long-term borrowings | 9,111,026 | 9,936,435 |
| Long-term payables | 82,586 | 89,287 |
| Bonds payable | 8,747,374 | 3,024,076 |
| Deferred tax liabilities | 454,702 | 423,067 |
| Total | 55,772,179 | 52,394,884 |

Notes To The Financial Statements – continued

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

1. Accounts receivable

(1) Disclosure of accounts receivable by categories:

RMB

| Category | Closing balance | | | | | Opening balance | | | | |
|---|-------------------|----------------|--------------------|----------------|-------------------|------------------|----------------|--------------------|----------------|------------------|
| | Carrying amount | | Bad debt provision | | Book value | Carrying amount | | Bad debt provision | | Book value |
| | Amount | Proportion (%) | Amount | Proportion (%) | | Amount | Proportion (%) | Amount | Proportion (%) | |
| Accounts receivable that are individually significant and for which bad debt provision has been assessed individually | 12,575,050,722.06 | 86 | - | - | 12,575,050,722.06 | 8,308,485,834.93 | 85 | - | - | 8,308,485,834.93 |
| Accounts receivables with provision accrued according to the Group | 1,967,783,259.80 | 14 | 14,044,314.84 | 1 | 1,953,738,944.96 | 1,403,267,679.87 | 15 | 17,793,013.14 | 1 | 1,385,474,666.73 |
| Accounts receivable that are not individually significant but for which bad debt provision has been assessed individually | 22,086,689.81 | - | 22,086,689.81 | 100 | - | 23,162,368.18 | - | 21,250,890.94 | 92 | 1,911,477.24 |
| Total | 14,564,920,671.67 | 100 | 36,131,004.65 | - | 14,528,789,667.02 | 9,734,915,882.98 | 100 | 39,043,904.08 | - | 9,695,871,978.90 |

Accounts receivable that are individually significant or not individually significant but for which bad debts has been assessed individually as at 31 December 2015:

RMB

| Content of accounts receivable (by unit) | Carrying amount | Bad debt provision | Proportion of provision (%) | Reasons for provision |
|--|-------------------|--------------------|-----------------------------|-----------------------|
| Receivables with significant balances | 12,575,050,722.06 | - | - | Note 1 |
| Receivables with long age | 22,086,689.81 | 22,086,689.81 | 100 | Note 2 |
| Total | 12,597,137,411.87 | 22,086,689.81 | | |

Accounts receivable that are individually significant or not individually significant but for which bad debts has been assessed individually as at 31 December 2015:

RMB

| Content of accounts receivable (by unit) | Carrying amount | Bad debt provision | Proportion of provision (%) | Reasons for provision |
|--|------------------|--------------------|-----------------------------|-----------------------|
| Receivables with significant balances | 8,308,485,834.93 | - | - | Note 1 |
| Receivables with long age | 23,162,368.18 | 21,250,890.94 | 92 | Note 2 |
| Total | 8,331,648,203.11 | 21,250,890.94 | | |

Note 1: Provision rate for receivables within one year is due from related parties and no significant obstacle to recollect. Hence no provision is recognized.

Note 2: Bad debt provision is fully made due to long aging and a slim chance of recollection due from entities other than related parties.

Notes To The Financial Statements – continued

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Aging analysis of account receivable :

