

Corporation code: 600019

Corporation abbreviation: Baosteel

Baoshan Iron & Steel Co., Ltd. 2016 Semi-annual Report

Important Notice

- I. The Board of Directors and the Board of Supervisors of Baoshan Iron & Steel Co., Ltd. (hereinafter “the Company”), along with their directors, supervisors and senior executives, hereby guarantee that this Semi-annual Report (hereinafter “the Report”) is free from false statement, misleading information or grave material omission, and assume relevant separate and joint responsibilities in regard to the truth, the accuracy and the integrity of the contents of the Report.**
- II. All members of the Board of Directors attended the board meeting.**
- III. The semi-annual financial statement of the Company is unaudited.**
- IV. Chen Derong, Chairman of the Company, Wu Kunzong, Chief Accountant, and Wang Juan, Director of the Finance Department in charge of the accounting affairs, attest to the truthfulness, correctness and completeness of the financial statements in the Report.**
- V. Proposed Profit Appropriation Plan and Capitalizing of Reverses Plan for the Reporting Period Reviewed by the Board of Directors**

None
- VI. Risk Disclosure on Proactive Statements**

The proactive future plans and developing strategies in this Report do not constitute actual promises to investors. Investors are kindly reminded that investment involves risks.
- VII. Was Capital Found in the Company to be Occupied by the Controlling Shareholder and Its Related Parties?**

None
- VIII. Was Guarantee Found in the Company to be Provided in Manner that is against the Stipulated Decision-making Procedures?**

None
- IX. Miscellaneous**

None

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Section I. Definitions

The following terms have meaning below in this report unless the context requires otherwise:

Commonly-used words meaning		
CSRC	Refers to	China Securities Regulatory Commission
SSE	Refers to	Shanghai Stock Exchange
Group Corporation	Refers to	Baosteel Group Corporation, the parent company of the Company.
Ouyeel Commerce	Refers to	Ouyeel Commerce Co., Ltd., a subsidiary controlled by the Company
Zhanjiang Steel	Refers to	Baosteel Zhanjiang Iron & Steel Co., Ltd., a subsidiary controlled by the Company.
Baosight	Refers to	Shanghai Baosight Software Co., Ltd., a subsidiary controlled by the Company.
One Body Two Wings	Refers to	A development strategy to enhance comprehensive competition with iron and steel as the body and to create new driving force for company development with wisdom manufacturing and platform service from steel ecosystem of Ouyeel Commerce.
DCR	Refers to	Double Cold Reduction is a second cold rolling for cold-rolled strip steel to replace temper rolling after its annealing, a way to produce thinner uncoated tinsplate base with high strength.
Carbon steel	Refers to	An alloy of iron and carbon, carbon content of which is usually believed to be 0.04%-2% but most actually below 1.4%. Steel contains iron, carbon, silicon, manganese, sulfur and phosphorus, no other alloy elements, with silicon content no more than 0.4% and manganese 0.8%.
Oriented silicon steel	Refers to	A kind of silicon steel that has an obvious pattern and certain orientation in crystallization arrangement, and in which the content of Si is commonly around 3%. It has a low core loss and high magnetic induction, of which the nominal thickness may be 0.20mm, 0.23mm, 0.27mm, 0.30mm or 0.35mm, etc. Oriented silicon steel is used in all kinds of electric transformers, etc.
CMMI5	Refers to	Capability Maturity Model Integration (CMMI, also called Software CMMI), an expandable product program integrating multi-discipline and developed in 1994 by United States Department of Defense and Carnegie Mellon University & National Defense Industrial Association, which could be used to guide a process improvement across an organization utilizing two or more single discipline models. CMMI Level 5 is the highest level.

Section II. Company Profile

I. Company Profile

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

II. Contact Information

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

III. Basic Information Change

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

IV. Company Announcements or Disclosures & Copies of the Report Change

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

V. Profiles of Stocks of the Company

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

VI. Changes of Registration of the Company during the Reporting Period









Date of registration	March 21, 2016
Place of registration	Shanghai
Registration number of Business License	91310000631696382C

VII. Other Relevant Information

None.

Section III. Accounting and Financial Highlights

I. Key Data

Total profit RMB 5.02 billion First half year in 2015: RMB 4.4 billion 	Commercial billets sales 11.851 million tons First half year in 2015: 10.699 million tons 
Gross margin of plain carbon steel sales 20.1% First half year in 2015: 14.5% 	Exclusive and leading product sales 6.868 million tons First half year in 2015: 6.110 million tons 
Overall cost reduction and its completion rate RMB 3.8 billion, 93% Goal in 2016: RMB 4.08 billion 	Cash flow from operating activities (excluding Finance Co.) RMB 11.3 billion First half year in 2015: RMB 8.02 billion 
Revenue from e-commerce RMB 8.68 billion First half year in 2015: RMB 7.63 billion 	Labor efficiency Employee labor efficiency up by 4.4 % Goal in 2016: 3.8% 

II. Highlights of the Company

- With powerful cost reform and full efforts to break through in high cost problems, the Company has done a remarkable job in cost reduction in the first half year and completed 93% of the annual goal.
- Ultra-strength steel for auto sheet in the first half year has been produced 60 % more than the same period last year; BNA has achieved its goal in four respects of hot galvanizing unit #4 and been able to produce 1180Mpa two-way ultra-strength steel for auto sheet in batches.
- *Research Project on DCR Product and Core Technology* has been awarded Shanghai Science and Technology Progress as one of four representative scientific and technical achievements; CT 130 steel for ultra-strength coiled tubing has been successfully trail-produced; The Company has been conferred on by DNV GL submarine pipeline manufacturing and coating process certificate, becoming the first domestic steel company earning this certificate.
- Zhanjiang Steel project has been progressing smoothly: production lines of 2030 cold-rolled project were connected on March 30, production line of heavy plate trail-ran under thermal load on May 28, and Zhanjiang Steel #2 blast furnace was successfully ignited on July 15.
- Ouyeel Commerce has established its 1000th warehouse adopting its administrative system, which means its 1000 warehouses scheme has been completed; Baosight has passed CMMI5 international certificate again, marking its most sophisticated software development and process control capacity.

III. Major Accounting Data and Financial Indicators of the Company

i. Major Accounting Data

Unit: RMB Million

Major accounting data	This reporting period (January- June)	Same period last year	Year-on-year change (%)
Business income	77,993	80,771	-3.44
Net profit attributable to shareholders of listed company	3,468	3,174	9.26
Net profit attributable to shareholders of the listed Company less non-recurring gains and losses	3,682	3,144	17.11
Net cash flows from operating activities	8,277	9,407	-12.01
	At the end of this reporting period	At the end of last reporting period	Year-on-year change (%)
Net assets attributable to shareholders of listed company	115,625	112,803	2.50
Total assets	266,265	234,123	13.73

ii. Major Financial Data

Major Financial Indicators	This reporting period (January- June)	Same period last year	Year-on-year change (%)
Basic earnings per share (Yuan/share)	0.21	0.19	10.53
Diluted earnings per share (Yuan/share)	0.21	0.19	10.53
Basic earnings per share net of non-recurring gains and losses (Yuan/share)	0.22	0.19	15.79
Weighted average return on equity (%)	3.03	2.76	Up by 0.27 pts
Weighted average return on equity net of non-recurring gains and losses (%)	3.21	2.74	Up by 0.47 pts

IV. Non-recurring Gains and Losses Items and Amount

√ Applicable □ Not applicable

Unit: RMB Million

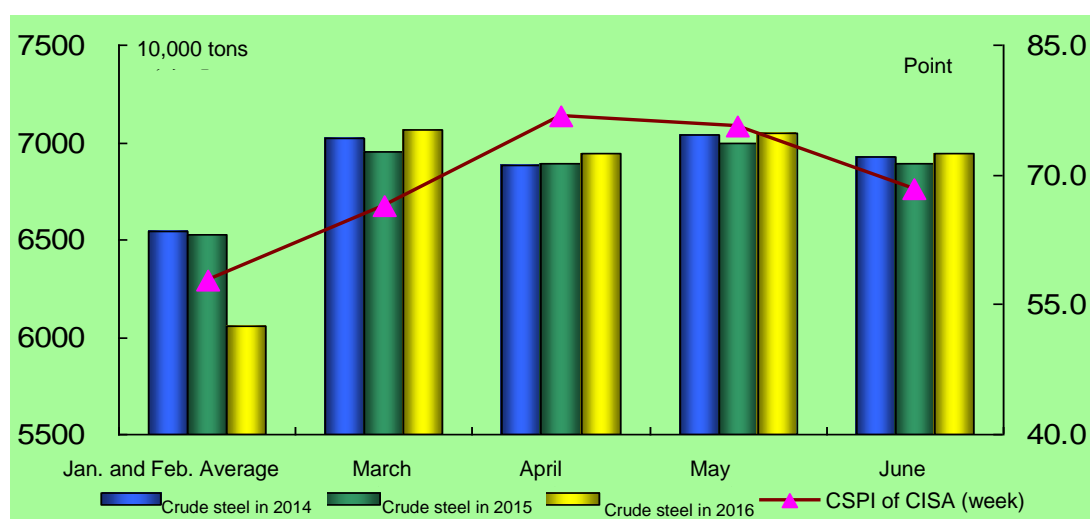
Non-recurring Gains and Losses Items	Amount	Notes (if applicable)
Gains and losses from disposal of non-current assets	-208	
Government subsidy calculated in current gains and losses, but related to normal operating activities, except consecutive fixed government subsidy in lines with policies, rules and certain standards	114	
Gains and losses from change of fair value for holding held-for-trading financial assets and liabilities, investment income at the disposal of held-for-trading financial assets and liabilities, and available-for-sale financial assets, except effective hedging operations	110	
Other non-operating income and expenditure except above mentioned items	4	
Gains and losses items in line with definition of Non-recurring gains and losses	-280	
Affected amount belonging to minority shareholders	-22	
Effect of income tax	69	
Total	-213	

Section IV. Board of Directors' Report

I. Board of Directors' Discussion and Analysis about Operation within Company Reporting Period

In the first half year of 2016, China has produced 400 million tons of crude steel, down by 1.1% year-on-year. Steel industry has recovered a little compared to the 4th quarter last year, but the supply-demand relationship has not been actually improved, even with more price fluctuation. Decapacity across steel industry still has a long way to go. Anti-dumping and trade barrier are bothering increasingly worse steel market. Though Chinese medium- and large-sized membership steel companies have made profit of RMB 12.59 billion, 427.3% more than same period last year, 26.3% of members are in the red.

As both the international environment and domestic economic development have been undergoing profound changes, domestic demand for iron and steel is facing a correction after violent fluctuations, the iron and steel industry is full of complexity and variability, and the Company is facing a critical stage of transformation, upgrade, advantage solidification, reform and innovation. During the reporting period, the Company realized an iron output of 12.761 million tons, a steel output of 13.27 million tons, commercial billets sales volume of 11.851 million tons, and combined profits of RMB 5.02 billion in total.



To prepare for a traditionally slack market, production ramp-up of Zhanjiang Steel, and the Company's comprehensive annual overhaul in the second half of the year, the Company would further change the way of thinking, consolidate the cost reduction realized in the first half of the year, accelerate market expansion, and enhance production and marketing collaboration, so as to tackle the impact of unfavorable external factors.

i. Analysis of Major Business

1. Analysis of Changes to Financial Statements

Unit: RMB Million

Item	Current Period	Same Period Last Year	Change (%)
Operating revenue	77,993	80,771	-3.44
Operating cost	67,070	71,525	-6.23
Sales expenses	1,016	971	4.63
Administrative expenses	3,362	3,494	-3.78
Financial expenses	1,157	444	160.37
Net cash flow from operating activities	8,277	9,407	-12.01
Net cash flow from investment activities	-27,125	-8,584	-215.99
Net cash flow from financing activities	22,386	3,170	606.09

- (1) Notes to reasons of changes in financial expenses: Financial expense was up by RMB 710 million year on year, mainly because of the following: due to the decrease in the amount of principal of long-term receivables from Wusong Plot, interest income for the first half of the year was down by RMB 120 million year on year; whereas interest expense was up by RMB 620 million year on year, including: ① To avoid exchange rate risk and prevent foreign exchange loss, the Company has implemented a RMB-based financing strategy in 2016. Compared to the foreign exchange-based financing strategy in 2015, the financing interest rate saw an increase, and interest expense was up by RMB 270 million year on year; ② As the construction in progress of Zhanjiang Steel, a subsidiary of the Company, was converted to fixed asset, the corresponding financing interest was no longer capitalized, and instead accounted as financial expense, increasing interest expense by RMB 150 million year on year; ③ Based on the Company's judgment about the direct financing window, and the liquidity management need, newly increased direct financing was up to RMB 20 billion year on year, and interest expense was up by nearly RMB 200 million. In the meantime, the Company tried to ensure the preserving and appreciation of value of periodic idle capital at low risks, and relevant earnings would be confirmed as income from investment by stages according to the maturity date.
- (2) Explanation of reason for net cash flow from operating activities: for details please see "3. Cash Flow Analysis.
- (3) Explanation of reason for net cash flow from investment activities: for details please see "3. Cash Flow Analysis.
- (4) Explanation of reason for net cash flow from financial activities: for details please see "3. Cash Flow Analysis.

2. Analysis of Profit Composition

The Company has realized combined profit of RMB 5.02 billion in the first half year, RMB 620 million more than the same period last year, primarily due to internal ongoing cost reduction, category structure optimization and market development.

3. Cash Flows Analysis

- (1) Analysis on cash flow from operating activities:

In the first half year of 2016, the Company realized RMB 8.28 billion of net cash inflow from operating activities, with RMB 9.41 billion in the same period last year, representing RMB 1.13 billion less inflow year-on-year and down by 12.0%. In the meantime, the Company realized 3.62 billion Yuan of net profit, 5.27 billion Yuan of fixed assets depreciation and amortization, 1.19 billion Yuan of financial cost and other projects, and 10.07 billion Yuan of cash receivable from operating. Flow decreased by 3.00 billion Yuan due to the increase of stock funds occupancy; flow decreased by 1.65 billion Yuan due to the increase of operational receivables, and flow increased by 2.86 billion Yuan due to the increase of operational payables.

Excluding the influence from finance company, net cash inflow from operating activities in the first half year was 11.30 billion Yuan, 3.28 billion Yuan more than 8.02 billion Yuan in the same period last year. Main reasons are as follows:

- 1) Net profit in the first half year was 3.51 billion Yuan, 260 million Yuan of flow more than 3.25 billion Yuan in the same period last year;
- 2) Asset impairment reserve increased by 360 million Yuan, with the increase of 40 million Yuan in the same period last year, increasing the flow of 320 million Yuan year-on-year.
- 3) Financial expense was 1.18 billion Yuan, with 470 million Yuan in the same period last year, increasing cash flow of 710 million Yuan year-on-year.
- 4) Such items have decreased cash flow by 390 million Yuan year-on-year as depreciation amortization, losses from fair value change, loss from disposal of assets, investment losses and changes in deferred asset liabilities.
- 5) Inventories in late June increased by 3.00 billion Yuan compared with the beginning of the year, with the decrease of 830 million Yuan in the same period last year, decreasing the flow of 3.84 billion Yuan on year-on-year basis.
- 6) Operational receivables in late June increased by 1.19 billion Yuan compared with the beginning of the year, with the increase of 1.19 billion Yuan in the same period last year, decreasing the flow of 810 million Yuan on year-on-year basis.
- 7) Operational payables in late June increased by 6.19 billion Yuan compared with the beginning of the year, with the decrease of 830 million Yuan in the same period last year, increasing the flow of 7.02 billion Yuan on year-on-year basis.

- (2) Analysis on cash flow from investment activities:

Net cash outflow from investment activities was 27.12 billion Yuan, increasing by 18.54 billion Yuan compared with 8.58 billion Yuan in the same period last year, with growth rate of 216.0%. It is mainly

because net expenses for capital operation of the Company increased by 24.57 billion Yuan compared to the same period last year; investment expenses in fixed assets and other long-term asset decreased by 6.45 billion Yuan compared to the last period last year.

(3) Analysis on cash flow from financing activities:

Net cash inflow from financing activities was 22.39 billion Yuan, increasing by 19.22 billion Yuan compared with 3.17 billion Yuan in the same period last year. It is mainly because debt financing scale this year increased by 23.88 billion Yuan compared with the beginning of the year, and debt financing scale in same period last year increased by 7.38 billion Yuan compared with the beginning of last year, increasing cash inflow of 16.50 billion Yuan on a year-on-year basis. Dividend and interest expenses decreased by 1.7 billion Yuan compared with the same period last year. In addition, the Company paid 1.5 billion Yuan for stock equity of Guangzhou Sheet Co., Ltd. to the Group Corporation, with the flow increasing by 1.5 billion Yuan year-on-year.

