

## 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
<b>Current Assets:</b>			
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
<b>Total Current Assets</b>		<b>69,902,983,727.88</b>	<b>74,386,003,353.56</b>
<b>Non-current Assets:</b>			
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
<b>Total Non-current Assets</b>		<b>164,220,163,225.41</b>	<b>154,266,510,658.80</b>
<b>TOTAL ASSETS</b>		<b>234,123,146,953.29</b>	<b>228,652,514,012.36</b>

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 &amp; STEEL CO., LTD.

RMB

Item	Notes	Closing Balance	Opening Balance
<b>Current Liabilities:</b>			
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	-
<b>Total Current Liabilities</b>		<b>91,859,836,148.11</b>	<b>89,254,267,290.98</b>
<b>Non-current Liabilities:</b>			
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
<b>Total Non-current Liabilities</b>		<b>20,116,885,883.84</b>	<b>15,193,420,574.67</b>
<b>TOTAL LIABILITIES</b>		<b>111,976,722,031.95</b>	<b>104,447,687,865.65</b>
<b>SHAREHOLDERS' EQUITY:</b>			
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
<b>Total shareholders' equity attributable to owners of the Company</b>		<b>112,803,243,845.19</b>	<b>114,257,923,098.31</b>
Minority interests		9,343,181,076.15	9,946,903,048.40
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>122,146,424,921.34</b>	<b>124,204,826,146.71</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>234,123,146,953.29</b>	<b>228,652,514,012.36</b>

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
<b>Current asset :</b>			
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
<b>Total Current Assets</b>		<b>55,929,400,635.72</b>	<b>51,270,705,428.73</b>
<b>Non-current Assets:</b>			
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
<b>Total Non-current Assets</b>		<b>118,792,875,406.88</b>	<b>123,612,130,324.85</b>
<b>TOTAL ASSETS</b>		<b>174,722,276,042.60</b>	<b>174,882,835,753.58</b>
<b>Current Liabilities:</b>			
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
<b>Total Current Liabilities</b>		<b>61,693,733,530.41</b>	<b>62,737,357,370.54</b>

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 &amp; 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
<b>I. Cash Flows from Operating Activities:</b>			
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
<b>Sub-total of cash inflows from operating activities</b>		<b>197,966,860,194.04</b>	<b>222,763,233,226.68</b>
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
<b>Sub-total of cash outflows from operating activities</b>		<b>176,790,063,749.98</b>	<b>194,482,767,287.25</b>
<b>Net Cash Flows from Operating Activities</b>	<b>(V)65(1)</b>	<b>21,176,796,444.06</b>	<b>28,280,465,939.43</b>
<b>II. Cash Flows from Investing Activities:</b>			
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
<b>Sub-total of cash inflows from investing activities</b>		<b>33,926,394,095.52</b>	<b>7,695,904,568.80</b>
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
<b>Sub-total of cash outflows from investing activities</b>		<b>55,602,524,564.92</b>	<b>26,659,813,023.71</b>
<b>Net Cash Flows from Investing Activities</b>		<b>(21,676,130,469.40)</b>	<b>(18,963,908,454.91)</b>

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
<b>III. Cash Flows from Financing Activities:</b>			
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
<b>Sub-total of cash inflows from financing activities</b>		<b>101,233,880,023.09</b>	<b>67,022,307,783.68</b>
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	-
<b>Sub-total of cash outflow from financing activities</b>		<b>102,352,951,126.39</b>	<b>76,556,086,939.30</b>
<b>Net Cash Flows from Financing Activities</b>		<b>(1,119,071,103.30)</b>	<b>(9,533,779,155.62)</b>
<b>IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents</b>		<b>(563,996,162.28)</b>	<b>(90,341,142.76)</b>
<b>V. Net decrease in Cash and Cash Equivalents</b>		<b>(2,182,401,290.92)</b>	<b>(307,562,813.86)</b>
Add: Opening balance of Cash and Cash Equivalents	(V)65(2)	11,291,289,583.07	11,598,852,396.93
<b>VI. Closing Balance of Cash and Cash Equivalents</b>	<b>(V)65(2)</b>	<b>9,108,888,292.15</b>	<b>11,291,289,583.07</b>

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
<b>I.Cash Flows from Operating Activities:</b>			
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
<b>II.Cash Flows from Investing Activities:</b>			
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)
<b>III.Cash Flows from Financing Activities:</b>			
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 Kebing

Person in Charge of Accounting Body: Wang Juan

RMB

Amount for the current year						
Attributable to owners of the Company				Subtotal	Minority interest	Total owners' equity
Surplus reserves	General reserve	Retained earnings				
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				Subtotal	Minority interest	Total owners' equity
Surplus reserves	General reserve	Retained earnings	Translation differences arising on translation of financial statements denominated in foreign currencies			
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 Kebing

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%.