| Aging | Closing balance | | | | Opening balance | | | |
|---|-------------------|----------------|--------------------|-------------------|------------------|----------------|--------------------|------------------|
| | Amount | Proportion (%) | Bad debt provision | Carrying amount | Amount | Proportion (%) | Bad debt provision | Carrying amount |
| | | | | | | | | |
| Within 1 year | 13,397,632,571.61 | 92 | 13,791,861.10 | 13,383,840,710.51 | 9,200,277,201.46 | 95 | 17,201,795.00 | 9,183,075,406.46 |
| More than 1 year but not exceeding 2 years | 777,498,367.05 | 5 | 87,572.16 | 777,410,794.89 | 334,213,329.01 | 3 | 82,440.79 | 334,130,888.22 |
| More than 2 years but not exceeding 3 years | 275,909,400.52 | 2 | 164,881.58 | 275,744,518.94 | 177,262,984.33 | 2 | 508,777.35 | 176,754,206.98 |
| More than 3 years | 113,880,332.49 | 1 | 22,086,689.81 | 91,793,642.68 | 23,162,368.18 | - | 21,250,890.94 | 1,911,477.24 |
| Total | 14,564,920,671.67 | 100 | 36,131,004.65 | 14,528,789,667.02 | 9,734,915,882.98 | 100 | 39,043,904.08 | 9,695,871,978.90 |

The aging analysis of bad debt provision in portfolio basis:

| Aging | Closing balance | | |
|---|--------------------|--------------------|----------------|
| | Account receivable | Bad debt provision | Proportion (%) |
| Within 1 year | 1,527,546,249.54 | 13,791,861.10 | 1 |
| More than 1 year but not exceeding 2 years | 224,693,354.58 | 87,572.16 | - |
| More than 2 years but not exceeding 3 years | 215,543,655.68 | 164,881.58 | - |
| Total | 1,967,783,259.80 | 14,044,314.84 | 1 |

| Aging | Opening balance | | |
|---|--------------------|--------------------|----------------|
| | Account receivable | Bad debt provision | Proportion (%) |
| Within 1 year | 1,295,509,884.21 | 17,201,795.00 | 1 |
| More than 1 year but not exceeding 2 years | 106,909,833.41 | 82,440.79 | - |
| More than 2 years but not exceeding 3 years | 847,962.25 | 508,777.35 | 60 |
| Total | 1,403,267,679.87 | 17,793,013.14 | 1 |

(2) Bad debt allowance accrual and reversal

For the year, the Company recorded a bad debt allowance of RMB 8,811,052.12, reversed bad debt allowance of RMB 11,723,951.55.

(3) Accounts receivable written off

Accounts receivable written off in the reporting period is nil.

(4) 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 | 1,125,650.91 | - | 24,996,018.50 | - |

Notes To The Financial Statements – continued

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

As of December 31, 2015, top five balances of account receivables amounted to RMB 12,575,050,722.06, accounting for 86% of total account receivables.

(6) At the end of the reporting period, there are no receivables that should be derecognized due to transfer of financial assets.

(7) At the end of the reporting period, no assets or liabilities have been formed due to transferring of other receivable and the related continuous involvement.

2. Other receivables

(1) Disclosure of other receivables by categories:

RMB

| Category | Closing balance | | | | | Closing balance | | | | |
|--|-----------------|----------------|--------------------|----------------|----------------|-----------------|----------------|--------------------|----------------|----------------|
| | Carrying amount | | Bad debt provision | | Book value | Carrying amount | | Bad debt provision | | Book value |
| | Amount | Proportion (%) | Amount | Proportion (%) | | Amount | Proportion (%) | Amount | Proportion (%) | |
| Other receivables that are individually significant and for which bad debt provision has been assessed individually | 169,651,203.67 | 66 | - | - | 169,651,203.67 | 220,132,348.21 | 87 | - | - | 220,132,348.21 |
| Individually insignificant other receivables but with significant risks after being grouped according to credit risk characteristics | 84,230,416.86 | 33 | 3,995,257.95 | 5 | 80,235,158.91 | 34,332,552.71 | 13 | 3,893,418.53 | 11 | 30,439,134.18 |
| Other receivables that are not individually significant but for which bad debt provision has been assessed individually | 3,723,534.36 | 1 | 3,723,534.36 | 100 | - | - | - | - | - | - |
| Total | 257,605,154.89 | 100 | 7,718,792.31 | 3 | 249,886,362.58 | 254,464,900.92 | 100 | 3,893,418.53 | 2 | 250,571,482.39 |