4. Analysis of Budgets and Plans Fulfillment

Total operating income budget of 2016 is 160.37 billion Yuan, and 78.11 billion Yuan was actually reached in the first half year, completing 48.7% of the annual budget. Operating cost budget is 149.13 billion Yuan, and 67.07 billion Yuan was actually reached in the first half year, completing 45.0% of the annual budget. In the second half year, the company will actively cope with more unfavorable difficulties and challenges, continue to enhance "cost reduction", speed up the transformation of Zhanjiang Steel from construction to operation and build a stable and efficient manufacturing system with low cost and multi-bases. Meanwhile, the Company will push forward the new products development and maintain the advantages in differential competition to try to keep the domestically leading operating performance and constantly improve comprehensive competitiveness.

ii. Analysis of Business by Industry, by Products or by Region

1. Principal Business by Industry and Product

Unit: RMB Million

Principal Business by Industry						
Industry	Operating revenue	Operating cost	Gross margin (%)	YoY change in revenue (%)	YoY change in cost (%)	YoY Change in gross margin (%)
Iron & steel manufacturing	48,451	39,897	17.7	-5.8	-11.6	Up by 5.4 pts
Processing & distribution	66,885	64,489	3.6	-8.1	-8.6	Up by 0.4 pts
Information technology	1,717	1,203	29.9	6.7	3.5	Up by 2.2 pts
E-commerce	11,984	11,954	0.2	55.5	55.1	Up by 0.2 pts
Chemical	3,568	3,335	6.5	-8.4	-8.6	Up by 0.3 pts
Finance	247	123	50.2	-23.2	-18.3	Down by 3.0 pts
Offset between segments	-54,679	-53,829	1.6	-3.7	-5.0	Up by 1.4 pts
Total	78,172	67,173	14.1	-3.5	-6.3	Up by 2.5 pts
Principal Business by Product						
Product	Operating revenue	Operating cost	Gross margin (%)	YoY change in revenue (%)	YoY change in cost (%)	YoY Change in gross margin (%)
Cold-rolled carbon steel sheets and coils	21,757	16,457	24.4	-3.6	-11.5	Up by 6.7 pts
Hot-rolled carbon steel sheets and coils	12,134	9,747	19.7	-2.1	-5.3	Up by 2.7 pts
Steel tubes and pipes	2,930	2,920	0.3	-22.2	-22.2	Down by 0.038 pts
Other iron and steel products	4,273	3,701	13.4	0.2	-10.0	Up by 9.7 pts
Total	41,094	32,825	20.1	-4.4	-10.7	Up by 5.6 pts

Note: Gross margin of steel products has incredibly increased than the same period last year, mainly due to overall advance of cost reduction and constant optimization in category structure.

Description of principal business in terms of different industries and products:

The company is divided into six management divisions - steel manufacturing, processing and distribution, information technology, E-commerce, chemical industry and finance in accordance with the internal organization structure. The Steel Manufacturing Division covers steel manufacturing units, Processing and Distribution Division covers Baosteel International and overseas companies and other trading units, Information Technology Division covers Baosight business, E-commerce Division covers Ouyeel Commerce and B-CHEM.COM business, Chemical Division covers the business of chemical companies, and Finance Division covers the business of Finance Co.

2. Principal Business by Region

The company exported 1.666 million tons of iron and steel products in the first half of 2016, with 1.147 million tons in the same period of 2015. Operating revenue by region is as follow:

Region	Operating revenue	Unit: RMB Million	
		YoY change in revenue	
Domestic market	68,848	-3.61	
Overseas market	9,323	-2.71	

iii. Analysis of Core Competitiveness

During the reporting period, *2016-2021 Development Plan of Baoshan Iron & Steel Co., Ltd.* has been prepared, guiding the Company to implement future sustainable development and maintain its best performance among the industry by.

The Company has seen obvious development and great result in “One Body Two Wings” during the reporting period. Staged improvements have been made in One Body (iron & steel business, involving fine base, manufacturing capacity, technical innovation, user service, environmental operation, etc.) and Two Wings (wisdom manufacturing and platform service from steel ecosystem of Ouyeel Commerce) respectively.

1. Continuously Improved Competitiveness of Iron & Steel Business

(1) Fine Base Construction

BNA has achieved its goal in four respects of hot galvanizing unit #4, besides, output, yield, energy consumption, efficiency and other indexes have outperformed intended goal. This marks that this unit, as a production line, has officially been able to produce 1180 two-way ultrastrength steel for auto sheet in batches and to contribute to quantitative trend and energy conservation and emission reduction of China's auto industry.

During the reporting period, for Zhanjiang Steel, steelmaking department has expanded 130 categories, hot rolled department has expanded 61 steel categories and successfully rolled X80 pipeline steel and cold rolled department has expanded two categories, namely low-carbon mild steel and low-level IF steel. The production lines of 2030 cold rolled project have been connected, fully stepping into thermal-loaded trial-run.

(2) Manufacturing Ability Enhancement

During the reporting period, high-efficient oriented silicon steel B27R080 and B30R090 have realized their global debut and been successfully used for making transformers with extra-high voltage; high-grade coiled tubing CT110 has realized its global debut, being supplied in small batches; Zn-Al-Mg coating has been successfully applied to C908 unit in first industrial trial production, with its apparent quality meeting requirements of color-coated sheets and inner auto sheets; the first trial appraisal for laminated steel has been done among users of easy to open end, basic caps and hallow-drawn food cans, results of cooking adhesion experiment and other experiments were qualified; all certificate experiments of LPG low-temperature steel for vessels have been approved by 6 classification societies including ABS, BV and CCS, with the thickest certified at 40mm; BMD has established industrial trial production line and finished multiple trial production and application for users of fine-blanking steel, automotive frame and wheels, which serves BMD core technology with Baosteel feature; cooling-control equipment has been installed and the body has been debugged for Yantai Steel 460 online cooling, enabling automated and continuous cooling-control production with good uniform cooling at any point.

During the reporting period, the hot rolled high-strength steel of the Company has made breakthroughs after 3 years of benchmarking. Category specification, product performance, shape level, application

technologies by users and other aspects have reached international level with qualities of some products exceeding that of benchmark, which were recognized by users.

(3) Technological Innovation Progress

During the reporting period, “Research on Baosteel DCR Product and Core Technology” has been awarded the first prize of Shanghai Science and Technology Progress; two projects (“Development and Engineering Application of High-strength Quenched and Tempered Steel Plate SA738Gr.B for Containment of Nuclear Power Plant AP-1000” and “Development on CT80-CT100 Coiled Sheets for Coiled tubing”) have been awarded the second and third prize of Shanghai Science and Technology Progress; “Research on Cold Rolled High-strength Thin Stripe Steel Welding Technology and Equipment and the Application” has been awarded the second prize (workers’ prize) of Shanghai Science and Technology Progress. Eight trademarks including new steel for track axle (LZ45CrV and EA1N) and inorganic and solid-lubricated GI steel plate (DC53D+Z-T and DC54D+Z-T) have been approved as Shanghai hi-tech products.

(4) Service Recognition From Users

During the reporting period, the Company has been rewarded by auto users with a collection of 2015 annual awards, including “Annual Excellent Supplier” by SAIC-GM, “Excellent Supplier” by FAW-VOLKSWAGEN, “Best Supplier Top 10” by FAW CAR, “Special Contribution” by FTMS, title of Excellent Supplier by Dongfeng Nissan, “GAC FAIT-Chrysler Excellent Supplier”, title of “Excellent Supplier” by Zhengzhou Nissan, “Sincere Partner” by Great Wall Motor, “Excellent Quality” and “Special Supply Support” by GAC Toyota Motor and title of “Excellent Supplier” by Guangxi Automobile Group.

During the reporting period, the Company has the honor to win a collection of 2015 annual awards from household appliances users, including “Award of Best Cooperation” by GE, “Gold Rubik’s Cube Prize” by Haier and “Special Award for Stable Supply” by DAKIN Air-conditioning.

(5) Implementation of Environmental Management

The Company released *2015 Sustainable Development Report* in the reporting period. The Report presented a vision of sustainable development to “build a steel enterprise with the best performance, become the best environment-friendly practicer and become an urban steel mill for a better life”.

The Company has prepared a new round of urban steel mill development planning 2016-2021 in the reporting period. This planning defines the objective of “building upgraded green factory with premium steel manufacturing as core and constructing example urban steel mill with ecological harmony as basis” and implementation path of “over 100 projects and 10 billion investment”. The Company committed itself to matching regional 13th Five Year planning and reached wide consensus with local government in sharing resources, connecting urban industries and building ecological environment.

Steel slag processing equipment of the Company has played significant role in the reporting period, with annual processing rate up to 99.6%. 1.2 million tons of slag has been processed, which is the best history record, without any slag falling to the ground.

2. Accelerated the development of “Two Wings”

(1) Wisdom Manufacturing

During the reporting period, the Company and Siemens have officially entered into the *Wisdom Manufacturing (Industry4.0) Strategic Agreement between Baosteel and Siemens*. Baosteel and Siemens have established joint working group since 2015 to promote *Project of Jointly Exploiting Industry 4.0 by Baosteel and Siemens (Project)*. Ministry of Industry and Information Technology of the People’s Republic of China has first trial-run the *Project* on the pilot project of intelligent manufacturing “1580 Hot Rolled Intelligent Workshop”, and Industry 4.0 standards for China’s steel industry have been further jointly established. Based on that, Baosteel and Siemens have formulated, when necessary, a business mode available for steel industry and other industries.

(2) Ouyeel Commerce

During the reporting period, Ouyeel Logistics have established 1000th warehouse adopting its administrative system, marking the “1000 Warehouses Scheme” of Ouyeel Commerce fully completed. “1000 Warehouses Scheme” was designed to build warehouse service capacity, cloud warehouse platform basis and core competitiveness of Ouyeel Logistics by rapidly deploying Baosaas system to boost its market share.

Ouyeel Commerce established Ouyeel International Co., Ltd. for overseas market in the reporting period.

iv. Investment Analysis

1. Overall Analysis of Outward Equity Investment

The company spent RMB 744 million in equity investment projects, with RMB 1.76 billion less than in the same period in 2014. Please see the following table for the main investment projects.

Unit: RMB Million

Name of Invested Company	Nature of Business	Baosteel's Share in Equity of Invested Company	Capital Actually Contributed by Baosteel	Means of Capital Contribution
Shanghai Ouyeel Financial Information Service Co., Ltd	Financial service platform	54.91%	500	Cash
Ouyeel International Co., Ltd.	Steel service platform	100.00%	99	Cash
Shanghai Ouyeel Resources Co., Ltd.	Resources service platform	60.00%	60	Cash
PT BAOSTEEL INDONESIA STEEL SERVICE CENTER	Steel cutting and processing center	100.00%	21	Cash
Baosteel Chemical Zhanjiang Co., Ltd.	Chemical	100.00%	30	Cash
Total			710	

(1) Investment in Securities

√Applicable □Not applicable

S/N	Type	Code	Abbreviation	Initial investment (RMB)	Shareholding (Share)	Book value as at end of period (RMB)	Ratio in total share of bond as at end of period (%)	Gains and Losses in the period (RMB)
1	Convertible bond	113009.SH	GAC convertible bond	1,500,000.00	15,000	1,780,500.00	33.93	884,204.24
2	Convertible bond	110035.SH	Baiyun convertible bond	1,000,000.00	10,000	1,185,600.00	22.60	193,642.87
3	Convertible bond	127003.SZ	Haiyin convertible bond	886,000.00	8,860	886,000.00	16.89	0.00
4	Stock	601611.SH	China Nuclear Engineering	118,389.46	34,118	713,748.56	13.60	446,519.33
5	Stock	601127.SH	Sokon Stock	47,723.34	8,214	196,068.18	3.74	111,258.63
6	Stock	603737.SH	SKSHU	20,323.50	1,275	148,002.00	2.82	95,758.88
7	Stock	601966.SH	Linglong Tier	95,545.78	7,361	95,545.78	1.82	0.00
8	Stock	300515.SZ	Sundy	10,541.10	1,230	57,650.10	1.10	35,331.75
9	Stock	603131.SH	Shanghai Hugong	8,768.21	869	52,748.30	1.01	32,985.07
10	Stock	002799.SZ	Global Printing	8,498.70	1,065	46,476.60	0.89	28,483.43
Other securities investment held at the end of the period				61,674.16	/	84,827.64	1.62	17,365.09
Gains and losses from sold securities investment in the reporting period				/	/	/	/	6,088,629.37
Total				3,757,464.25	/	5,247,167.16	100%	7,934,178.66

(2) Stocks Held in Other Listed Companies

√Applicable □Not applicable

Unit: RMB

Code	Abbreviation	Initial investment	BOP shareholding ratio (%)	EOP shareholding ratio (%)	EOP book value	Gains and Losses in current period	Change in shareholders' equity in current period	Accounting type	Share source
600508	Shanghai Energy	5,549,532.15	0.77%	0.77%	51,658,993.89	-	-4,263,120.85	Financial assets available for sale	Investment when established
600997	Kailuan Corporation	3,505,968.41	0.38%	0.38%	24,232,000.00	-	-1,328,100.00	Financial assets available for sale	Investment when established
601001	Datong Coal Industry	2,571,428.57	0.22%	0.22%	19,332,000.00	-	-486,000.00	Financial assets available for sale	Investment when established
601699	Lu'an Environmental Energy	5,047,135.05	0.51%	0.51%	100,411,137.90	-	1,381,804.65	Financial assets available for sale	Investment when established
000983	Xishan Coal Electricity Group	941,660,003.69	1.35%	1.35%	347,665,193.90	-	66,227,020.06	Financial assets available for sale	Acquisition at secondary market
Total		958,334,067.87	/	/	543,299,325.69		61,531,603.86	/	/

(3) Equities Held in Financial Enterprises

√Applicable □Not applicable

Financial Enterprises Name	Initial investment (RMB)	BOP shareholding ratio (%)	EOP shareholding ratio (%)	EOP book value (RMB)	Gains and Losses in current period (RMB)	Change in shareholders' equity in current Period (RMB)	Accounting type	Share source
ICBC	11,902,455.62	0.00	0.00	11,188,800.00	0	-713,655.62	Financial assets available for sale	Acquisition at secondary market
Bank of Ningbo	5,359,184.65	0.01	0.01	5,453,820.00	0	94,635.35	Financial assets available for sale	Acquisition at secondary market
Ping'an Bank	7,749,947.99	0.00	0.00	6,472,800.00	89,490.57	-1,277,147.99	Financial assets available for sale	Acquisition at secondary market
Total	25,011,588.26	/	/	23,115,420.00	89,490.57	-1,896,168.26	/	/

2. Entrusted Financial Management Products and the Derivative Products in Non-Financial Companies

(1) Entrusted Financial Management

√Applicable □Not applicable

Unit: RMB Million

Partner Name	Products Type	Entrusted Amount	Starting Date	Expiration Date	Determined Payment Method	Anticipated Income	Actual Withdrawn Principal	Actual Gain	Legal Proceedings	Provision Depreciation Reserves	Related Transactions	Involve ment in lawsuits	Capital from financing	Association
Industrial Commercial Bank of China Ltd.	ICBC financial product -win-win	100.00	2015/10/28	2016/3/24	Annual interest rate 4.5%	1.82	100.00	1.82	Yes		No	No	No	
Shanghai Pudong Development Bank Co., Ltd.	Yield Plus	8,800.00	2016/1/12	2016/11/21	Annual interest rate 3.8%-5.2%	108.33	4,800.00	22.82	Yes		No	No	No	
Bank of China Limited	Zhihui Series	9,383.00	2015/7/8	2017/4/18	Annual interest rate 3.55%-4.9%	249.72	3,000.00	49.94	Yes		No	No	No	
Agricultural Bank of China	An Xin De Li	14,600.00	2016/2/18	2016/11/17	Annual interest rate 3.75%-4.25%	347.72	0.00	0.00	Yes		No	No	No	
Huabao Trust Co., Ltd.	Baoying Safety Portfolio	1,920.00	2015/1/8	2019/6/17	Annual interest rate 4.275%-5.9%	168.69	900.00	73.00	Yes		Yes	No	No	Group brother company
China Universal Asset Management Co, Ltd	China Universal-Baosteel #1 Asset Management Plan	100.00	2015/12/31	2016/12/30	Anticipated income range 4.5%-5.5%	4.50	0.00	0.00	Yes		No	No	No	
JPMorgan Chase & Co.	USD Structured Financing	1,657.80	2016/5/10	2021/5/18	Anticipated income range 2.55%-4%	211.37	0.00	0.00	Yes		No	No	No	
Total	/	36,560.80	/	/	/	1,092.15	8,800.00	147.58	/		/	/	/	/
Total Amount of Past-due and Uncollected Principal and Gain (RMB)						0								
Notes						None								

(2) Entrusted loans

□Applicable √Not applicable

(3) Other Investment in Financial Management Products and the Derivative Products

√Applicable □Not applicable

Unit: RMB Million

Investment type	Capital source	Signing party	Shares of investment	Investment term	Product category	Anticipated gains	Profit	Involvement in lawsuits
I. Other investment in financial management								
Financial assets available for sale								
Policy financial bonds	Self-generated fund	Interbank market	0.60	Less than one year	Bond	-2.51	3.27	No
Corporate bond	Self-generated fund	Interbank market	1.20	Less than one year	Bond	-1.46	2.79	No
Corporate bond (Tianwei)	Self-generated fund	Interbank market	0.50	Less than one year	Bond			Yes
Corporate bond	Self-generated fund	Interbank market	1.50	Over one year	Bond	-1.34	2.74	No
Open fund	Self-generated fund	Fund company	567.13	Over one year	Fund	5.38	0.50	No
Trust plan	Self-generated fund	Trust company	1,441.06	Less than one year	Trust	0.00	22.24	No
Trust plan	Self-generated fund	Trust company	414.00	Over one year	Trust	0.00	12.32	No
Sub-total			2,425.99			0.07	43.85	
Held-to-maturity investment								
Bank financing	Self-generated fund	Bank	3,100.00	Less than one year	Financial management	0.00	21.18	No
Trust plan	Self-generated fund	Trust company	530.00	Less than one year	Trust	0.00	15.75	No
Sub-total			3,630.00			0.00	36.94	
Held-for-trading financial assets								
Monetary fund	Self-generated fund	Fund company	1,430.01	Less than one year	Fund	0.00	0.23	No
Monetary fund	Self-generated fund	Shanghai Stock Exchange	1.00	Less than one year	Fund	-0.03	0.12	No
Bank financing	Self-generated fund	Bank	8,328.02	Less than one year	Financial management	0.00	7.92	No
Trust plan	Self-generated fund	Trust company	1,453.00	Less than one year	Trust	0.00	2.12	No
同业存单	Self-generated fund	Interbank market	295.79	Less than one year	Bond	1.90	0.13	No
保险理财	Self-generated fund	Insurance company	35.00	Less than one year	Financial management	0.00	0.00	No
Asset management plan	Self-generated fund	Asset management company	50.00	Less than one year	Financial management	0.00	0.00	No
Sub-total			11,592.82			1.87	10.52	
Total			17,648.81			1.94	91.31	

II. Investment in derivative products								
Forwards and Swaps	Self-generated fund	Bank	10,960.94	Less than one year	Derivative	-54.22	-54.48	No

Notes:

- ① All of the above financial management businesses were carried out by the Company's subsidiary, the Finance Co., and Ouyeel Commerce.
- ② The "Shares of investment" listed above consisted of the investment cost as at the end of the previous year and the capital investment in this reporting year, and was not the shares of investment corresponding to the investment types held at the end of the period.
- ③ The investment in derivative products consists of the forward business carried out by the Company and its subsidiary, Baosteel Singapore PTE Ltd. etc., to avoid the exchange rate risk of asset liabilities calculated by foreign currencies.

