

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 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: 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 1, 2007	No	Yes		

Other commitments	Others	Baosteel Group Corporation	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. 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. 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.	December 16, 2010	No	Yes
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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

Name of accounting firm in China	Deloitte Touche Tohmatsu Certified Public Accountants LLP (special general partnership)	Now
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:

- 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.
- 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.
- 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.

(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
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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 Ouyeel 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 Ouyeel 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.