Other receivables that are individually significant or not individually significant but for which bad debt provision has been assessed individually as at 31 December 2015:

RMB

| Content of other receivables(by unit) | Closing balances | | | Reasons |
|---|------------------|--------------------|-----------------------------|---------|
| | Carrying amount | Amount of bad debt | Proportion of provision (%) | |
| Other receivables with significant balances | 169,651,203.67 | - | - | Note 1 |
| Total | 169,651,203.67 | - | - | |

Other receivables that are individually significant or not individually significant but for which bad debt provision has been assessed individually as at 31 December 2014:

RMB

| Content of other receivables(by unit) | Opening balances | | | Reasons |
|---|------------------|--------------------|-----------------------------|---------|
| | Carrying amount | Amount of bad debt | Proportion of provision (%) | |
| Other receivables with significant balances | 220,132,348.21 | - | - | Note 1 |
| Total | 220,132,348.21 | - | - | |

Note 1: Other receivables with significant balances mainly consist of advance 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.

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Aging analysis of other receivable :

RMB

| Aging | Closing balance | | | | Opening balance | | | |
|---|-----------------|----------------|--------------------|-----------------|-----------------|----------------|--------------------|-----------------|
| | Amount | Proportion (%) | Bad debt provision | Carrying amount | Amount | Proportion (%) | Bad debt provision | Carrying amount |
| Within 1 year | 112,192,571.16 | 44 | 3,075,599.82 | 109,116,971.34 | 103,021,587.51 | 40 | 257,365.25 | 102,764,222.26 |
| More than 1 year but not exceeding 2 years | 1,178,114.95 | - | 164,606.35 | 1,013,508.60 | 121,381,558.42 | 48 | 708,425.89 | 120,673,132.53 |
| More than 2 years but not exceeding 3 years | 120,278,558.42 | 47 | 755,051.78 | 119,523,506.64 | 4,881,754.99 | 2 | 2,927,627.39 | 1,954,127.60 |
| More than 3 years | 23,955,910.36 | 9 | 3,723,534.36 | 20,232,376.00 | 25,180,000.00 | 10 | - | 25,180,000.00 |
| Total | 257,605,154.89 | 100 | 7,718,792.31 | 249,886,362.58 | 254,464,900.92 | 100 | 3,893,418.53 | 250,571,482.39 |

The aging analysis of bad debt provision in portfolio basis:

RMB

| Aging | Closing balance | | | Opening balance | | |
|---|---------------------------|--------------------|----------------|---------------------------|--------------------|----------------|
| | Other accounts receivable | Bad debt provision | Proportion (%) | Other accounts receivable | Bad debt provision | Proportion (%) |
| Within 1 year | 80,252,717.78 | 3,075,599.82 | 4 | 20,122,255.40 | 257,365.25 | 1 |
| More than 1 year but not exceeding 2 years | 749,780.76 | 164,606.35 | 22 | 9,330,918.32 | 708,425.89 | 8 |
| More than 2 years but not exceeding 3 years | 3,227,918.32 | 755,051.78 | 23 | 4,879,378.99 | 2,927,627.39 | 60 |
| Total | 84,230,416.86 | 3,995,257.95 | 5 | 34,332,552.71 | 3,893,418.53 | 11 |

(2) Bad debt allowance accrual and reversal

For the year, the Company recorded a bad debt allowance of RMB 6,816,143.59, reversed bad debt allowance of RMB 2,990,769.81.

(3) Other accounts receivable written off

Other accounts receivable written off in the reporting period is nil.

(4) 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:

RMB

| Name of Entity | Closing balance | | Opening balance | |
|----------------|-----------------|--------------------|-----------------|--------------------|
| | Carrying amount | Bad debt provision | Carrying amount | Bad debt provision |
| Baosteel Group | 5,959,916.60 | - | 7,391,193.71 | - |

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

As of December 31, 2015, top five balances of other receivables amounted to RMB 169,651,203.67, accounting for 65.86% of total other receivables.