Note: Above available-for-sale financial assets involved in lawsuit are 500,000 "11 Tianwei MTN1" bills invested by the Company's subordinate finance company, and the bill has been due on February 24, 2016. Because the interest of "11 Tianwei MTN2" bill, another medium-term bill issued by Baoding Tianwei, the same issuer as "11 Tianwei MTN1" bill, failed to be paid on April 21, 2015, "11 Tianwei MTN1" bill suffered from the default risk, the finance company brought a lawsuit to Shanghai Pudong New District Court for requesting Tianwei Group to immediately pay the principal and interest of the bill per par value and requiring a property preservation. Baoding Medium People's Court officially accepted the application for bankruptcy reorganization of Baoding Tianwei Group Co., Ltd on Jan.8, 2016.

3. Use of Funds Raised

(1) Total use of Funds Raised

Applicable Not applicable

(2) Commitment Project of Funds Raised

Applicable Not applicable

(3) Change Project of Funds Raised

Applicable Not applicable

(4) Others

None.

4. Analysis of its Controlled Subsidiaries and Joint Stock Companies

- (1) Shanghai Meishan Iron & Steel Co., Ltd.
By the end of June, 2016, the Company had 77.0% shareholding of Shanghai Meishan Iron & Steel Co., Ltd. With a registered capital of RMB 7.08 billion, Meishan Steel specializes in black metal metallurgy, rolling processing and sales. By June 30, 2016, it had a total asset of RMB 30.93 billion and a net asset of RMB 9.57 billion, and achieved a net profit of RMB 140 million for the first half of 2016.
- (2) Baosteel Zhanjiang Iron & Steel Co., Ltd.
By June 30, 2016, the Company had 90% shareholding of Baosteel Zhanjiang Iron & Steel Co., Ltd. With a registered capital of RMB 20 billion, Zhanjiang Steel specializes in black metal metallurgy, rolling processing and sales. Currently, it is under construction. By June 30, 2016, it had a total asset of RMB 57.71 billion and a net asset of RMB 18.43 billion, and reported a net profit of RMB -150 million for the first half of 2016.
- (3) Baosteel-NSC/Arcelor Automotive Steel Sheets Co., Ltd.
By June 30, 2016, the Company owned 50% of Baosteel-NSC/Arcelor Automotive Steel Sheets Co., Ltd. (BNA). With a registered capital of RMB 3 billion, BNA is mainly engaged in the manufacturing and sales of cold-rolled steel sheets and hot-dip and electrolytic galvanized steel sheets for automobile and automotive parts and other services related to such businesses. By June 30, 2016, BNA had a total asset of RMB 5.36 billion and a net asset of RMB 3.54 billion, and achieved a net profit of RMB 120 million for the first half of 2016.
- (4) Yantai Lubao Steel Pipe Co., Ltd.
By June 30, 2016, the Company owned 100% of Yantai Lubao Steel Pipe Co., Ltd. With a registered capital of RMB 500 million, Lubao Steel Pipe is mainly engaged in the processing and sales of seamless steel pipe. Its major products include structural seamless steel pipe, low/medium pressure boiler seamless pipe, seamless pipelines for transportation of fluids, hydraulic seamless pipe, high pressure boiler seamless pipe, seamless pipe for oil pipelines, geological drillings, oil pipelines, oxygen canisters, and so on. By June 30, 2016, Lubao Steel Pipe had a total asset of RMB 930 million and a net asset of RMB 600 million, and reported a net profit of RMB -50 million for the first half of 2016.
- (5) Baosteel Huangshi Coated and Galvanized Sheet Co., Ltd.
By the end of June 30, 2016, the Company owned 58.5% of Baosteel Huangshi Coated and Galvanized Sheet Co., Ltd. (Huangshi). With a registered capital of RMB 170 million, Huangshi specializes in the production and sales of cold-rolled sheets, aluminium coated steel sheets, color-coated steel sheets and related coated steel products. RMB 72 million is planned to be further invested in Huangshi by Huangshi State-owned Assets Operation Co., Ltd., RMB 40 million of which has been first invested in the half year of 2016. After the capital increase is finished, Baosteel's shareholding in Huangshi shall decrease to 50.63% from 58.45% before the increase. By June 30, 2016, Huangshi had a total asset of RMB 900 million and a net asset of RMB 430 million, and achieved a net profit of RMB 10 million for the first half of 2016.
- (6) Shanghai Baosteel International Economic & Trading Co., Ltd.
By June 30, 2016, the Company had a full shareholding of Shanghai Baosteel International Economic & Trading Co., Ltd. (Baosteel International). With a registered capital of RMB 2.25 billion, Baosteel International is mainly engaged in independent and agency imports and exports of goods and technology approved by the government, the imports of steel and scrap steel, processing with imported materials and the "three-plus-one" trading-mix. By June 30, 2016, Baosteel International had a total asset of RMB 39.44 billion and a net asset of RMB 14.77 billion, and achieved a net profit of RMB 670 million for the first half of 2016.
- (7) Shanghai Bassinet Software Co., Ltd.
By June 30, 2016, the Company owned 55.5% of Shanghai Bassinet Software Co., Ltd. (Bassinet). With a registered capital of RMB 0.39 billion, Bassinet is mainly engaged in the research, design, development, manufacturing and integration of computer, automation, network communication systems and software & hardware products. By June 30, 2016, Bassinet had a total asset of RMB 6.46 billion and a net asset of RMB 4.07 billion, and achieved a net profit of RMB 200 million for the first half of 2016.
- (8) Shanghai Baosteel Chemical Co., Ltd.
By June 30, 2016, the Company had a full shareholding of Shanghai Baosteel Chemical Co., Ltd. (Baosteel Chemical). With a registered capital of RMB 2.11 billion, Baosteel Chemical is mainly engaged in the production and sales of raw chemical materials and products, "four techniques" services in chemical industry, and import and export activities of self-manufactured products. By June 30, 2016, Baosteel Chemical had a total asset of RMB 5.30 billion and a net asset of RMB 3.77 billion, and achieved a net profit of RMB 0.08 billion for the first half of 2016.

- (9) Baosteel Nantong Iron & Steel Co., Ltd.
By June 30, 2016, the Company had 95.8% of Nantong Iron & Steel. With a registered capital of RMB 620 million, Nantong Iron & Steel is mainly engaged in the production and sales of deformed steel bars, round steel bars, structural steel, semi-finished steel products (such as billet steel and steel ingot, etc.), as well as other iron & steel products and by-products. By June 30, 2016, Nantong Iron & Steel had a total asset of RMB 0.73 billion (with industrial land of about 1004 mu) and a net asset of RMB -1.44 billion, and reported a net profit of RMB -50 million for the first half of 2016. Baosteel Nantong Iron & Steel Co., Ltd. has been operating economically since April 2014 and stopped production and began asset disposal in October 2015.
- (10) Baosteel Group Finance Co., Ltd.
By June 30, 2016, the Company had 62.1% of Baosteel Group Finance Co., Ltd. (Finance Co.). With a registered capital of RMB 1.4 billion, Finance Co. is mainly engaged in absorbing deposits from member entities, providing loans to them, conducting internal financial transfers and relevant settlements between them, helping them in entrusted loan and investment, and engaged in deposits from or to other financial institutions. By June 30, 2016, Finance Co. had a total asset of RMB 15.13 billion and a net asset of RMB 1.91 billion, and achieved a net profit of RMB 70 million for the first half of 2016.
- (11) Yantai Baosteel Pipe Co., Ltd.
By June 30, 2016, the Company owned 80% of Yantai Baosteel Pipe Co., Ltd., with the rest 20% owned by Lubao Steel Pipe. With a registered capital of RMB 4 billion, Yantai Baosteel Pipe is mainly engaged in manufacturing, processing and sales of steel pipe, matching products and by-products, while providing technical consultation, storage, shipping, importing and exporting services of steel pipe rolling technology. By June 30, 2016, Yantai Baosteel Pipe had a total asset of RMB 4.14 billion and a net asset of RMB 1.20 billion, and reported a net profit of RMB -190 million for the first half of 2016.
- (12) Ouyeel Commerce Co., Ltd.
As of June 30, 2016, the Company (holding 8.67%) and the subsidiaries, Baosteel International, have owned 51% of shares. With registered capital of 2.4 billion Yuan, the Company is mainly engaged in technical consultation, technology development, technology services, technology transfer within the field of e-commerce, industrial investment, investment management, equity investment management, investment consultation, economic information consultation, enterprise management consultation, domestic trade (except special approval), import and export business of goods and technology, etc.. As of June 30, 2016, the company's total assets have reached 6.18 billion Yuan, net worth reached 2.54 billion Yuan, and net profit reached -110 million Yuan in the first half year.
- (13) Overseas Companies
By June 30, 2016, the Company had overseas subsidiary companies in the U.S.A., Japan, Germany, Singapore, and Hong Kong China. These overseas subsidiaries extended the Company's sales and purchase networks, and played a critical role in enhancing the Company's international competitiveness.

5. Non-fundraising Projects

√ Applicable Not applicable

In the first half of 2016, the Company invested RMB 7.34 billion in fixed assets.

Notes for Non-fundraising Projects

① Project under Continued Construction

Zhanjiang Iron and Steel Project: In order to implement the national Planning for Adjustment and Reviving of the Iron and Steel Industry and realize the iron and steel industry strategic adjustment of both Guangdong and Shanghai, production line of iron-making, steelmaking, hot rolling and cold rolling have been established in Donghai Island, Zhanjiang, Guangdong, with designed annual output of 8.23 million tons of molten iron, 8.928 million tons of molten steel, 8.749 million tons of continuous casting billet, and 6.89 million tons of steel, and it will be completed and put into operation in September 2016. Blast Furnace System #2 of Zhanjiang Steel Project has been installed and finished the debugging as of now with the thermal-loaded trial run starting consecutively.

Strip-to-silo change of coal yard E and F: In order to further improve the coal yard area environment, reduce random dust emission, and decrease material loss, strip-to-silo change of coal yard E and F has been conducted. The project will be completed and put into operation in December 2016. Civil construction of silo has been finished as of now and silo roof structure is under construction and equipment installation.

C-type closed reconstruction of Phase-I and Phase-II OC, OD strip. In order to further improve the raw material mine field environment, reduce random dust emission, and decrease material loss and moisture

content into the furnace, closed reconstruction of open mine has been conducted, and raw material yard will simultaneously realize automatic operation after the reconstruction. The project will be completed and put into operation in July, 2016. Now the installation and debugging have been finished.

Closed reconstruction of Phase-I and Phase-II uniformly mixed material filed BA & BB and subordinate material filed OA & OB. In order to reduce dust raised from and loss in material at Phase-I and Phase-II uniformly mixed and subordinate material fields, reduce environmental pollution of material against the surrounding, uniformly mixed and open material filed has been performing the closed reconstruction, which is scheduled to be put into operation at the end of June, 2017. Now civil construction and steel structure preparation are in the progress.

II. Profit Distribution Plan or Capital Reserve Capitalization Plan

i. Performance or Adjustment of Profit Distribution Plan Implemented in the Reporting Period

The historical dividend distribution plans of the Company has met the requirements of the Articles of Association and been passed with shareholders' meeting resolution. The Company's cash dividend standard and ratio are precise and clear, the related decision-making procedures and mechanisms are complete, the independent directors have performed due diligence and played due role, the minority shareholders have full opportunity to express their views and appeals, the legitimate rights and interests of minority shareholders have been fully maintained.

The Company's 2012 annual shareholders meeting passed "Motion on the Amendment of Articles of Association of Baoshan Iron & Steel Co. Ltd", which provides that "When the audited Company statements (unconsolidated) record positive net profit, the accumulated undistributed profit is positive, and the Company's cash flow meets the Company's normal operations and sustainable development, the Company shall distribute cash dividends of the year, which shall be no less than 50% of net profits attributable to the parent company in the annual audited consolidated statements of the Company, the cash dividend amount shall be tax inclusive. The cash paid for stock repurchase in the year shall be deemed as cash dividend."

According to the Resolution of 2015 General Meeting of Shareholders held on April 28, 2016, 2015 annual profit distribution plan is as follows: with company's total share capital of 16,466,927,244 shares as the base, each share has 0.06 Yuan of cash dividend (including tax), with total cash dividend amount of 988,015,633.44 Yuan (including tax). In 2015, the company did not implement distribution plan in other forms like capital reserves capitalization. The Board of Directors of the Company released the dividend distribution announcement in China Securities Journal, Shanghai Securities News and Securities Times on April 29, 2016, and determined the equity registration date for distributing dividend as June 7, 2016, ex-dividend day as June 8, 2016, dividend distribution date as June 8, 2016, and dividend distribution object as all the shareholders of the Company registered in Shanghai Branch of China Securities Depository and Clearing Company Limited after Shanghai Stock Exchange closed the transactions in the afternoon of June 7, 2016.

ii. Proposed Profit Distribution Plan and Capital Reserves Capitalization Plan in the First Half of 2015

Distribute or capitalize	No
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III. Other Disclosure Matters

i. Warnings and Instructions of Forecasting that the Accumulative Net Profit from the Beginning of the Year to the End of Next Reporting Period may be Deficit or There is Substantial Change Compared with the Same Period Last Year

Applicable Not applicable

ii. Notes to "Non-standard Auditor's Report" of Accounting Firm from Board of Directors and Board of Supervisors

Applicable Not applicable

iii. Other Disclosure Events

None

Section V. Significant Events

I. Legal Litigation, Arbitration and Wide Criticism from the Media

Applicable Not applicable

i. Legal Litigation and Arbitration Undisclosed in Temporary Announcement or with Subsequent Progress

Applicable Not applicable

ii. Other Notes

USSC submitted application to ITC on April 26 for initiating 337 investigations against carbon steel and alloy steel products exported to USA by several Chinese steel companies. ITC officially initiated the investigation against the accusation (anti-monopoly, trade secret and false source) in the application on May 27. The Company has formulated a leading team and relevant working teams as well as a respondent team consisting of selected Chinese and foreign lawyers for this case as soon as possible. The administrative law judge in this case made the first verdict on July 7, indicating that the accusations of the plaintiff overlapped the jurisdiction of DOC, whose comments are required when deciding, and the investigation shall be suspended. ITC Commission made a second verdict on August 5, which canceled the first verdict to re-initiate the investigation.

II. Bankruptcies and Restructuring

Applicable Not applicable

III. Assets Trading and Enterprise Merger

Applicable Not applicable

IV. Equity Incentive and Its Impact

Applicable Not applicable

i. Equity Incentive Undisclosed in Temporary Announcement or with Subsequent Progress

Applicable Not applicable

ii. Progress of "Share Incentive Scheme" in the reporting period

To establish and perfect the medium and long term incentive mechanism of Baoshan Iron & Steel, and to tightly combine the interest of executives of the Company and core technical personnel and management leaders who have direct impact on the Company's overall performance and sustainable development with the interest of the Company, the investor and all stockholders to better realize the performance goal of the Company and operating development, according to relevant laws and regulations and provisions of superior competent departments, the Company implemented the First Rewarding of Restricted Stock Plan in 2014. For relevant information please see the Company's annual report in 2014.

During the reporting period, the Company did not conduct the release and new granting of restricted stock. According to the national policy and the relevant provisions of the Company's restricted stock, two incentive objects quitted from restricted stock plan according to the deliberation of the 6th meeting of the sixth Board of Directors on March 29, 2016. 590,300 restricted stocks failing to reach the release conditions were repurchased by the Company as per the granting price, and the cancellation was completed on May 25, 2016, decreasing the Company's share capital by 590,300 Yuan.

As approved by the 7th meeting of the sixth board of directors on April 27, 2016, 1/3 of restricted stock granted to the incentive objects in the first rewarding plan shall not be released and shall be repurchased by the Company due to such indexes as 2015 total operating revenue failing to reach the first release condition.

The specific details on the adjustment of incentive object of restricted stock plan have been disclosed, and please visit the website of Shanghai Stock Exchange, <http://www.sse.com.cn>

V. Significant Related Party Transactions

√ Applicable □ Not applicable

i. Day-to-day Related Party Transactions

The major related parties of the Company are the legal persons directly controlled by Baosteel Group. In the reporting period, the Company had undertaken the following day-to-day related party transactions with its major related parties:

1. Purchase and Sale of Products and Acceptance of Labor Services

Unit: RMB Million

Related parties	Related transactions	Pricing policy	Amount
Baosteel Stainless Steel Co., Ltd.	Sale of iron & steel products, raw materials and auxiliary materials	Market price	570
Baosteel Group Shanghai Meishan Co., Ltd.	Sale of iron & steel products, etc.	Market price	863
Baosteel Special Steel Co., Ltd.	Sale of iron & steel products, raw materials and auxiliary materials	Market price	880
Baosteel Metal Co., Ltd.	Sale of iron & steel products and energy media	Market price	682
Baosteel Resources (International) Co., Ltd.	Sale of raw materials	Market price	827
Subtotal of product sales		Market price	3,822
Baosteel Stainless Steel Co., Ltd.	Purchase of iron & steel products, etc.	Market price	3,859
Baosteel Special Steel Co., Ltd.	Purchase of iron & steel products, etc.	Market price	2,312
Ningbo Baoxin Stainless Steel Co., Ltd.	Purchase of iron & steel products, etc.	Market price	2,201
Baosteel Resources Co., Ltd.	Purchase of raw materials	Market price	1,590
Subtotal of products purchased			9,961
Baosteel Development Co., Ltd.	Receipt of services, e.g. comprehensive logistics, engineering, overhauling, warehousing, transportation, etc.	Negotiated price	557
Baosteel Engineering Technology Group Co., Ltd.	Receipt of services, e.g. testing, overhauling, engineering, etc.	Negotiated price	829
Subtotal of services received			1,386

Note: All of the companies listed above include their subsidiaries.