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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.

## Notes To The Financial Statements – continued

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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.

## Notes To The Financial Statements – continued

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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

## Notes To The Financial Statements – continued

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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

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:
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Portfolios that aging analysis is used for bad debt provision:

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

## 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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### 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.

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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.

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## (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

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### 2. Held-for-trading financial assets

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

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
<b>Total</b>	<b>872,874,998.19</b>	<b>180,636,573.51</b>

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

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
<b>Total</b>	<b>8,192,598,702.78</b>	<b>9,222,110,761.77</b>

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

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## 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:

RMB

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:

RMB

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

RMB

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

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## 5. Prepayments

(1) Aging analysis of prepayments is as follows:

Aging	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
	Within 1 year	4,020,560,343.15	97	2,803,360,868.31
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:

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

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

## Category of interest receivable

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

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## 7. Dividends receivable

Item(or Investee)	RMB	
	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:

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:

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:

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

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Aging analysis of other receivables is as follows:

Aging	Closing balance				Opening balance				RMB
	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:

Aging	Closing balance (note)			RMB
	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	

Aging	Opening balance(note)			RMB
	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

Item	Write-off amount	RMB
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

Item	RMB	
	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

Item	RMB	
	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			Closing balance
	Opening balance	increase	decrease	
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

AT 31 DECEMBER 2015

	Provision			Closing balance	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	-	-	666,024.47	5.00%	-
	-	-	-	-	10.00%	-
	-	-	-	-	0.09%	-
	-	-	-	-	3.53%	-
	3,311,720.00	-	-	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	-	-	3,426,457.80	14.29%	-
	-	-	-	-	10.00%	-
	-	-	-	-	3.52%	-
	7,404,202.27	-	-	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(1.3)) 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

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

## Notes To The Financial Statements – continued

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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.

## Notes To The Financial Statements – continued

AT 31 DECEMBER 2015

## 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
<b>I. Joint ventures</b>				
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
<b>Associates</b>				
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
<b>Total</b>	<b>131,961,920.13</b>			<b>20,874,279.39</b>

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.

## Notes To The Financial Statements – continued

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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

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## 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
<b>I. Total original carrying amount</b>					
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	11,795,110,526	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
<b>II. Total accumulated depreciation :</b>					
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
<b>III. Total provision for impairment losses</b>					
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
<b>IV.Total carrying amount</b>					
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

Item	Closing balance	Restated opening balance after business combination involving entities under common control
		RMB
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:

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:

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
									RMB
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
						RMB
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

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

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 RMB85.908 billion (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

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## 29. Accounts payable

## (1) Details of accounts payable are as follows:

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:

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

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

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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

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## 36. Non-current liabilities due within one year

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

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
<b>Total</b>	<b>208,114,896.18</b>	<b>7,442,007,303.14</b>

## (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

Item	Closing balance	Opening balance
Payables on compensation for relocation (note)	70,000,000.00	140,000,000.00
<b>Total</b>	<b>70,000,000.00</b>	<b>140,000,000.00</b>

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

## 37. Other current liabilities

## (1) Other current liabilities:

Item	Closing balance	Opening balance
Short-term financing bills	10,057,344,262.30	-
<b>Total</b>	<b>10,057,344,262.30</b>	<b>-</b>

## (2) Changes of short-term financing bills

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
<b>Total</b>	<b>10,000,000,000.00</b>			<b>10,000,000,000.00</b>	<b>-</b>	<b>10,000,000,000.00</b>	<b>57,344,262.30</b>	<b>-</b>	<b>-</b>	<b>10,057,344,262.30</b>

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.

## Notes To The Financial Statements – continued

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### 38. Long-term borrowings

#### (1) Categories of long-term borrowings

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	-
<b>Total</b>	<b>9,111,026,384.68</b>	<b>9,936,435,216.96</b>

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

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
<b>Total</b>	<b>8,747,373,959.29</b>	<b>3,024,076,037.38</b>

#### (2) Movement of bond payable

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
<b>Total</b>					<b>3,024,076,037.38</b>	<b>3,434,314,800.00</b>	<b>165,474,826.28</b>	<b>(241,700,795.63)</b>	<b>118,192,500.00</b>	<b>6,747,373,959.29</b>
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

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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:

	Opening balance	Changes for the period				Subtotal	Closing balance
		New issue of shares	Bonus issue	Capitalization of surplus reserve	Others		
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.