Notes To The Financial Statements – continued

AT 31 DECEMBER 2015

3. Long-term equity investment

Unite:RMB

| Item | Closing balance | | Opening balance | | |
|---|-------------------|----------------------|-------------------|-------------------|----------------------|
| | Carrying amount | Impairment provision | Carrying amount | Carrying amount | Impairment provision |
| Investment in subsidiaries | 43,972,938,406.84 | - | 43,972,938,406.84 | 42,939,966,924.17 | - |
| Investment in associates and joint ventures | 2,281,674,647.40 | - | 2,281,674,647.40 | 2,276,622,402.13 | - |
| Total | 46,254,613,054.24 | - | 46,254,613,054.24 | 45,216,589,326.30 | - |

4. Long-term equity investments

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

RMB

| Name of investees | Opening balance | Increase | Decrease | Closing balance | 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 |
|----------------------------------|-------------------|------------------|---------------|-------------------|---|--|---|---------------------------------|--|-------------------------------|
| Yantai Lubao | 872,484,905.16 | - | - | 872,484,905.16 | 100 | 100 | - | - | - | - |
| Huangshi Coating & Galvanizing | 175,658,477.39 | - | - | 175,658,477.39 | 58.45 | 58.45 | - | - | - | - |
| Baosteel International | 6,013,886,552.67 | - | - | 6,013,886,552.67 | 100 | 100 | - | - | - | 524,750,000.00 |
| Meishan Steel | 8,938,982,988.14 | - | - | 8,938,982,988.14 | 77.04 | 77.04 | - | - | - | 10,608,637.48 |
| Baosight Software | 636,414,347.08 | 654,900,013.32 | - | 1,291,314,360.40 | 55.5 | 55.5 | - | - | - | 54,568,841.13 |
| Baosteel America | 187,562,180.98 | - | - | 187,562,180.98 | 100 | 100 | - | - | - | - |
| Howa Trading | 221,975,780.12 | - | - | 221,975,780.12 | 100 | 100 | - | - | - | - |
| Baosteel Europe | 328,631,981.58 | - | - | 328,631,981.58 | 100 | 100 | - | - | - | - |
| Baosteel Singapore | 154,883,364.09 | - | - | 154,883,364.09 | 100 | 100 | - | - | - | - |
| Bao-Trans Enterprises | 370,550,495.27 | - | - | 370,550,495.27 | 100 | 100 | - | - | - | - |
| Baosteel Chemical | 3,006,227,819.74 | - | - | 3,006,227,819.74 | 100 | 100 | - | - | - | 381,524,012.59 |
| Finance Co. | 568,270,003.65 | 186,300,000.00 | - | 754,570,003.65 | 62.1 | 62.1 | - | - | - | 275,471,473.46 |
| Zhanjiang Steel | 17,262,206,889.41 | - | - | 17,262,206,889.41 | 90 | 90 | - | - | - | - |
| Yantai Tubes | 3,200,000,000.00 | - | - | 3,200,000,000.00 | 80 | 80 | - | - | - | - |
| Nantong Steel | 948,520,310.51 | - | - | 948,520,310.51 | 95.82 | 95.82 | - | - | - | - |
| Baoma Tube | 36,673,650.00 | - | - | 36,673,650.00 | 75 | 75 | - | - | - | - |
| Baosteel Brazil Trading (Note 1) | 728,647.73 | - | - | 728,647.73 | 26.96 | 26.96 | - | - | - | - |
| Bsteel E-commerce (Note 2) | 16,308,530.65 | - | 16,308,530.65 | - | - | - | - | - | - | - |
| Ouyeel (Note 2) | - | 208,080,000.00 | - | 208,080,000.00 | 8.67 | 8.67 | - | - | - | - |
| Total | 42,939,966,924.17 | 1,049,280,013.32 | 16,308,530.65 | 43,972,938,406.84 | | | | | | 1,246,922,964.66 |

Note 1: The Company indirectly holds 73.04% equity in Baosteel Brazil Trading, so Baosteel Brazil Trading is taken as subsidiary of the Company, the corresponding long-term equity investment is calculated by using cost method.