The product sales above accounted for 4.9% of the Company's operating revenue in the reporting period; while the purchase of products and acceptance of services accounted for 14.9% and 2.1% respectively of the Company's operating cost in the reporting period.

All of the above transactions were settled either by cash or by notes

2. Financial Services

Baosteel Group Finance Co., Ltd. (hereafter referred to as Finance Co.), a national non-bank financial company jointly held by the Company (with 62.10% of the shares) and Baosteel Group (with 35.18% of the shares) etc., was established to enhance the central management of Group funds and increase the use efficiency of Group funds. It provides comprehensive financial services including internal accounting settlement, deposits and loans, financial management of short term capital, investment and financing, and so on for member entities.

In the reporting period, Finance Co. provided, at the RMB interest rate as set by the People's Bank of China, loans totaling RMB 6.74 billion to Baosteel Group's controlled subsidiaries, with a loan balance of RMB 210 million and a total interest income of RMB 10 million. At the same time, it absorbed deposits from Baosteel Group and its controlled subsidiaries, retaining a balance held on deposit of RMB 6.03 billion and paying a total interest of RMB 90 million at the end of the period.

The related party transactions between the Company and the related parties mentioned in above items (1) and (2) were conducted based on the principle of mutual maximum profits and optimal operation efficiency, where the Company and the related parties chose each other with a clear aim of making the best of each other's advantages via professional collaboration. All incurred amount are controlled within total annual estimated amount. And the day-to-day related party transactions between the Company and the related parties will continue.

3. Entrusted Capital for Management

In order to effectively raise the use efficiency of phased-available funds and with maintenance and appreciation of capital value, Baosteel entrusted its financial subsidiary for capital management, including purchasing financial products like funds and trust. During the reporting period, trading volume was RMB 3.12 billion, with RMB 2.69 billion highest closing balance, RMB 120 million confirmed incomes.

4. Undisclosed Matters in Temporary Announcement

Applicable Not applicable

ii. Related Transactions Resulting From Assets Acquisition and Sales

None

iii. Significant Connected Transaction of Common Foreign Investment

1. In 2016 first half year, the Company and the subordinate Ouyeel Commerce Co., Ltd. together with Baosteel Group and the subsidiary Hwabao Investment Co., Ltd. increased by RMB 1.1 billion joint investment into Shanghai Ouyeel Financial Information Service Co., Ltd., with RMB 290 million from the Company and RMB 210 million from Ouyeel Commerce. After the capital increment, Shanghai Ouyeel Financial Information Service Co., Ltd. has a registered capital of RMB 1.4 billion, with the Company contributing RMB 290 million, holding 20.91% stock equity and Ouyeel Commerce Co., Ltd. RMB 480 million, holding 34% of stock equity.

2. In 2016 first half year, the Company and the subordinate Ouyeel Commerce Co., Ltd. together with Baosteel Resources Holding (Shanghai) Co., Ltd. subordinate to Baosteel Group have jointly invested Shanghai Ouyeel Resources E-commerce Co., Ltd., with the registered capital of RMB 100 million, RMB 60 million of which was contributed by Ouyeel Commerce Co., Ltd., holding 60% of stock equity.

iv. Credit and Debt with Related Parties

1. Matters Disclosed in Temporary Announcement and Without Progress or Change in Subsequent Implementation

None.

2. Matters Disclosed in Temporary Announcement but With Progress or Change in Subsequent Implementation

The Company completed transfer of related assets of the subordinate stainless steel and special steel business units on April 1, 2012. The transfer payments of RMB 22.5 billion will be collected in equal installments over five years, or 20% each year. From 2013 onwards, principal and interest of the receivables will be collected on each April 1 until full payment on April 1, 2017. The asset transfer project has been approved by the general meeting of shareholders. At the end of June 2016, the long-term receivable balance was RMB 4.5 billion, including RMB 2.6 billion due from Shanghai Baosteel Stainless Steel Co., Ltd with corresponding installment interest income of RMB 25 million; and RMB 1.9 billion receivable from Baosteel Special Steel Co., Ltd., with installment interest income of RMB 18 million.

3. Matters Undisclosed in Temporary Announcement

Applicable Not applicable

v. Others

None

VI. Significant Contracts and Performance

1. Custody, Contract or Lease Matters

Applicable Not applicable

2. Guarantees

√Applicable □Not applicable

Unit: RMB

External Guarantee (Excluding guarantee for subsidiaries)													
Guarantor	Relation between guarantor and listed company	Secured party	Amount guaranteed	Guarantee date (Execution date of Agreement)	Duration	Expiry date	Guarantee type	If fully performed	If overdue	Overdue amount	If any counter guarantee	If guaranteed by associated party	Association
Total guaranteed amount in the reporting period (excluding guarantees for subsidiaries)													
Total guarantee balance at the end of the reporting period (A) (excluding guarantees for subsidiaries)													
Guarantee for subsidiaries													
Total guaranteed amount for subsidiaries in the reporting period													
Total guarantee balance for subsidiaries at the end of the reporting period (B)						3,804,715,531.32							
Total guarantee (including guarantee for subsidiaries)													
Total guaranteed amount (A+B)						3,804,715,531.32							
Total guaranteed amount accounting for net asset of the Company (%)						3.03%							
Where:													
Guaranteed amount provided to shareholders, actual controller and its associated parties (C)													
Debt guaranteed amount provided to warrantee with direct or indirect asset-liability ratio over 70% (D)													
Guaranteed amount exceeding 50% of net assets (E)													
Total above guaranteed amount (C+D+E)													
Note for undue guarantee which would cause joint satisfaction liability						The Company bears joint liability for above guarantees, however, no event which cause the Company to actually perform its joint liability has occurred.							
Note for guarantee						As of the end of June 2016, the Company has offered two joint liability performance guarantees for subordinate Baosteel Europe Trade Co., with the guaranteed amount of USD 531 million and the duration up to August 2017; the Company offered two joint liability performance guarantees for Baosteel Australia Trading Co., Ltd, a wholly- owned subsidiary of HOWA Trading Co., Ltd. with the amount of USD 14 million and the duration up to January 2018; the Company offered the joint liability performance guarantee for subordinate Baosteel Middle East Co., Ltd, with the amount of USD 29 million and duration to June 2018. Above guaranteed amount totaled to USD 574 million.							

3. Other Significant Contracts or Deal

None.

VII. Commitments and PerformanceVIII. Applicable Not applicable**i. Commitments of Listed Companies, Shareholders with over 5% Stock, Controlling Shareholders and Actual Controllers in and Continuing to the Reporting Period**

Background	Type	Party	Commitment content	Date	If any duration	If strictly perform in time	Specific reasons for nonperformance in time	Notes for next plan if nonperformance in time
Commitments related with the initial public offering (IPO)	Solve related transactions	Baosteel Group Co., Ltd.	Baosteel Group undertook the following two commitments as of the establishment of the Company: (1) All related transactions with the Company will be carried out in compliance with relevant laws, regulations and rules set by the authorities and will not damage the legitimate interest of the Company and its minority shareholders. (2) Baosteel Group promises it will not directly participate in any business activity or directly own interests in any business activity or entity that might pose competition to the Company's current operating business. However, Baosteel Group can maintain its existing shares in the Company, as well as manage and develop existing business which is or may be in competition with the Company. If Baosteel Group and its subsidiaries are about to engage in any new business, investment or research that might be in competition with the products or services of the Company in the future, the Company has the priority to develop and acquire business said above. Commitments above will stay in force under two conditions: A. the Company is listed in Hong Kong Exchanges and Clearing Limited and domestic stock exchange of China and, B. Baosteel Group owns no less than 30% of the Company's issued shares. In addition, on June 13, 2001, and September 6, 2002, Baosteel Group further pledged to uphold these two commitments after the Company's acquisition of the assets related to construction of its phase three project and all remaining assets thereof. These commitments were published on <i>China Securities News</i> , <i>Shanghai Securities News</i> and <i>Securities Times</i> dated 21st June 2001 and 12th September 2002 and the official website of Shanghai Stock Exchange (http://www.sse.com.cn) as well.	February 3, 2000	No	Yes		
Commitments related with re-financing	Solve related transactions	Baosteel Group Co., Ltd.	Commitments made in the Prospectus of additional public offering by Baosteel Group: (1) The Company has the right to acquire, at any time it thinks appropriate, Baosteel Group's assets and businesses which may be in competition with the Company.	August 10, 2004	No	Yes		

			<p>(2) The Company shall enjoy the priority of similar business opportunities acquired by Baosteel Group, who will not invest until the Company gives up the commercial opportunities.</p> <p>These commitments were publicly posted on official website of the Shanghai Stock Exchange (http://www.sse.com.cn) in April 2005.</p>					
Other commitments	Others	Baosteel Group Co., Ltd.	<p>Commitments Baosteel Group undertook about Luojing Land:</p> <p>Baosteel Group Shanghai Pudong Iron and Steel Co., Ltd. (hereafter, Pudong Steel), a wholly owned subsidiary of Baosteel Group, was offering its construction-in-progress and related fixed assets in Luojing (hereafter, Luojing Related Assets), which the Company intended to purchase. Luojing Related Assets covered an area of 3.228 million m², for which Pudong Steel has paid some initial expenses, but not the land transfer expense. When the assets are to be purchased, RMB 2.8 billion of the unpaid land transfer expense and the Pudong Steel's initial expenses as on the asset-assessing day (30 September 2007), as preliminarily estimated, shall be paid by the Company.</p> <p>Baosteel Group promised:</p> <p>(1) If the Company intends to purchase the Luojing Related Assets, Baosteel Group and/or Pudong Steel would help the Company to go through the transfer procedures and other matters as required by the Company.</p> <p>(2) In the event of the total actual expense exceeding RMB 2.8 billion for the procedures, Baosteel Group and/or Pudong Steel shall fully cover the exceeding amount in time, by means of paying the Company and/or the government (as it is required).</p> <p>The aforementioned commitments were published on China Securities News, Shanghai Securities News and Securities Times and the official website of Shanghai Stock Exchange (http://www.sse.com.cn) of 12 December 2007.</p> <p>Land in commitments aforementioned involved with West Luojing, East Luojing and North Energy Gallery. By the end of this report, the Company has paid about RMB 2.34 billion for west land in Luojing Project with land warrants, about RMB 20 million for north energy gallery land with land warrants. Relevant warrants for east land are in the process. And its land-transferring fees have not been paid yet</p>	December 11, 2007	No	Yes		
	Others	Baosteel Group Co., Ltd.	<p>Baosteel Group advised if the Company would like to invest in the Desheng Nickel Project on December 16, 2010 in written form of <i>Solicit Letter about Investment on Desheng Nickel Project, Commitments about Desheng Nickel Project</i>. The Company agreed that Baosteel Group could invest in the project, but retained the right to purchase the equity of the project. Baosteel Group promised: When the Company wants to acquire the equity of the project, it would transfer its share of equity of the project at a fair price in line with relative laws, regulations, and other documents to</p>	December 16, 2010	No	Yes		

			<p>the Company and on basis of asset evaluation results as conducted by an individual assets evaluation agency.</p> <p>These commitments stay in force under two conditions: (a) the company is listed at a stock exchange and (b) Baosteel Group owns no less than 30% of the Company's issued shares.</p> <p>The aforementioned commitments were published on <i>China Securities News</i>, <i>Shanghai Securities News</i> and <i>Securities Times</i> and the official website of Shanghai Stock Exchange (http://www.sse.com.cn) of December 23, 2010.</p>					
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During the reporting period, Baosteel Group and the Company did not breach any of the aforementioned commitments.

IX. Engagement and/or Termination of Accounting Firm

Applicable Not applicable

X. Punishment and Rectification of the Listed Company and Its Director, Supervisor, Senior Executives, Shareholders Holding over 5%, Actual Controller and Acquirer

Applicable Not applicable

XI. Convertible Corporation Bonds

Applicable Not applicable

XII. Corporate Governance

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

All special commissions have fully taken advantage of their roles, enhanced the scientificity in the decisions of the board of directors and further improved the deciding efficiency. During the reporting period, the board of directors reviewed and approved 2016-2021 Development Plan of the Company, clarifying the strategic objectives and focus when the Company develops and giving full play to the board's role of strategic deciding function.

During the reporting period, the Company has actively cooperated with regulators in various work and finished self-inspection in legitimate rights and interests protection among medium and small investors of listed companies to effectively boost the Company to constantly perfect corporate governance and internal administrative system construction.

XIII. Notes to Other Significant Events

i. Notes to the Reason and Impact of Accounting Policy, Estimation or Method Change from Board of Directors

Applicable Not applicable

ii. Notes to the Reason and Impact of Previous Important Error Correction from Board of Directors

Applicable Not applicable

iii. Others

The stock of Baoshan Iron & Steel Co., Ltd. (Company) has been suspended from trading since June 27, 2016 as applied due to strategical restructuring planned by Baosteel Group Corporation, controlling shareholder of the Company, and Wuhan Iron and Steel Corporation. Significant events as planned consisted of material assets reorganization of the Company as discussed and negotiated between interested parties. In order to ensure a fair information disclosure, protect investors' interests and prevent the Company stock price from abnormal fluctuation, the Company, upon application, has suspended its stock from trading for no longer than 30 days since June 27, 2016 and published *Trading Suspension Announcement for Material Assets Reorganization of Baoshan Iron & Steel Co., Ltd.* on July 11, 2016. The Company published *Continuous Trading Suspension Announcement for Material Assets Reorganization of Baoshan Iron & Steel Co., Ltd.* on July 27, 2016 and the stock has been continuously suspended from trading for no longer than estimated 1 month since July 27, 2016. Then 10th session of sixth board of director reviewed and approved the *Proposal on Material Assets Reorganization Extension of the Company before Resumption of Trading* on August 26, 2016 and the Company published *Trading Suspension Announcement for Material Assets Reorganization of Baoshan Iron & Steel Co., Ltd.* on August 27, 2016. Upon application, the Company has continuously suspended its stock from trading since August 27, 2016, with the estimated duration no longer than 1 month. During the trading suspension for material assets reorganization, according to *Measures for Administration of Material Assets Reorganization of Listed Companies* and other relevant regulations, the Company has employed all necessary agencies to perform auditing, legal and financial consulting, etc., sorted out and discussed initial results in due diligence and performed particular research and demonstration concerning relevant significant issues involved. And the Company, according to the progress of material assets reorganization, properly fulfilled its obligation of information disclosure and published the progress of relevant matters every 5 trading days.

XIV. Significant Information Disclosure Index

S/N	Items	Published Date
1	Baosteel Announcement Concerning Issuing SCP Upon Approval and Registration	January 4, 2016
2	Baosteel Announcement Concerning Resignation of Chairman of Board of Supervisors	January 7, 2016
3	Resolution Announcement of Baosteel 4 th Session of Sixth Board of Supervisors	January 7, 2016

4	Resolution Announcement of Baosteel 5 th Session of Sixth Board of Directors	January 12, 2016
5	Notice of Baosteel Convening 2016 First Extraordinary General Meeting	January 12, 2016
6	2015 Baosteel Performance Express Announcement	January 20, 2016
7	2016 Result Announcement of Baosteel Issuing SCP Phase I	January 23, 2016
8	Baosteel 2016 First Extraordinary General Meeting Resolution Announcement	January 28, 2016
9	2016 Result Announcement of Baosteel Issuing SCP Phase II	February 25, 2016
10	2016 Result Announcement of Baosteel Issuing MTN Phase I	March 23, 2016
11	Pre-announcement for Online Presentation of Baosteel 2015 Annual Performance	March 29, 2016
12	Resolution Announcement of Baosteel 6 th Session of Sixth Board of Directors	March 31, 2016
13	Resolution Announcement of Baosteel 5 th Session of Sixth Board of Supervisors	March 31, 2016
14	2016 Baosteel Daily Related-Party Transaction Announcement	March 31, 2016
15	Notice of Baosteel Convening 2015 Annual General Meeting	March 31, 2016
16	Baosteel Notifying Creditors Announcement	March 31, 2016
17	Pre-announcement for Online Presentation of Baosteel 2016 First Quarter Performance	April 23, 2016
18	Resolution Announcement of Baosteel 7 th Session of Sixth Board of Directors	April 28, 2016
19	Announcement of Baosteel Principal Business Data in 2016 First Quarter	April 28, 2016
20	Resolution Announcement of Baosteel 6 th Session of Sixth Board of Supervisors	April 28, 2016
21	Baosteel Announcement Concerning Resignation of Vice General Manager	April 28, 2016
22	Resolution Announcement of Baosteel 2015 Annual General Meeting	April 29, 2016
23	Baosteel Announcement Concerning Resignation of Directors	May 24, 2016
24	Baosteel Announcement Concerning Repurchase and Cancel of Part Restricted Stock	May 25, 2016
25	Resolution Announcement of Baosteel 8 th Session of Sixth Board of Directors	June 2, 2016
26	Baosteel Announcement Concerning Resignation of Vice General Manager	June 2, 2016
27	Baosteel Announcement Concerning Resignation of CFO and Secretary to Board of Directors	June 2, 2016
28	Baosteel Announcement of Implementing 2015 Annual Profit Distribution Scheme	June 2, 2016
29	Baosteel Trading Suspension Announcement	June 27, 2016

The aforementioned announcements may be found in "China Securities Journal", "Shanghai Securities News", "Securities Times" and the Shanghai Stock Exchange website <http://www.sse.com.cn>.