## Notes To The Financial Statements – continued

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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	

## Notes To The Financial Statements – continued

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## 48. Other Comprehensive income

Item	Opening balance	Change for the period					Minority interest (after tax)	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)			
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)	

Item	Opening balance	Change for prior period					Minority interest (after tax)	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)			
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

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

Item	RMB			
	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

Item	RMB	
	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

Item	RMB			
	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

## Notes To The Financial Statements – continued

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## 53. Business taxes and levies

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
<b>Total</b>	<b>466,201,435.37</b>	<b>470,502,745.64</b>	

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

## 54. Selling expenses

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
<b>Total</b>	<b>2,152,762,665.55</b>	<b>2,200,347,423.93</b>

## 55. Administration expenses

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
<b>Total</b>	<b>7,286,612,345.95</b>	<b>7,728,236,209.78</b>

## 56. Financial expenses

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
<b>Total</b>	<b>2,392,567,246.13</b>	<b>487,133,867.87</b>

## 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

AT 31 DECEMBER 2015

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

Items			RMB
	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

Item			RMB
	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

Item			RMB
	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

AT 31 DECEMBER 2015

## 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) 11 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

Supplementary information	Current period	Restated amount of Prior period
<b>1. Reconciliation of net profit to cash flow from operating activities:</b>		
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
<b>2. Net changes in cash and cash equivalents:</b>		
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

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

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	

## Notes To The Financial Statements – continued

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## 67. Foreign Currency Item

## (1) Foreign Currency Item

RMB

Item	Closing balance (O.C)	Rate	Closing balance (RMB)
<b>Cash</b>			
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
<b>Account Receivables</b>			
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
<b>Long-term loan</b>			
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
<b>Short-term loan</b>			
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.

## Notes To The Financial Statements – continued

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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

Note 1: 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

## Notes To The Financial Statements – continued

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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. III 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 JCEs, 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

## Notes To The Financial Statements – continued

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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

## Notes To The Financial Statements – continued

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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).

## Notes To The Financial Statements – continued

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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							
		Amount at the end of period		Amount at the beginning of period					
Other financial assets		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

AT 31 DECEMBER 2015

	December 31 2014							RMB
	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.

2015	RMB'000		
	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

2014	RMB'000		
	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

## Notes To The Financial Statements – continued

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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.;

## Notes To The Financial Statements – continued

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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

## Notes To The Financial Statements – continued

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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

## Notes To The Financial Statements – continued

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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	Restated amount for the
		period	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
<b>Total</b>		<b>1,008,097</b>	<b>1,357,373</b>

## (4) Receipt of services

RMB'000

Related party	Transaction type	Amount for the current	Restated amount for the
		period	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
<b>Total</b>		<b>6,313,055</b>	<b>6,266,351</b>

## Notes To The Financial Statements – continued

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	Trustee	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	-

## Notes To The Financial Statements – continued

AT 31 DECEMBER 2015

## (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).

## Notes To The Financial Statements – continued

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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).

## Notes To The Financial Statements – continued

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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	

## Notes To The Financial Statements – continued

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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

## Notes To The Financial Statements – continued

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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

AT 31 DECEMBER 2015

## (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

AT 31 DECEMBER 2015

## (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
<b>Total</b>	<b>14,564,920,671.67</b>	<b>100</b>	<b>36,131,004.65</b>	<b>-</b>	<b>14,528,789,667.02</b>	<b>9,734,915,882.98</b>	<b>100</b>	<b>39,043,904.08</b>	<b>-</b>	<b>9,695,871,978.90</b>

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
<b>Total</b>	<b>12,597,137,411.87</b>	<b>22,086,689.81</b>		

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
<b>Total</b>	<b>8,331,648,203.11</b>	<b>21,250,890.94</b>		

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

AT 31 DECEMBER 2015

Aging analysis of account receivable :

Aging	Closing balance				Opening balance				RMB
	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		RMB
	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

AT 31 DECEMBER 2015

## (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:

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:

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 I
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:

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 I
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.

## Notes To The Financial Statements – continued

AT 31 DECEMBER 2015

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

Unit:RMB

Item	Closing balance			Opening balance		
	Carrying amount	Impairment provision	Carrying amount	Carrying amount	Impairment provision	Carrying amount
Investment in subsidiaries	43,972,938,406.84	-	43,972,938,406.84	42,939,966,924.17	-	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	-	2,276,622,402.13
Total	46,254,613,054.24	-	46,254,613,054.24	45,216,589,326.30	-	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(Note2)	-	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

Supplementary information	RMB	
	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	11,586,722.55
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

Items	RMB	
	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 Ouyeel, 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