Note 2: The Company directly acquired 8.67% equity in Ouyeel by disposing its 17% equity held in Bsteel E-commerce, meanwhile, the subsidiary of the Company, Baosteel International acquired 42.33% equity in Ouyeel by disposing its 83% equity held in Bsteel E-commerce. Hence the Company's total equity held in Ouyeel amounting to 51%, and Ouyeel is taken as subsidiary of the Company, the corresponding long-term equity investment is calculated by using cost method.

Notes To The Financial Statements – continued

AT 31 DECEMBER 2015

(2) Investment in joint venture

RMB

| Name of investees | Opening balance | Changes for current period | | | | | | | | Closing balance | Closing impairment provision |
|-----------------------|------------------|----------------------------|----------|---|--|-----------------------|------------------------------------|---------------------------|--------|------------------|------------------------------|
| | | Increase | Decrease | Investment profit or loss under equity method | Adjustment of other comprehensive income | Other equity movement | Declared cash dividends or profits | Accrued impairment losses | Others | | |
| BNA | 1,672,147,808.63 | - | - | 97,920,321.46 | - | (1,185,382.22) | (59,076,724.87) | - | - | 1,709,806,023.00 | - |
| Bao-Island Enterprise | 604,474,593.50 | - | - | (52,728,032.00) | 36,542,102.90 | - | (16,420,040.00) | - | - | 571,868,624.40 | - |
| Total | 2,276,622,402.13 | - | - | 45,192,289.46 | 36,542,102.90 | (1,185,382.22) | (75,496,764.87) | - | - | 2,281,674,647.40 | - |

5. Operating income and operating costs

RMB

| Item | Amount in the current period | | Amount in the prior period | |
|----------------------------|------------------------------|-------------------|----------------------------|-------------------|
| | Revenue | Cost | Revenue | Cost |
| Principal operating income | 86,311,970,853.78 | 77,535,971,106.08 | 105,701,785,086.05 | 94,867,716,342.88 |
| Other operating income | 221,241,689.27 | 180,918,781.29 | 316,262,194.84 | 279,461,622.13 |
| Total | 86,533,212,543.05 | 77,716,889,887.37 | 106,018,047,280.89 | 95,147,177,965.01 |

6. Investment income

(1) Details of investment income

RMB

| Item | Amount recognized in the current period | Amount recognized in the prior period |
|---|---|---------------------------------------|
| Income from long-term equity investments under cost method | 1,246,922,964.66 | 1,612,821,195.58 |
| Investment income of available-for-sale financial asset during holding | 264,051,573.32 | 124,133,124.45 |
| Investment income from disposal of available-for-sale financial asset | 643,900,787.20 | - |
| Investment income from other financial products | 217,084,098.70 | - |
| Income from long-term equity investments under equity method | 45,192,289.46 | 84,270,441.26 |
| Income from bonds investment | 1,840,520.55 | 18,763,373.32 |
| Investment losses from disposal of derivative financial instrument (Note) | (573,072,826.95) | (122,783,897.25) |
| Total | 1,845,919,406.94 | 1,717,204,237.36 |

Note: This item mainly consists of investment losses from forward exchange transaction and ore swap transaction.

7. Bank facilities

As at 31 December 2015, the unutilized bank facilities of the Company reached RMB64.245billion. 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.