Section VI. Changes in Shares and Shareholders

- I. Changes in Capital Stock
 i. List of Changes in Shares
 1. List of Changes in Shares

Unit: share

	Before the change		Changes in the period (+, -)					After the change	
	Shares	Ratio (%)	Shares newly issued	Shares dividend	Share dividend from accumulation fund	Others	Subtotal	Shares	Ratio (%)
I. Shares subject to conditional sales	43,238,700	0.26				-590,300	-590,300	42,648,400	0.26
1. State-owned shares									
2. State-owned legal person shares									
3. Other domestic shares									
Among which: domestic non-state-owned legal person shares									
Domestic natural person shares	43,238,700	0.26				-590,300	-590,300	42,648,400	0.26
4. Foreign shares									
Among which: foreign legal person shares									
foreign natural person shares									
II. Shares not subject to conditional sales	16,424,278,824	99.74						16,424,278,824	99.74
1.RMB ordinary shares	16,424,278,824	99.74						16,424,278,824	99.74
2.Domestic listed international investment shares									
3.Overseas listed international investment shares									
4. Others									
III. Total	16,467,517,524	100.00				-590,300	-590,300	16,466,927,224	100.00

2. Explanation of Changes in shares

Proposal on Adjusting Incentive Object of Restricted Stock Plan was reviewed and approved at the 6th meeting of the sixth Board of Directors held between March 29 and 269930, 2016.

The Company repurchased 590,300 shares of restricted stock failing to reach the unlocking conditions of the incentive object withdrawing from A Restricted Stock Plan on May 23, 2016, and completed cancellation on May 25, 2016. As of June 30, 2016, the Company's total capital stock has reached 16,466,927,224 shares, including 42,648,400 shares of restricted tradable shares and 16,424,278,824 shares of non-restricted tradable shares.

3. Influence of Share Change upon the Earnings Per Share, Net Asset Per Share and Other Financial Indicators during the Period from the End Date of the Reporting Period to Disclosure Date of Semi-year Report (if any)

None.

4. Other Contents Necessary for the Company or Required by Securities Regulatory Initiations to Disclose

None.

ii. Change of Shares Subject to Conditional Sales

Applicable Not applicable

Unit: share

Name	Shares at the beginning of period	Shares released in the period	Shares added in the period	Shares at the end of the period	Reason	Releasing date
Stock incentive object	43,238,700	0	-590,300	42,648,400	Stock incentive	
Total	43,238,700	0	-590,300	42,648,400	/	/

Note 1: The decrease of shares subject to conditional sales during the reporting period is because the Company repurchased and cancelled 590,300 restricted stocks failing to reach the release conditions of the incentive object withdrawing from A-share restricted stock plan.

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

II. Shareholders

i. Total Shareholders:

Total number of shareholders at the end of the reporting period (persons)	300,893
Total preferred stock holders whose voting right restored as of the end of the reporting period (persons)	

ii. Top 10 Shareholders, Top 10 Tradable Shareholder (or Holders of Shares not Subject to Conditional Sales) by the End of the Reporting Period

Unit: share

Shareholding of top 10 shareholders							
Name (Full Name)	Increase or decrease during the period	Shares at the end of the reporting period	Ratio (%)	Shares subject to conditional sales	pledged or frozen		Shareholder nature
					Status	Quantity	
Baosteel Group Corporation	0	13,130,265,267	79.737	0	None	0	State-owned
China Securities Finance Co., Ltd.	0	444,813,261	2.701	0	None	0	State-owned
Central Huijin Asset Management Co., Ltd	0	122,230,300	0.742	0	None	0	State-owned
Hong Kong Securities Clearing Company Ltd.	66,188,256	89,836,856	0.546	0	None	0	Unknown

ICBC Credit Suisse – ICBC – Asset Management for Specific Clients	34,065,811	34,065,811	0.207	0	None	0	Unkn own
Ping An Annuity Insurance Company - Ping An Annuity's Rich Stock Portfolio of Rich Pension Entrusted Management Product	0	32,970,563	0.200	0	None	0	Unkn own
Abu Dhabi Investment Authority	30,861,040	32,110,140	0.195	0	None	0	Unkn own
Bank of China Limited - China AMC new economy flexible configured hybrid securities investment fund	0	30,593,576	0.186	0	None	0	Unkn own
FIL Investment Management (Hong Kong) Limited – Clients' Fund	9,625,539	30,093,799	0.183	0	None	0	Unkn own
Bank of China Limited- E fund stable yield bond securities investment fund	980,049	24,979,857	0.152	0	None	0	Unkn own
Shareholding of top 10 holders of shares not subject to conditional sales							
Name	Number of shares not subject to conditional sales	Type and number of shares					
		Type	Number				
Baosteel Group Corporation	13,130,265,267	RMB ordinary share	13,130,265,267				
China Securities Finance Co., Ltd.	444,813,261	RMB ordinary share	444,813,261				
Central Huijin Asset Management Co., Ltd	122,230,300	RMB ordinary share	122,230,300				
Hong Kong Securities Clearing Company Ltd.	89,836,856	RMB ordinary share	89,836,856				
ICBC Credit Suisse – ICBC – Asset Management for Specific Clients	34,065,811	RMB ordinary share	34,065,811				
Ping An Annuity Insurance Company - Ping An Annuity's Rich Stock Portfolio of Rich Pension Entrusted Management Product	32,970,563	RMB ordinary share	32,970,563				
Abu Dhabi Investment Authority	32,110,140	RMB ordinary share	32,110,140				
Bank of China Limited - China AMC new economy flexible configured hybrid securities investment fund	30,593,576	RMB ordinary share	30,593,576				
FIL Investment Management (Hong Kong) Limited – Clients' Fund	30,093,799	RMB ordinary share	30,093,799				
Bank of China Limited- E fund stable yield bond securities investment fund	24,979,857	RMB ordinary share	24,979,857				
Remarks on affiliation, alliance or collusion among the aforementioned shareholders	The Company is not aware of any connected relationship among other shareholders mentioned above or any parties acting in concert specified in <i>Measures for the Administration of Acquisitions by Listed Companies</i> .						
Shareholder holding preferred stocks with voting right restored and their shares	None						

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

Unit: share

No.	Name	Shares	Conditional sold shares available to be listed and traded		Conditions
			Date available to be listed and traded	Newly-added tradable shares	
1	Dai Zhihao	543,000			See notes
2	Zhao Zhouli	543,000			See notes
3	Zhu Junsheng	543,000			See notes

4	Li Yongxiang	488,700		See notes
5	Zhou Jianfeng	488,700		See notes
6	Wang Jing	488,700		See notes
7	Lu Rong	488,700		See notes
8	Chu Shuangjie	488,700		See notes
9	Zhi Xiwei	488,700		See notes
10	Sheng Genghong	434,400		See notes
11	Zhang Pijun	434,400		See notes
12	Zhang Dianbo	434,400		See notes
13	Zhu Keping	434,400		See notes
14	Yao linlong	434,400		See notes
15	Wei Chengwen	434,400		See notes
16	Xie Qi	434,400		See notes
17	Wang Qiangmin	434,400		See notes
18	Shi Bing	434,400		See notes
19	Zhong Yongqun	434,400		See notes
Notes on affiliation, alliance or collusion among the aforementioned shareholders		Above shareholders are incentive objectives of Baosteel 2014 First Awarding Scheme of A Share Restricted Share Plan. For the conditions, please refer to Baosteel First Awarding Scheme of A Share Restricted Share Plan on the website of Shanghai Stock Exchange http://www.sse.com.cn		

iii. Strategic Investors or General Legal Persons Who Become Top 10 Shareholders Due to Right Issue

Applicable Not applicable

III. Change of Controlling Shareholders and Actual Controllers

Applicable Not applicable

Section VII. Preferred Stock

Applicable Not applicable

Section VIII. Directors, Supervisors and Senior Executives

I. Shareholding Change

i. Shareholding of Directors, Supervisors, and Senior Executives in Service or Leaving the Company during the Period:

Applicable Not applicable

ii. Granted Equity Incentive of Directors, Supervisors and Senior Managements in the Reporting Period

Applicable Not applicable

II. Change of Directors, Supervisors, and Senior Executives

Applicable Not applicable

Name	Position	Change	Reason
Zhao Zhouli	Director	Leave office	Resignation in July 2016
Wang Li	Director	Leave office	Resignation in July 2016
Liu An	Director	Hired	Employment in August 2016
Zhang Helei	Supervisor	Hired	Employment in August 2016
Wu Kunzong	Supervisor	Leave office	Resignation in May 2016
Sheng Genghong	Vice general manager	Hired	Employment in June 2016
Wu Kunzong	CFO , secretary to board of directors	Hired	Employment in June 2016
Zhang Dianbo	Vice general manager	Leave office	Resignation in April 2016
Li Yongxiang	Vice general manager	Leave office	Resignation in May 2016
Zhu Kebing	CFO , secretary to board of directors	Leave office	Resignation in May 2016

III. Other Notes

None.

Section IX. Corporate Bonds

Applicable Not applicable

Section X. Financial Statements

Audit Report

Applicable Not applicable

Financial Statements

Consolidated Balance Sheet

June 30, 2016

Name of enterprise: Baoshan Iron & Steel Co., Ltd.

Unit: RMB Yuan

Item	Note	Ending Balance	Beginning Balance
Current assets:			
Monetary fund	(V) 1	13,525,255,671.74	7,816,943,116.11
Financial assets measured at fair value and the change included in current gains and losses	(V) 2	1,658,109,189.61	872,874,998.19
Bill receivable	(V) 3	7,778,141,418.40	8,192,598,702.78
Accounts receivable	(V) 4	9,106,820,532.55	9,158,063,277.11
Prepayments	(V) 5	4,820,917,280.64	4,159,608,819.61
Interest receivable	(V) 6	49,019,769.31	294,162,019.29
Dividends receivable	(V) 7	23,852,647.00	162,869,833.28
Other receivables	(V) 8	1,685,622,939.44	1,057,234,780.61
Purchase of resale of financial assets	(V) 9		2,140,000,000.00
Stock	(V) 10	26,559,271,113.64	23,515,760,734.54
Non-current assets due within one year	(V) 11	4,661,182,224.00	4,500,000,000.00
Other current assets	(V) 12	33,117,829,970.79	8,032,867,446.36
Total current assets		102,986,022,757.12	69,902,983,727.88
Non-current assets:			
Loans and advances	(V) 13	2,005,771,752.70	2,238,404,977.48
Available-for-sale financial assets	(V) 14	12,571,338,378.45	10,924,024,795.65
Long-term receivables	(V) 15	121,450,485.49	4,579,073,208.90
Long-term equity investment	(V) 16	5,147,502,037.47	5,010,366,850.50
Investment property	(V) 17	373,154,433.34	373,337,165.32
Fixed assets	(V) 18	103,544,012,203.89	91,067,560,315.55
Construction in progress	(V) 19	23,283,511,980.46	33,628,389,473.68
Engineering materials	(V) 20	39,159,109.48	55,433,580.47
Intangible assets	(V) 21	11,694,684,190.44	9,251,464,486.88
Long-term prepaid expenses	(V) 22	1,070,087,336.19	1,057,177,388.37
Deferred income tax assets	(V) 23	1,680,836,677.52	1,520,955,982.61
Other non-current assets	(V) 24	1,747,790,693.49	4,513,975,000.00
Total non-current assets		163,279,299,278.92	164,220,163,225.41
Total assets		266,265,322,036.04	234,123,146,953.29
Current liabilities:			
Short-term loan	(V) 25	33,610,254,181.49	27,111,031,934.70
Borrowing from the Central Bank		181,809,192.00	130,730,819.70
Deposits-taking and due to banks	(V) 26	6,649,755,957.49	10,009,980,135.82
Borrowing money	(V) 27	198,000,000.00	198,000,000.00
Financial liabilities measured at fair value and the change included in current gains and losses		57,873,954.55	3,608,651.05
Notes payable	(V) 28	4,862,676,183.69	4,433,892,369.95

Accounts payable	(V) 29	23,798,446,650.75	21,385,905,275.51
Advances from customers	(V) 30	14,243,355,002.77	12,467,881,559.99
Employee benefits payable	(V) 31	2,134,781,854.02	1,671,753,461.42
Taxes payable	(V) 32	3,640,157,641.80	1,698,315,074.97
Interest payable	(V) 33	259,910,503.39	199,607,814.92
Dividends payable	(V) 34	40,544,225.23	625,765.44
Other payables	(V) 35	2,565,647,608.97	2,283,044,126.16
Non-current liabilities due within one year	(V) 36	113,908,628.83	208,114,896.18
Other current liabilities	(V) 37	20,334,174,336.32	10,057,344,262.30
Total current liabilities		112,691,295,921.30	91,859,836,148.11
Non-current liabilities:			
Long term loan	(V) 38	11,680,750,586.32	9,111,026,384.68
Bonds payable	(V) 39	13,964,217,441.01	8,747,373,959.29
Long-term payables	(V) 40	81,458,444.00	82,585,917.00
Long-term employee benefits payables	(V) 41	328,635,121.63	328,307,328.96
Special payables	(V) 42	258,570,000.00	292,916,697.81
Deferred gains	(V) 43	1,077,892,648.14	1,092,839,458.77
Deferred income tax liabilities	(V) 23	487,988,632.80	454,701,623.19
Other non-current liabilities	(V) 44	7,923,822.88	7,134,514.14
Total non-current liabilities		27,887,436,696.78	20,116,885,883.84
Total Liabilities		140,578,732,618.08	111,976,722,031.95
Owner's equity			
Share capital	(V) 45	16,466,927,224.00	16,467,517,524.00
Capital reserve	(V) 46	33,776,012,741.54	33,739,882,090.62
Less: treasury stock	(V) 47	81,458,444.00	82,585,917.00
Other comprehensive income	(V) 48	-706,678,601.41	-997,587,960.09
Special reserves	(V) 49	24,565,723.47	10,915,599.63
Surplus reserve	(V) 50	26,516,654,926.34	26,516,654,926.34
Undistributed profit	(V) 51	39,628,914,745.00	37,148,447,581.69
Total owners' equity attributable to parent company		115,624,938,314.94	112,803,243,845.19
Minority interests		10,061,651,103.02	9,343,181,076.15
Total owner's equity		125,686,589,417.96	122,146,424,921.34
Total Liabilities and owner's equity		266,265,322,036.04	234,123,146,953.29

Legal representative: Chen Derong Person in charge of accounting work: Wu Kunzong Chief Accountant: Wang Juan

Balance Sheet of Parent Company

June 30, 2016

Name of enterprise: Baoshan Iron & Steel Co., Ltd.

Unit: RMB Yuan

Item	Note	Ending Balance	Beginning Balance
Current assets:			
Monetary fund		7,586,762,617.66	2,609,809,152.05
Financial assets measured at fair value and the change included in current gains and losses			
Derivative financial assets			
Bill receivable		11,100,512,680.89	9,485,523,681.41
Accounts receivable	(XV)1	16,477,696,719.74	14,528,789,667.02
Prepayments		1,362,039,023.42	1,253,626,615.28
Interest receivable		84,792,379.91	373,908,851.48
Dividends receivable			
Other receivables	(XV)2	262,244,600.25	249,886,362.58
Stock		10,098,721,069.07	10,004,843,968.85
Non-current assets due within one year		4,500,000,000.00	4,500,000,000.00
Other current assets		32,532,205,082.99	12,923,012,337.05
Total current assets		84,004,974,173.93	55,929,400,635.72
Non-current assets:			
Available-for-sale financial assets		8,844,897,096.20	8,844,897,096.20
Held-to-maturity investments			
Long-term receivables		2,187,982,930.56	6,645,532,930.56
Long-term equity investment	(XV)3	45,677,085,360.49	46,254,613,054.24
Investment property			
Fixed assets		46,776,056,956.48	49,147,433,841.75
Construction in progress		3,395,300,937.35	2,841,837,566.36
Engineering material		7,802,394.07	29,585,906.85
Intangible assets		3,666,532,332.90	3,707,611,299.90
Long-term prepaid expenses		60,035,098.20	73,013,638.42
Deferred income tax assets		1,486,643,086.06	851,482,708.40
Other non-current assets		323,753,436.68	396,867,364.20
Total non-current assets		112,426,089,628.99	118,792,875,406.88
Total assets		196,431,063,802.92	174,722,276,042.60
Current liabilities:			
Short-term loan		24,822,256,718.66	19,223,563,658.59
Financial liabilities measured at fair value and the change included in current gains and losses		57,873,954.55	
Notes payable		2,395,388,249.49	1,520,322,564.34
Accounts payable		15,401,794,171.53	16,361,219,616.35
Advances from customers		9,911,291,491.64	10,723,769,050.31
Employee benefits payable		1,274,652,358.79	1,102,916,994.13
Taxes payable		3,067,440,325.42	2,040,209,581.28
Interest payable		154,398,115.59	52,052,454.92
Dividends payable			
Other payables		210,447,754.72	484,621,748.19
Liabilities classified as held-for-sale			

Non-current liabilities due within one year			127,713,600.00
Other current liabilities		20,328,179,519.43	10,057,344,262.30
Total current liabilities		77,623,722,659.82	61,693,733,530.41
Non-current liabilities:			
Long term loan			
Bonds payable		7,000,000,000.00	2,000,000,000.00
Long-term payables		81,458,444.00	82,585,917.00
Long-term employee benefits payables		219,451,130.56	219,451,130.56
Special payables		239,350,000.00	239,350,000.00
Estimated liabilities			
Deferred gains		386,448,730.17	376,156,642.05
Deferred income tax liabilities		475,646,200.35	442,584,276.06
Other non-current liabilities			
Total non-current liabilities		8,402,354,505.08	3,360,127,965.67
Total Liabilities		86,026,077,164.90	65,053,861,496.08
Owner's equity:			
Share capital		16,466,927,224.00	16,467,517,524.00
Other equity instruments			
Capital reserve		32,925,592,947.58	32,919,701,968.51
Less: treasury stock		81,458,444.00	82,585,917.00
Other comprehensive income		-53,925,994.95	-66,043,945.35
Special reserves		2,745,091.39	
Surplus reserve		26,516,654,926.34	26,516,654,926.34
Undistributed profit		34,628,450,887.66	33,913,169,990.02
Total owners' equity		110,404,986,638.02	109,668,414,546.52
Total Liabilities and owner's equity		196,431,063,802.92	174,722,276,042.60

Legal representative: Chen Derong Person in charge of accounting work: Wu Kunzong Chief Accountant: Wang Juan

Consolidated Income Statement

January-June 2016

Unit: RMB Yuan

Item	Notes	Current Amount	Amount in previous period
I. Total operating income		78,111,312,078.24	80,943,653,803.99
Of which: Operating income	(V) 52	77,992,799,839.38	80,770,607,226.27
Interest income		112,521,381.10	170,509,030.27
Fee and commission income		5,990,857.76	2,537,547.45
II. Total operating cost		73,307,889,937.47	76,942,236,856.99
Of which: Operating costs	(V) 52	67,070,259,897.26	71,525,369,677.10
Interest expense		102,378,949.81	131,851,881.99
Fee and commission expense		557,596.82	277,606.18
Business tax and surcharges	(V) 53	297,438,733.14	284,322,204.99
Sales expense	(V) 54	1,016,499,666.46	971,497,800.63
Administrative fees	(V) 55	3,361,928,932.63	3,494,140,780.11
Financial expenses	(V) 56	1,156,766,772.37	444,271,811.61
Assets impairment loss	(V) 57	302,059,388.98	90,505,094.38
Plus: Gains form changes in fair value ("-" For loss)	(V) 58	-47,254,658.58	2,213,952.31
Investment income ("-" For loss)	(V) 59	355,850,733.29	424,721,526.37
Including: Investment income from associates and joint ventures		110,983,989.20	85,341,686.87
Exchange gains ("-" For loss)			
III. Operating profit ('-' for loss)		5,112,018,215.48	4,428,352,425.68
Plus: Non-operating income	(V) 60	170,026,365.73	323,907,779.70
Of which: Profit from disposal of non-current assets		20,148,602.92	2,669,489.50
Less: Non-operating expenses	(V) 61	260,092,320.26	353,009,386.71
Of which: Loss from disposal of non-current assets		228,547,391.70	333,224,226.52
IV. Total profit ("-" For total loss)		5,021,952,260.95	4,399,250,818.67
Less: Income tax expense	(V) 62	1,400,543,475.44	1,105,475,169.32
V. Net profit ('-' for net loss)		3,621,408,785.51	3,293,775,649.35
Net profit attributable to the owner of parent company		3,468,482,796.75	3,174,482,235.10
Minority gains and losses		152,925,988.76	119,293,414.25
VI. Net of tax of other comprehensive income	(V) 63	301,817,859.27	-221,258.02
Net of tax of other comprehensive income attributable to the owner of parent company		290,909,358.68	4,151,541.58
(i) Other comprehensive income which cannot be reclassified in gains and losses in subsequent period			
1. Changes in net liabilities and net assets resulting from re-measuring defined benefit plan			
2. Shares enjoyed under equity method in investee's other comprehensive income which cannot be reclassified in gains and losses in subsequent period			
(ii) Other comprehensive income which will be reclassified in gains and losses in subsequent		290,909,358.68	4,151,541.58

period			
1. Shares enjoyed under equity method in investee's other comprehensive income which can be reclassified in gains and losses in subsequent period		13,438,470.45	-584,521.41
2. Gains and losses from change in fair value of financial asset available for sale		61,078,731.37	78,501,400.38
3. Gains and losses from held-to-maturity investment reclassified as financial asset available for sale			
4. Effective part of gains and losses from cash flow hedging			
5. Translation difference of foreign currency financial statements		216,392,156.86	-73,765,337.39
6. Others			
Net of tax of other comprehensive income attributable to minority		10,908,500.59	-4,372,799.60
VII. Total comprehensive income		3,923,226,644.78	3,293,554,391.33
Total comprehensive income attributable to the owner of the parent company		3,759,392,155.43	3,178,633,776.68
Total comprehensive income attributable to minority		163,834,489.35	114,920,614.65
VIII. Earnings per share			
(i) Basic earnings per share		0.21	0.19
(ii) Diluted earnings per share		0.21	0.19

Legal representative: Chen Derong Person in charge of accounting work: Wu Kunzong Chief Accountant: Wang Juan

Income Statement of Parent Company
January-June 2016

Unit: RMB Yuan

Item	Notes	Current Amount	Amount in previous period
I. Operating income	(XV) 4	43,790,531,505.42	46,280,310,366.96
Less: Operating costs	(XV) 4	35,764,237,275.51	40,517,897,173.71
Business tax and surcharges		186,730,845.03	160,929,834.39
Sales expense		303,245,838.57	331,407,910.49
Administrative fees		2,066,467,523.15	2,309,506,302.56
Financial expenses		582,365,534.85	-103,375,774.45
Assets impairment loss		2,539,576,428.19	-74,343,047.05
Plus: Gains form changes in fair value ("-" For loss)		-57,873,954.55	-17,901,082.57
Investment income ("-" For loss)	(XV) 5	164,730,167.58	146,750,794.52
Including: Investment income from associates and joint enterprises		63,852,271.11	46,987,962.65
II. Operating profit ("-" for loss)		2,454,764,273.15	3,267,137,679.26
Plus: Non-operating income		33,672,208.31	240,518,723.67
Including: Profit from disposal of non-current assets			
Less: Non-operating expenses		207,613,501.21	319,861,413.39
Including: Loss from disposal of non-current assets		196,724,001.21	309,300,180.93
III. Total profit ("-" For total loss)		2,280,822,980.25	3,187,794,989.54

Less: Income tax expense		577,526,449.17	711,482,274.75
IV. Net profit ('-' for net loss)		1,703,296,531.08	2,476,312,714.79
V. Net of tax of other comprehensive income		12,117,950.40	-533,447.10
(i) Other comprehensive income which cannot be reclassified in gains and losses in subsequent period			
1. Changes in net liabilities and net assets resulting from re-measuring defined benefit plan			
2. Shares enjoyed under equity method in investee's other comprehensive income which cannot be reclassified in gains and losses in subsequent period			
(ii) Other comprehensive income which will be reclassified in gains and losses in subsequent period		12,117,950.40	-533,447.10
1. Shares enjoyed under equity method in investee's other comprehensive income which can be reclassified in gains and losses in subsequent period		12,117,950.40	-533,447.10
2. Gains and losses from change in fair value of financial asset available for sale			
3. Gains and losses from held-to-maturity investment reclassified as financial asset available for sale			
4. Effective part of gains and losses from cash flow hedging			
5. Translation difference of foreign currency financial statements			
6. Others			
VI. Total comprehensive income		1,715,414,481.48	2,475,779,267.69
VII. Earnings per share			
(i) Basic earnings per share			
(ii) Diluted earnings per share			

Legal representative: Chen Derong Person in charge of accounting work: Wu Kunzong Chief Accountant: Wang Juan

Consolidated Cash Flow Statement

January-June 2016

Unit: RMB

Item	Notes	Current Amount	Amount in previous period
I. Cash flows from operating activities:			
Cash received from sales of goods and rendering services		92,322,857,286.20	92,744,158,908.32
Net increase in customer deposits and due to banks			933,040,295.46
Net increase in borrowings from the central bank		51,078,372.30	82,203,201.81
Net decrease in loans and advances to customers		293,023,720.22	435,535,527.44
Net decrease in deposits in central bank and due to bank		46,045,232.52	173,991,662.41
Net increase in borrowing funds from other financial institutions			
Net increase in disposal of financial assets measured at fair value and the change included in current gains and losses			
Cash received from interest, fees and commissions		120,557,581.84	172,250,619.99
Net increase in borrowing funds			
Net increase in repurchase business funds			
Tax refund		123,078,464.66	84,351,505.46
Other cash received relating to operating activities	(V) 64(1)	872,444,207.84	424,679,995.68
Subtotal of cash inflows from operating activities		93,829,084,865.58	95,050,211,716.57
Cash paid for purchase of goods and acceptance of services		73,004,286,381.62	76,837,136,444.26
Net decrease in borrowing funds from other financial institutions			50,000,000.00
Net decrease in customer deposits and due to banks		3,359,950,118.39	
Net increase in loans and advances to customers			
Net increase in deposits in the central bank and due from banks			
Cash paid for original insurance contract claim			
Cash payment of interest, fees and commissions		109,126,371.03	105,273,085.45
Cash paid for policy dividend			
Cash paid to and on behalf of employees		4,218,758,331.56	4,320,024,897.23
Payments of taxes		3,811,673,159.19	3,166,420,769.29
Net decrease in sales of repurchased financial assets			169,528,930.40
Other cash paid relating to operating activities	(V) 64(2)	1,048,454,660.01	995,243,991.28
Subtotal of cash outflows from operating activities		85,552,249,021.80	85,643,628,117.91
Net cash flow from operating activities	(V) 65(1)	8,276,835,843.78	9,406,583,598.66
II. Cash flow from investing activities:			

Cash received from investment retrieving		21,369,644,604.51	8,174,632,572.93
Cash received from investment income		343,975,111.85	325,638,866.52
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		17,952,417.88	14,746,311.56
Net cash received from disposal of subsidiaries and other business units			-7,641,688.30
Other cash received relating to investing activities	(V) 64(3)	4,914,510,980.67	5,222,971,937.70
Subtotal of cash inflows from investing activities		26,646,083,114.91	13,730,348,000.41
Cash paid for acquisition and construction of fixed assets, intangible assets and other long-term assets		5,832,520,964.90	12,283,658,800.56
Cash paid for Investment	(V) 64(4)	47,813,692,256.28	9,973,304,319.06
Net increase in pledged loans			
Net cash paid by subsidiaries and other business units			
Other cash paid relating to investing activities		124,379,777.46	57,272,019.38
Subtotal of cash outflows from investing activities		53,770,592,998.64	22,314,235,139.00
Net cash flows from investing activities		-27,124,509,883.73	-8,583,887,138.59
III. Cash flow from financing activities:			
Cash received from investors		606,179,874.00	1,089,507,100.00
Including: Cash of subsidiaries received from minority shareholders' investment		606,179,874.00	1,089,507,100.00
Cash received from borrowings		34,073,362,372.04	38,033,716,920.17
Cash received from issuing bonds		15,000,000,000.00	3,440,003,254.14
Other cash received relating to financing activities			
Subtotal of cash inflows from financing activities		49,679,542,246.04	42,563,227,274.31
Cash paid for debt repayment		25,195,148,508.60	34,095,964,771.22
Cash for distribution of dividends, profits or interest payments		2,098,660,338.98	3,796,870,198.70
Where: Dividends, profits paid by subsidiaries to minority shareholders		88,360,990.22	84,973,630.93
Other cash paid for financing activities	(V) 64(5)		1,500,000,000.00
Subtotal of cash outflows from financing activities		27,293,808,847.58	39,392,834,969.92
Net cash flow from financing activities		22,385,733,398.46	3,170,392,304.39
IV. Effect of exchange rate changes on cash and cash equivalents		76,282,468.04	-303,275,238.54
V. Net increase in cash and cash equivalents		3,614,341,826.55	3,689,813,525.92
Plus: opening balance of cash and cash equivalents		9,108,888,292.15	11,291,289,583.07
VI. Ending balance of cash and cash equivalents	(V) 65(2)	12,723,230,118.70	14,981,103,108.99

Legal representative: Chen Derong Person in charge of accounting work: Wu Kunzong Chief Accountant: Wang Juan

Cash Flow Statement of Parent Company
January-June 2016

Unit: RMB Yuan

Item	Notes	Current Amount	Amount in previous period
I. Cash flows from operating activities:			
Cash received from sales of goods and rendering services		46,015,827,932.52	49,123,034,293.28
Tax refund		76,901,697.11	18,657,137.28
Other cash received relating to operating activities		149,524,335.93	74,713,121.51
Subtotal of cash inflows from operating activities		46,242,253,965.56	49,216,404,552.07
Cash paid for purchase of goods and acceptance of services		37,009,097,912.81	38,704,103,586.17
Cash paid to and on behalf of employees		2,514,623,685.03	2,656,211,728.48
Payments of taxes		2,275,643,586.44	1,645,571,785.33
Other cash paid relating to operating activities		155,059,362.38	182,749,005.81
Subtotal of cash outflows from operating activities		41,954,424,546.66	43,188,636,105.79
Net cash flow from operating activities	(XV)7	4,287,829,418.90	6,027,768,446.28
II. Cash flow from investing activities:			
Cash received from investment retrieving		8,800,000,000.00	7,765,500,000.00
Cash received from investment income		174,686,896.47	176,499,267.42
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		12,998,427.72	9,573,911.90
Other cash received relating to investing activities		4,982,830,585.25	5,332,310,316.12
Subtotal of cash inflows from investing activities		13,970,515,909.44	13,283,883,495.44
Cash paid for acquisition and construction of fixed assets, intangible assets and other long-term assets		2,268,044,664.47	2,680,003,987.25
Cash paid for Investment		32,126,553,024.00	7,687,000,000.00
Other cash paid relating to investing activities		121,954,777.46	57,272,019.38
Subtotal of cash outflows from investing activities		34,516,552,465.93	10,424,276,006.63
Net cash flows from investing activities		-20,546,036,556.49	2,859,607,488.81
III. Cash flow from financing activities:			
Cash received from investors			
Cash received from borrowings		29,538,407,383.99	17,350,435,675.83
Cash received from issuing bonds		15,000,000,000.00	
Other cash received relating to financing activities		2,331,076,896.39	
Subtotal of cash inflows from financing activities		46,869,484,280.38	17,350,435,675.83
Cash paid for debt repayment		24,112,122,605.02	16,928,132,212.19
Cash for distribution of dividends, profits or interest payments		1,433,881,878.22	3,141,578,191.16
Other cash paid for financing activities		58,390,700.58	4,776,708,563.40
Subtotal of cash outflows from financing activities		25,604,395,183.82	24,846,418,966.75
Net cash flow from financing activities		21,265,089,096.56	-7,495,983,290.92
IV. Effect of exchange rate changes on cash and cash equivalents		-29,928,493.36	-139,993,829.79
V. Net increase in cash and cash equivalents		4,976,953,465.61	1,251,398,814.38
Plus: opening balance of cash and cash equivalents		2,609,809,152.05	6,283,129,815.02
VI. Ending balance of cash and cash equivalents		7,586,762,617.66	7,534,528,629.40

Legal representative: Chen Derong Person in charge of accounting work: Wu Kunzong Chief Accountant: Wang Juan

Consolidated Statement of Changes in Owners' Equity
January-June 2016

Unit: RMB Yuan

Item	In the period									Minority shareholders' equity	Total owners' equity
	Owners' Equity Attributable to Parent Company							Undistributed profit			
	Capital stock	Capital reserve	Less: Treasury share	Other comprehensive income	Special reserves	Surplus reserves	Generic Risk Reserve				
I. Ending balance of previous year	16,467,517,524.00	33,739,882,090.62	82,585,917.00	-997,587,960.09	10,915,599.63	26,516,654,926.34		37,148,447,581.69	9,343,181,076.15	122,146,424,921.34	
Plus: Changes in accounting policies											
Error corrections of the last period											
Corporate merge under the same control											
Others											
II. Beginning balance of current period	16,467,517,524.00	33,739,882,090.62	82,585,917.00	-997,587,960.09	10,915,599.63	26,516,654,926.34		37,148,447,581.69	9,343,181,076.15	122,146,424,921.34	
III. Amount changes of current period ("-" for loss)	-590,300.00	36,130,650.92	-1,127,473.00	290,909,358.68	13,650,123.84			2,480,467,163.31	718,470,026.87	3,540,164,496.62	
(i) Total comprehensive income				290,909,358.68				3,468,482,796.75	163,834,489.35	3,923,226,644.78	
(ii) Shareholders' contribution and reduction in capital	-590,300.00	6,451,348.29	-1,127,473.00						642,996,527.74	649,985,049.03	
1. Common shares from shareholders	-590,300.00	-537,173.00							642,487,561.41	641,360,088.41	
2. Capital from holders of other equity instruments											
3. Amount of share payment calculated in owners' equity		6,458,780.82							-	6,458,780.82	
4. Others		529,740.47	-1,127,473.00						508,966.33	2,166,179.80	
(III) Profit distribution								-988,015,633.44	-88,360,990.22	-1,076,376,623.66	
1. Withdrawal of surplus reserves											
2. Withdrawal of general risk reserves											
3. Distribution to owners (or shareholders)								-988,015,633.44	-88,360,990.22	-1,076,376,623.66	
4. Others											
(IV). Internal carry-over of owners' equity											
1. Capital reserves capitalization (or capital stock)											
2. Surplus reserves capitalization (or capital stock)											
3. Remedying loss with surplus reserves											
4. Others											
(V). Special reserves					13,650,123.84					13,650,123.84	
1. Current withdrawal					132,955,539.51				3,421,735.85	136,377,275.36	
2. Current use					119,305,415.67				3,421,735.85	122,727,151.52	
(VI). Others		29,679,302.63								29,679,302.63	
IV. Current ending balance	16,466,927,224.00	33,776,012,741.54	81,458,444.00	-706,678,601.41	24,565,723.47	26,516,654,926.34		39,628,914,745.00	10,061,651,103.02	125,686,589,417.96	