Notes To The Financial Statements – continued

AT 31 DECEMBER 2015

8. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

| RMB | | |
|---|---------------------|--------------------|
| Supplementary information | Current period | Prior period |
| 1. Reconciliation of net profit to cash flow from operating activities: | | |
| Net profit | 3,327,407,674.42 | 6,712,135,976.63 |
| Add: Provision for impairment losses of assets | 571,907,628.07 | (37,344,257.83) |
| Depreciation of fixed assets and investment properties | 6,921,142,264.00 | 6,866,665,643.39 |
| Amortization of intangible assets | 82,187,379.36 | 74,231,452.36 |
| Amortization of long-term prepaid expenses | 25,957,082.14 | 17,188,794.94 |
| Losses(Gains) on disposal of fixed assets, intangible assets and other long-term assets | 408,340,361.29 | (83,757,589.29) |
| Losses (Gains)on changes in fair values | 6,102,202.15 | (6,102,202.15) |
| Financial expenses | 1,365,536,403.83 | (695,160,801.35) |
| Gains arising from investments | (1,845,919,406.94) | (1,717,204,237.36) |
| Increase in deferred tax assets | (128,684,864.76) | (31,898,279.61) |
| Increase in deferred tax liabilities | 28,590,269.23 | 111,586,722.55 |
| Decrease in inventories | 2,563,822,673.60 | 4,498,569,174.45 |
| Decrease(Increase) in receivables from operating activities | (1,528,371,881.02) | 393,505,277.05 |
| Increase(Decrease) in payables from operating activities | (11,481,058,687.31) | 2,135,920,290.62 |
| Net cash flow from operating activities | 316,959,098.06 | 18,238,335,964.40 |
| 2. Net changes in cash and cash equivalents: | | |
| Closing balance of cash and cash equivalents | 2,609,809,152.05 | 6,283,129,815.02 |
| Less: Opening balance of cash and cash equivalents | 6,283,129,815.02 | 6,290,586,489.64 |
| Net decrease in cash and cash equivalents | (3,673,320,662.97) | (7,456,674.62) |

(XVI) SUPPLEMENTARY INFORMATION

1. Breakdown of non-recurring profit or loss

| RMB | |
|---|------------------|
| Items | Amount |
| Profit or loss on disposal of non-current assets | 99,800,817.75 |
| 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) | 506,388,802.97 |
| The excess of attributable fair value of identifiable net assets over the consideration paid for the acquisition of subsidiaries, associates and joint venture, except effective hedging, held-for-trade financial assets, tradable financial liabilities | 252,427,571.70 |
| Other items qualifying non-recurring profit or loss(Impairment loss on other non-current assets) | (852,461,249.10) |
| Other non-operating income or expenses other than the above | 41,389,965.94 |
| Tax effects | (105,010,640.06) |
| Effects amount on minority interests (after tax) | (15,055,311.32) |
| Total | (72,520,042.12) |

Note: As financial instrument investment is included in the main business scope of Finance Co. and Ouyee, so the investment income of relevant financial products is exclusive from non-recurring profit or (loss).

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 (%) | Earnings per share ("EPS") | |
|--|---|----------------------------|-------------|
| | | Basic EPS | Diluted EPS |
| Net profit attributable to ordinary shareholders of the Company | 0.90 | 0.06 | 0.06 |
| Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company | 0.96 | 0.07 | 0.07 |

Section XII. Reference Documents Dictionary

| | |
|--------------------------------|--|
| Reference Documents Dictionary | Accounting statement bearing the signature and seal of legal representative, person responsible for accounting work and person in charge of accounting department |
| Reference Documents Dictionary | The original copies of the Auditor's Report sealed by the accounting firm and signed by the certified public accountant |
| Reference Documents Dictionary | The original copies of all documents and manuscripts of announcements disclosed on the newspaper specified by China Securities Regulatory Commission in the reporting period |

Chairman: Chen Derong

Submission date approved by Board of Directors: Mar. 30, 2016

Revise Information

| Report version No. | Issuing date of correction and supplement announcement | Content of correction and supplement announcement |
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