2016 Semi-annual Report

Item	Last period									Total owners' equity
	Owners' equity attributable to the parent company								Minority shareholders' equity	
	Capital stock	Capital reserve	Less: Treasury share	Other Comprehensive Income	Special reserves	Surplus reserves	Generic Risk Reserve	Undistributed profit		
I. Ending balance of previous year	16,471,026,024.00	33,253,945,989.75	89,287,152.00	-1,004,817,797.37	10,040,556.78	25,851,173,391.46	-	39,765,842,085.69	9,946,903,048.40	124,204,826,146.71
Plus: Changes in accounting policies										
Corrections of the last period errors										
Corporate merge under the same control										
Others										
II. Beginning balance of current period	16,471,026,024.00	33,253,945,989.75	89,287,152.00	-1,004,817,797.37	10,040,556.78	25,851,173,391.46	-	39,765,842,085.69	9,946,903,048.40	124,204,826,146.71
III. Amount changes of current period ("-" for loss)	-3,508,500.00	485,936,100.87	-6,701,235.00	7,229,837.28	875,042.85	665,481,534.88	-	-2,617,394,504.00	-603,721,972.25	-2,058,401,225.37
(i) Total Comprehensive income				7,229,837.28				1,012,871,715.20	-304,653,554.20	715,447,998.28
(ii) Shareholders' contribution and reduction in capital	-3,508,500.00	484,519,058.09	-6,701,235.00						249,859,125.98	737,570,919.07
1.Common shares from shareholders	-3,508,500.00	496,407,144.48							2,237,789,781	2,730,688,425.85
2.Capital from holders of other equity instruments										
3.Amount of share payment calculated in owners' equity		4,435,727.42								4,435,727.42
4. Others			-6,701,235.00						-471,256,551.39	-464,555,316.39
5. Purchase of minority equity of subsidiaries		-16,323,813.81							-1,516,674,104.00	-1,532,997,917.81
(III) Profit distribution						665,481,534.88		-3,630,266,219.20	-548,817,572.92	-3,513,602,257.24
1. Withdrawal of surplus reserves						665,481,534.88		-665,481,534.88		
2. Withdrawal of general risk reserves										
3. Distribution to owners (or shareholders)								-2,964,784,684.32	-548,817,572.92	-3,513,602,257.24
4. Others										
(IV). Internal carry-over of owners' equity										
1. Capital reserves capitalization (or capital stock)										
2. Surplus reserves capitalization (or capital stock)										
3. Remedying loss with surplus reserves										
4.Others										
(V). Special reserves					875,042.85				-109,971.11	765,071.74
1. Current withdrawal					479,597,276.10				7,121.35	479,604,397.45
2. Current use					478,722,233.25				117,092.46	478,839,325.71
(VI). Others		1,417,042.78								1,417,042.78
IV. Current ending balance	16,467,517,524.00	33,739,882,090.62	82,585,917.00	-997,587,960.09	10,915,599.63	26,516,654,926.34	-	37,148,447,581.69	9,343,181,076.15	122,146,424,921.34

Legal representative: Chen Derong Person in charge of accounting work: Wu Kunzong Chief Accountant: Wang Juan

Statement of Changes in Owners' Equity of Parent Company
January-June 2016

Unit: RMB Yuan

Item	Current period							
	Capital stock	Capital reserve	Less: Treasury share	Other Comprehensive Income	Special reserves	Surplus reserves	Undistributed profit	Total owners' equity
I. Ending balance of previous year	16,467,517,524.00	32,919,701,968.51	82,585,917.00	-66,043,945.35		26,516,654,926.34	33,913,169,990.02	109,668,414,546.52
Plus: Changes in accounting policies								
Error corrections of the last period								
Others								
II. Beginning balance of current period	16,467,517,524.00	32,919,701,968.51	82,585,917.00	-66,043,945.35		26,516,654,926.34	33,913,169,990.02	109,668,414,546.52
III. Amount changes of current period ("-" for loss)	-590,300.00	5,890,979.07	-1,127,473.00	12,117,950.40	2,745,091.39		715,280,897.64	736,572,091.50
(i) Total Comprehensive Income				12,117,950.40			1,703,296,531.08	1,715,414,481.48
(ii) Shareholders' contribution and reduction in capital	-590,300.00	5,921,607.82	-1,127,473.00					6,458,780.82
1. Common shares from shareholders	-590,300.00	-537,173.00						-1,127,473.00
2. Capital from holders of other equity instruments								
3. Amount of share payment calculated in owners' equity		6,458,780.82						6,458,780.82
4. Others			-1,127,473.00					1,127,473.00
(III) Profit distribution							-988,015,633.44	-988,015,633.44
1. Withdrawal of surplus reserves								
2. Distribution to owners (or shareholders)							-988,015,633.44	-988,015,633.44
3. Others								
(IV) Internal carry-over of owners' equity								
1. Capital reserves capitalization (or capital stock)								
2. Surplus reserves capitalization (or capital stock)								
3. Remedying loss with surplus reserves								
4. Others								
(V) Special reserves					2,745,091.39			2,745,091.39
1. Current withdrawal					101,108,800.46			101,108,800.46
2. Current use					98,363,709.07			98,363,709.07
(VI) Others		-30,628.75						-30,628.75
IV. Current ending balance	16,466,927,224.00	32,925,592,947.58	81,458,444.00	-53,925,994.95	2,745,091.39	26,516,654,926.34	34,628,450,887.66	110,404,986,638.02

2016 Semi-annual Report

Item	Previous period							
	Capital stock	Capital reserve	Less: Treasury share	Other Comprehensive Income	Special reserves	Surplus reserves	Undistributed profit	Total owners' equity
I. Ending balance of previous year	16,471,026,024.00	32,759,853,588.96	89,287,152.00	-102,586,048.25		25,851,173,391.46	34,216,028,534.80	109,106,208,338.97
Plus: Changes in accounting policies								
Error corrections of the last period								
Others								
II. Beginning balance of current period	16,471,026,024.00	32,759,853,588.96	89,287,152.00	-102,586,048.25		25,851,173,391.46	34,216,028,534.80	109,106,208,338.97
III. Amount changes of current period ("-" for loss)	-3,508,500.00	159,848,379.55	-6,701,235.00	36,542,102.90		665,481,534.88	-302,858,544.78	562,206,207.55
(i) Total comprehensive income				36,542,102.90			3,327,407,674.42	3,363,949,777.32
(ii) Shareholders' contribution and reduction in capital	-3,508,500.00	158,334,461.77	-6,701,235.00					161,527,196.77
1. Common shares from shareholders	-3,508,500.00	153,898,734.35						150,390,234.35
2. Capital from holders of other equity instruments								
3. Amount of share payment calculated in owners' equity		4,435,727.42						4,435,727.42
4. Others			-6,701,235.00					6,701,235.00
(III) Profit distribution						665,481,534.88	-3,630,266,219.20	-2,964,784,684.32
1. Withdrawal of surplus reserves						665,481,534.88	-665,481,534.88	
2. Distribution to owners (or shareholders)							-2,964,784,684.32	-2,964,784,684.32
3. Others								
(IV). Internal carry-over of owners' equity								
1. Capital reserves capitalization (or capital stock)								
2. Surplus reserves capitalization (or capital stock)								
3. Remedying loss with surplus reserves								
4. Others								
(V). Special reserves								
1. Current withdrawal					352,081,511.46			352,081,511.46
2. Current use					352,081,511.46			352,081,511.46
(VI). Others		1,513,917.78						1,513,917.78
IV. Current ending balance	16,467,517,524.00	32,919,701,968.51	82,585,917.00	-66,043,945.35		26,516,654,926.34	33,913,169,990.02	109,668,414,546.52

Legal representative: Chen Derong Person in charge of accounting work: Wu Kunzong Chief Accountant: Wang Juan

I. Company Profile

1. Company Profile

Baoshan Iron & Steel Co., Ltd. (hereinafter referred to as "the Company") is a limited liability company registered in the territory of China in accordance with the laws of the People's Republic of China (hereinafter referred to as "China"). As per the GJMQG [1999] No. 1266 document issued by the State Economic and Trade Commission of China, the Company was founded solely by Baosteel Group Corporation (originally called "Shanghai Baosteel Group Corporation" and hereinafter referred to as "Baosteel Group"), and was officially registered in Shanghai on February 3, 2000, with Unified Social Credit Code of 91310000631696382C.

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 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 RMB 1 each and an offer price of RMB 4.18 by means of on-line stock exchange listing coupled with off-line rationed subscription, from November 6 to 24, 2000, in compliance with the approval document No. [2000] 140 issued by China Securities Regulatory Commission (the "CSRC").

Following the approval provided in the approval document No. [2005]15 issued by the CSRC on April 13, 2005, April during 21 to 26, 2005, the Company issued five billion shares (A-shares) with a par value of RMB 1 each and an offer price of RMB 5.12 per share, including three billion state-owned shares to Baosteel Group and two billion to the general public, with the latter on a combinatory basis of preferential claiming, pro-rata and on-line and off-line bidding inquiry.

As per the Doc. No.[2008] 739 by the CSRC on May 17, 2008, the Company issued RMB 10 billion 6-year convertible loan notes featuring the separation between liability and conversion option components on June 20, 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 on-line applicants. The notes were issued based on the face value, which was RMB 100 per share. The dividend was paid once a year and the principal was returned once and for all when it is 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 RMB 12.50 per stock. The liability and conversion option components were listed and traded on Shanghai Stock Exchange on 4 July 2008. Dividends were paid on May 24, 2010. The exercise price was then adjusted to RMB 11.80 per stock due to dividend. The exercising period was the trading days from June 28 to July 3, 2010. A total of 113,785 components were successfully exercised before the stock market closed on July 2, 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 for Repurchasing Shares of the Company Through Centralized Bidding", "The Creditors' Notice About Repurchasing Shares of Baoshan Iron & Steel Co., Ltd.", "The Resolution of the Second Temporary Shareholders' Meeting of Baoshan Iron & Steel Co., Ltd. in 2012" and the Company's revised Articles of Association, the Company repurchased A-shares on Shanghai Stock Exchange through centralized bidding with a price no more than RMB 5 per share and an amount no more than RMB 5 billion in total. The first repurchase began on September 21, 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 by RMB 0.39 billion and finished all procedures with China Securities Depository and Clearing Corporation Limited., Shanghai Branch on December 20, 2012. The Company renewed all commercial registration on December 31, 2012, and the updated registered share capital is RMB 17,122,048,088.00 as of December 31, 2012.

In 2013 the Company has repurchased 626,267,656 shares, and completed the implementation of the repurchase scheme. In accordance with the resolution of the general shareholders' meeting of the Company and the regulations of the revised Articles of Association, the Company has applied for the decrease of the capital by 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 May 23, 2013. The Company completed the procedure on the industrial and commercial registration on June 24, 2013, and the updated registered share capital is RMB 16,471,724,924.

The Company's shares have been decreased by 698,900 in 2014 due to repurchasing restricted stock failing to reach the release conditions. The Company completed the change procedures with industrial and

commercial administration on December 31, 2014 with registered capital and capital stock of RMB 16,471,026,024 after change.

The Company's shares have been decreased by 3,508,500 due to repurchasing restricted stock failing to reach the release conditions. The Company completed the change procedures with industrial and commercial administration on March 21, 2016 with registered capital and capital stock of RMB 16,467,517,524 after change.

The Company's shares have decreased by 590,300 due to repurchasing restricted stock failing to reach the release conditions during the reporting period, and please see note (V) 45 for the details.

By the end of reporting period, the Company's registered capital and share capital have reached 16,466,927,224 Yuan. Among which, there are 16,424,278,824 RMB common shares without restricted conditions for sale, and Baosteel Group holds 13,130,265,267 shares, with shareholding ratio of 79.74%.

The business scope of the Company: iron and steel smelting and processing, power generation, coal, industrial gas production, port terminals, warehousing, transportation and other business relating to iron & steel, as well as technology development, technology transfer, technical service, technical management consultation service, automobile maintenance/repair, exporting self-made products and technologies, importing raw/auxiliary materials, instruments, mechanical equipment, fittings and technologies necessary for production and scientific research of the Company (other than those commodities and technologies permitted to be solely dealt by the companies designated by the State, and those prohibited by the State for import/export), processing imported materials, processing and assembly with supplied materials and parts or compensation trade. The Company is mainly engaged in the manufacture and sales of iron & steel products, as well as sales and service of by-products arising from the production and sales of iron & steel products.

The parent company of the Company is Baosteel Group which is a state-owned enterprise supervised by the State-owned Assets Supervision and Administration Commission of the State Council.

The Company and its subsidiaries are hereinafter referred to as "the Group".

The Company's consolidated financial statement has been approved by the Company's Board of Directors on August 30, 2016.

2. Scope of Consolidated Financial Statement

For details of the scope of consolidated financial statement this year please see Note (VII) "Rights and interests in other subjects".

II. Basis for Preparation of Financial Statements

1. Basis for Preparation

The financial statement is prepared based on the going-concern assumption.

The Group implements the Accounting Standards for Business Enterprises ("ASBE") promulgated by the Ministry of Finance and the relevant regulations. 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 Statement (Revised in 2014).

2. Going-concern

The group conducts the evaluation on the going-concern ability of 12 months from June 30, 2015, and does not find matters and situations producing significant doubt about the going-concern ability. Therefore, the financial statement is prepared based on the going-concern assumption.

III. Important Accounting Policies and Accounting Estimates

The specific accounting policies and accounting estimates tip:

The following disclosure content has covered the specific accounting policies and accounting estimates made by the Company according to the actual production and operation characteristics.

1. Statement of Compliance with the ASBE

The financial statements of the Company have been prepared in accordance with ASBE, and present truly and completely, the Company's financial position, results of operations, changes in equity of shareholders and cash flows.

2. Accounting Period

The Group has adopted the calendar year as its accounting year, i.e. from 1 January to 31 December of each year.

3. Operating Cycle

Operating cycle refers to the period from the enterprise's purchase of the assets for processing to the realization of cash or cash equivalents. The operating cycle of the Company is 12 months.

4. Basis of Accounting and Principle of Measurement

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

Under the historical cost measurement, assets are measured in accordance with the amount of cash or cash equivalent paid during the purchase or the fair value of the consideration paid. Liabilities are measured in accordance with the amount of money or assets received actually for bearing the current obligation, or contract amount for bearing the current obligation, or amount of cash or cash equivalent paid for repaying estimated liabilities during the daily activities.

Fair value is the price market participants selling the asset or paid for transferring the liability during the orderly transaction occurring on the measurement date. Whether the fair value is observable or estimated by adopting the valuation technique, the fair value measured and disclosed in the financial statement shall be determined on this basis. Fair value measurement is divided into three layers based on the observable degree of the input value of fair value and the importance of such input value for the overall fair value measurement:

- First level input refers to the offer of same assets or liabilities achieved on the measurement date and without adjustment in the active market;
- Second level input refers to the directly or indirectly observable input value of relevant assets or liabilities except for the input value of the first level
- Third level input refers to the non-observable value of relevant assets and liabilities.

5. Bookkeeping Base 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 bookkeeping base currency. The Company's foreign subsidiaries choose their bookkeeping base currency on the basis of the primary economic environment in which they operate. The Group adopts RMB to prepare its financial statements.

6. Accounting Treatment Methods Concerning Business Combination Involving Enterprises Under Common Control and not Under Common Control

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

6.1 Business combinations under common control

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 the same parties both before and after the business combination and on which the control is not temporary.

The assets and liabilities that the combining party obtains in a business combination shall be measured on the basis of their book value in the combined party on the combining date. As for the balance between the book value of the net assets obtained by the combining party and the book value of the consideration paid

by it (or the total par value of the shares issued), the share premium of the capital reserve shall be adjusted. If the share premium is not sufficient to be offset, the retained earnings shall be adjusted.

The direct cost for the business combination of the combining party shall be recorded into the profits and losses for the current period.

6.2 Business Combinations not Under Common Control

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

The combination costs shall be the fair values of the assets paid, the liabilities incurred or assumed and the equity securities issued by the acquirer in exchange for the control on the acquisition. For a business combination not involving enterprises under common control realized by two or more transactions of exchange, the combination costs shall be the summation of the consideration paid on the acquisition date and the fair values, on the acquisition date, of the equity of the acquired held before the acquisition date. The intermediary costs for audit, legal services, and evaluation and other related overhead costs shall be recorded into the profits and losses for the current period.

The identifiable assets, liabilities and contingent liabilities which meet the recognition conditions and are obtained by the acquirer from the acquired party shall be measured in light of the fair values.

The acquirer shall recognize the positive balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquired party as business reputation and conduct initial measurement on a cost basis. When there is a negative balance between the combination costs and the fair value of various identifiable net assets it obtains from the acquire, and the acquirer shall reexamine the measurement of the fair values of the identifiable assets, liabilities and contingent liabilities it obtains from the acquired party as well as the combination costs. If, after the reexamination, the combination costs are still less than the fair value of the identifiable net assets it obtains from the acquire, it shall record the balance into the profits and losses of the current period.

7. Preparation Method of Consolidated Financial Statements

7.1 Preparation Method of Consolidated Financial Statements

Consolidation scope of consolidated financial statements shall be determined on the basis of control. Control refers to that the investor has power over the investee, enjoys the variable returns by participating in the relevant activities of the investee, and has the ability to use the power over investee to influence its return amount. Once the changes of relevant facts and circumstances lead to the change of relevant factors involved in the control definition, the Group will conduct the reappraisal.

Subsidiary merger begins from the Group gaining the control of the subsidiary and ends at the Group losing the control of the subsidiary. For the subsidiaries disposed by the Group, operating results and cash flow before the disposal date (date of losing the control) have been properly included in the consolidated income statement and consolidated cash flow statement.

Where a subsidiary has been acquired through a business combination not involving enterprises under common control, the subsidiary's operating results and cash flows after the acquisition date (the date the control is obtained) are appropriately included in the consolidated income statement and the consolidated cash flow statement

For the subsidiary obtained by business combination under the same control or the combined party under the absorption merger, no matter when the business combination occurs at any time point during the reporting period, it shall be deemed as that the subsidiary or the combined party will be included into the consolidation scope of the Group since the date when both are controlled by the final controlling party, and operating results and cash flow obtained from the beginning of the earliest stage of reporting period or from the date of both being controlled by the final controlling party have been properly included in the consolidated income statement and consolidated cash flow statement.

Major accounting policies and accounting periods adopted by the subsidiaries are defined according to the standardized accounting policies and accounting periods established by the Company.

The internal transactions' impact on consolidated financial statements which is between the Company and its subsidiaries or between subsidiaries shall be eliminated on consolidation. The portion of the subsidiary owners' equity that is not attributable to the parent company is treated as minority interests and presented as "minority interests" in the consolidated balance sheet within shareholders' equity. The portion of net profits or losses of subsidiaries for the period attributable to minority interests is presented in the consolidated income statement below the "net profit" line item as "minority interests". When the amount of loss attributable to the minority shareholders of a subsidiary exceeds the minority shareholders portion of

the beginning balance of owners' equity of the subsidiary, the excess amount is still allocated against minority interests.

Changes in a parent company's ownership interest in a subsidiary caused by purchase of minority interests or disposal of part of the investment that do not result in the loss of control are accounted for within equity, and the book value of owners' equity attributable to equity holders of the parent company and minority interests should be adjusted to reflect the changes. The difference between the adjustment of minority interests and the fair value of the consideration paid or received is adjusted to capital reserve. If the capital reserve is insufficient to offset, the adjustment shall be made to the retained earnings.

If the stock equity is obtained from the acquiree by multiple transactions step by step, and business combination not under the same control is finally formed, the handling shall be conducted according to whether it belongs to "package deal". If so, all the transactions shall go through the accounting treatment as the transaction obtaining the control. If not, the transaction shall go through the accounting treatment as the transaction obtaining the control on the purchase date. The stock equity of the acquiree held before the purchase date shall be measured again according to the fair value on the purchase date, and the difference between the fair value and book value shall be included in the current profits and losses. If the stock equity of the acquiree held before the purchase date involves the change of other comprehensive income and other owners' equity under the equity method accounting, these shall be included into the current profit of the purchase date.

If the control of the original subsidiary was lost due to the disposal of part of the equity investment or other reasons, the remaining stock equity shall be measured again according to its fair value on the date of losing control. The difference of the sum of the consideration obtained from the stock equity disposal and fair value of remaining stock equity subtracting the net asset under the continuous calculation of the original subsidiary with the original shareholding ratio since the purchase date shall be included into the current investment income of losing the control and used to offset the goodwill. Other comprehensive income related to the equity investment of the original subsidiary shall be converted as current investment income when the control is lost.

Through two or more transactions until loss of control of the subsidiary, such transactions are a package of transactions if the terms and conditions of such transactions as well as their economic effects meet one or more of the following conditions: (1) such transactions were concluded at the same time or were concluded taking into consideration their mutual impacts; (2) such transactions could not form a complete business result unless taken as a whole; (3) the occurrence of one transaction depended on the occurrence of at least one other transaction; (4) one transaction, when viewed independently, is not economic, but is economic when considered together with other transactions. Where all the transactions intended for disposal of equity investment in a subsidiary until loss of control of the subsidiary are a package of transactions, each transaction will be treated as one intended for disposal of the equity investment in and resulting in loss of control of the subsidiary. The difference between the price of each disposal and the share of the net assets of the subsidiary corresponding to the disposed investment prior to the loss of control is recognized as "Other comprehensive income" and, after loss of the control, will be recorded into the gains and losses for the period in which the control is lost. When all the transactions intended for disposal of equity investment in a subsidiary until loss of control of the subsidiary are not a package of transactions, each transaction will be recorded as an independent transaction.

8. Joint Venture Arrangement Classification and Joint Operation Accounting Treatment Methods

The joint venture arrangement is classified into joint operation and joint venture. Such classification is determined by considering the arrangement structure, legal form and terms of the contract according to the rights enjoyed and obligations borne by the jointly operated party in the joint venture arrangement. Joint operation is the joint venture arrangement of the jointly operated party enjoying the relevant assets and bearing the relevant liabilities of the arrangement. Joint venture is the joint venture arrangement of the jointly operated party only enjoying the rights of net assets of the arrangement. The Group adopts the equity method accounting for the investment of joint venture, and for details please see the Note (III) "14.3.2. Long-term equity investment under equity method accounting".

9. Criteria for Determining Cash and Cash Equivalents

Cash refers to cash on hand and deposit available to pay at any time. Cash equivalent refers to the investment held by the group, with short term, strong liquidity, easy conversion into cash with known amount, and small risk in value change.

10. Foreign Currency Transactions and Translation of Foreign Currency Financial Statements

10.1 Foreign Currency Transactions

At the time of initial recognition, a foreign currency transaction is translated by applying the spot exchange rate at the date of the transaction.

At the balance sheet date, foreign currency monetary items are translated to RMB using the spot exchange rate at that date. Exchange differences arising from the differences between the spot exchange rate prevailing at the balance sheet date and those spot rates used on initial recognition or at the previous balance sheet date are recognized in profit or loss for the current period, except for: (1) exchange differences arising from specific-purpose borrowings in foreign currencies that are eligible for capitalization, which are capitalized during the capitalization period and included in the cost of related assets; and (2) exchange differences arising from hedging instruments for foreign currency risk, which are treated under hedge accounting (3) exchange differences arising from foreign currency non-monetary available-for-sale items i.e. stocks and changes in book value of available-for-sale monetary items other than its unamortized cost, which are treated as other comprehensive income.

Where the Consolidated Financial Statements involve overseas businesses, the exchange differences resulting from fluctuation in exchange rates will be listed into "differences from foreign currency translation" under owner's equities in case of substantial foreign currency monetary items of net overseas investments. And the foreign currency monetary items shall be recorded into current profits and losses when the overseas businesses are disposed.

Foreign currency non-monetary items carried at historical cost continue to be measured at the amounts in functional currency translated using the spot exchange rates at the dates of the transactions; foreign currency non-monetary items carried at fair value are translated using the spot exchange rates at the date when the fair value was determined. Differences between the translated amount and the original amount of functional currency are accounted for as changes in fair value (including changes in foreign exchange rates) and included in profit or loss for the period or capital reserve of shareholders' equity.

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 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 confirmed as other comprehensive income and included in the shareholders' equity.

Cash flows arising from a transaction in foreign currency and the cash flows of an overseas subsidiary are translated at the similar 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 period are presented at the translated amounts in the previous period's financial statements.

11. Financial Instruments

The Group shall recognize a financial asset or a financial liability when the Group becomes a party to a financial instrument contract. When a financial asset or financial liability is recognized initially, the Group shall measure it at its fair value. In the case of a financial asset or financial liability at fair value through profit or loss, transaction costs shall be charged to the profit or loss for the period. For other financial assets or financial liabilities, transaction costs shall be included in their initially 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 group of financial assets or 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 payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net book value 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 any future credit loss). Meanwhile, the calculation of the effective interest rate 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 the following categories: financial assets at fair value through profit or loss (FVTPL), held-to-maturity investments, loans and receivables and

available-for-sale (AFS) financial assets. Financial assets are initially recognized at fair value. All regular purchases or sales of financial assets are recognized and derecognized on a settlement date basis.

11.2.1 Financial Assets at FVTPL

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if: (1) it has been acquired principally for the purpose of selling in the near future; or (2) it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of 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 from an active market) whose fair value cannot be reliably measured.

The financial assets meeting any of the following requirements can be designated, when they are initially recognized, as financial assets or financial liabilities as measured at its fair value and of which the variation is included in the current profits and losses: (1) The designation is able to eliminate or significantly reduce the discrepancies in the recognition or measurement of relevant gains or losses arising from the different basis of measurement of the financial assets or financial liabilities; (2) The official written documents on risk management or investment strategies of the Group have recorded that the combination of said financial assets, the combination of said financial liabilities, or the combination of said financial assets and financial liabilities will be managed and evaluated on the basis of their fair values and be reported to the key management personnel; (3) Qualified mixed instruments, including embedded derivative instruments.

Financial assets at FVTPL are subsequently measured at fair value, with gains or losses arising from changes in fair value as well as dividends and interest income related to such financial assets recognized in profit or loss for the current period.

11.2.2 Held-to-maturity Investments

The term "held-to-maturity investment" refers to a non-derivative financial asset with a fixed date of maturity, a fixed or determinable amount of recoverable price and which the enterprise holds for a definite purpose or the enterprise is able to hold until its maturity.

Investments held until their maturities are subsequently measured at amortized cost using the effective interest method. Gains or losses arising from derecognizing, impairment or amortization are recognized in profit or loss for the current period.

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. The notes receivable, accounts receivable, interests receivable, dividends receivable, other receivables, loans and advances and long-term receivables are included in this category.

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

11.2.4 AFS financial assets

AFS financial assets are those non-derivative financial assets that are designated as available- or-sale, or the financial assets other than the financial assets at FVTPL, loans and receivables and held-to-maturity investments.

AFS financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value (other than impairment losses and foreign exchange gains and losses resulting from foreign currency monetary assets and amortized costs which are recognized in profit or loss for the current period) are recognized as the other comprehensive incomes, transferred out and included in profit or loss for the period when such financial assets are derecognized.

Interest received during the period in which the Group holds the AFS financial assets and cash dividends declared by the invested are recognized as the current profits and losses.

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 which are linked to and must be settled by delivery of such unquoted equity instruments, which shall be measured at cost.

11.3 Impairment of Financial Assets

The Group assesses the book value of all financial assets other than the financial assets which are measured at their fair values and whose variations are recorded into the current profits and losses, at each balance sheet date. If there is objective evidence that financial assets are impaired the Group determines

the amount of any impairment loss. Objective evidence that a financial asset is impaired is evidence arising from one or more events that occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset which can be reliably estimated.

Objective evidences that a financial asset is impaired include evidences that might be observed from the following events:

- (1) Significant financial difficulty of the issuer or obligor;
- (2) A breach of contract, such as a default or delinquency in interest or principal payments;
- (3) The Group, for economic or legal or other reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Group would not otherwise consider;
- (4) It is likely that the borrower will go bankrupt or undergo any other financial restructuring;
- (5) It is impossible to continue trading the financial assets of an issuer in an active market due to its serious financial difficulties;
- (6) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
 - Deteriorating solvency of the debtor of the group of financial assets;
 - Economic conditions in the country or region in which the debtor operates may result in nonpayment of the group of financial assets;
- (7) Significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;
- (8) A significant or prolonged decline in the fair value of an investment in an equity instrument;
- (9) Other objective evidences indicating impairment of a financial asset.
 - Impairment of financial assets measured at amortized cost

If a financial asset measured at amortized cost is impaired, the book value of the financial asset shall be reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The written-down amount shall be recognized as an impairment loss in profit or loss.

If, subsequent to the recognition of an impairment loss on a financial asset measured at amortized cost, there is objective evidence of a recovery in value of the financial asset which can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed and recognized in profit or loss. However, the reversal shall not result in a book value of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed.

The Group will separately perform an impairment test on any financial asset with a significant single amount. With regard to the financial assets with insignificant single amounts, a separate impairment test may be carried out, or they may be included in a combination of financial assets with similar credit risk features so as to carry out an impairment-related test. Where, upon the separate test, the financial asset (including those financial assets with significant single amounts and those with insignificant amounts) has not been impaired, it shall be included in a combination of financial assets with similar risk features so as to conduct another impairment test. The financial assets which have suffered from an impairment loss in any single amount shall not be included in any combination of financial assets with similar risk features for any impairment test.

- Impairment of AFS financial assets

For an investment in an AFS equity instrument, objective evidences of impairment include significant or pro-longed decline of the fair value of the said investment. If the fair value is below the cost of the said investment, it is insufficient to indicate an impairment of it. For an investment in an AFS equity instrument held mainly for the purpose of strategic cooperation and not to be sold due to any temporary change in its share price, analysis shall be performed of the basic operation of the invested entity: impairment occurs if the operation of the invested entity seriously deteriorates with operating revenue decreasing 10% or more for three years in concession or with EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization) decreasing 20% or more for three years in concession; for an investment in an AFS equity instrument held mainly for earning profit from share price, etc., an impairment occurs if the fair value of the said investment on the balance sheet date is over 50% less than its initial investment cost or has been lower than its initial investment cost for more than 24 months in concession.

Where an AFS financial asset is impaired, the accumulative losses arising from the decrease of the fair values which has been originally and directly included in the other comprehensive income shall be transferred out and recorded into the profits and losses of the current period. The accumulative losses that

are transferred out shall be the balance obtained from the initially obtained costs of the sold financial asset after deducting the principals as taken back, the current fair value and the impairment-related losses as was recorded into the profits and losses of the current period. Where any financial asset is recognized as having suffered from any impairment loss, if there is any subsequent objective evidence proving that the value of the said financial asset has been restored, and it is objectively related to the events that occur after such loss is recognized, the impairment-related losses as originally recognized shall be reversed, the reversal of impairment losses of AFS equity instruments is recognized in other comprehensive income, and the impairment losses of AFS debt instruments are recognized in profit or loss for the current period.

- Impairment of financial assets measured at cost

Where an equity instrument investment for which there is no quoted price in the active market and whose fair value cannot be reliably measured, or a derivative financial asset which is connected with the equity instrument and which must be settled by delivering the equity instrument, suffers from any impairment, the gap between the book value of the equity instrument investment or the derivative financial asset and the current value of the future cash flow of similar financial assets capitalized according to the returns ratio of the market at the same time shall be recognized as impairment-related losses and be recorded into the profits and losses of the current period. The impairment loss of financial assets, upon recognition, shall not be reversed.

11.4 Transfer of Financial Assets

The Group derecognizes a financial asset only when: (1) the contractual rights to the cash flows from the financial asset expire; or (2) it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity; or (3) it transfers the financial asset, neither transfers nor retains substantially all the risks and rewards of ownership but has not retained control over the financial asset.

If an enterprise neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, and retains its 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 enterprises 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 derecognizing criteria, the difference between the following two amounts is recognized in profit or loss for the current period: (1) the book value of the financial asset transferred; and (2) the sum of the consideration received from the transfer and any cumulative gain or loss that had been recognized directly in other comprehensive incomes.

If a part of the transferred financial asset qualifies for derecognizing, the book value of the transferred financial asset in its entirety is allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts. In this case, the servicing asset retained is treated as a part that continues to be recognized. The difference between the following two amounts is included in profit or loss for the current period: (1) the book value allocated to the part derecognized; and (2) the sum of the consideration received for the part derecognized and (if the transfer involves an available-for-sale financial asset) any cumulative gain or loss allocated to it that had been recognized directly in equity.

11.5 Classification, Recognition and Measurement of Financial Liabilities

The Group classifies the financial instruments or its components as the financial liabilities or equity instruments during the initial recognition according to the contract terms of the financial instruments and its reflected economic essence rather than only by legal form, and by combining with the definition of financial liabilities and equity instruments.

At initial recognition, financial liabilities are classified as either financial liabilities at fair value through profit or loss (FVTPL) or other financial liabilities.

11.5.1 Financial Liabilities at FVTPL

A financial liability is classified as at FVTPL if it is either held for trading or designated as at FVTPL.

A financial liability is classified as held for trading if: (1) the financial liability is undertaken principally for the purpose of repurchase in the near future; or (2) it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking management by the Group; 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 from an active market) whose fair value cannot be reliably measured.

The financial liabilities meeting any of the following requirements can be designated, when they are initially recognized, as financial liabilities or financial liabilities as measured at its fair value and of which the variation is included in the current profits and losses: (1) The designation is able to eliminate or significantly reduce the discrepancies in the recognition or measurement of relevant gains or losses arising from the different basis of measurement of the financial liabilities; (2) The official written documents on risk management or investment strategies of the Group have recorded that the combination of said financial liabilities or the combination of financial assets and financial liabilities will be managed and evaluated on the basis of their fair values and be reported to the key management personnel; (3) Qualified mixed instruments, including embedded derivative instruments.

Financial liabilities at FVTPL are subsequently measured at fair value, with gains or losses arising from changes in fair value as well as dividends and interest income related to such financial liabilities recognized in profit or loss for the current period.

11.5.2 Other Financial Liabilities

Derivative financial liabilities linked to and which must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be measured reliably is subsequently measured at cost. Other financial liabilities except financial guarantee contract liabilities are subsequently measured at amortized cost using the effective interest method; gains or losses arising from derecognizing or amortization is recognized in profit or loss for the period.

11.6 Derecognizing 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, the Group recognizes the difference between the book value 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 for current period.

11.7 Derivative Instruments and Embedded Derivative Instruments

The derivative financial instruments include forward contracts, interest rate swap contracts and so on. The derivative instruments shall be initially measured at the fair value on the date when the related contracts are signed, and subsequently measured at the fair value. The variation in fair values of the derivative financial instruments shall be included in the current profits and losses.

Where a mixed instrument containing the embedded derivative instrument fails to be designated as a financial asset or financial liability measured at its fair value and of which the variation is included in the current profits and losses; where there is no close relationship between it and the principal contract in terms of economic features and risks; and where it shares the same conditions with that of the embedded derivative instrument, and the independent instrument meets the requirements of the definition of derivative instrument, the embedded derivative instruments shall be separated from the mixed instrument and treated as an independent derivative instrument.

Where it is impossible to make an independent measurement on the acquisition date or subsequent balance sheet date, the mixed instrument shall be designated entirely as a financial asset or financial liability measured at its fair value and of which the variation is included in the current profits and losses.

11.8 Offset of Financial Assets and Financial Liabilities

Financial assets and financial liabilities are presented separately in the balance sheet and are not offset. However, a financial asset and a financial liability is offset and the net amount presented in the balance sheet when both of the following conditions are satisfied: (1) the Group has legal right to set off the recognized amounts and the legal right is currently enforceable; and (2) the Group intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously.

11.9 Equity Instruments

Equity instrument refers to the contract which can prove that the Group has the residual equity of the assets after deducting all liabilities. The Group issues (including refinancing), repurchases, sells, or

cancels the equity instruments as the handling of the equity change. The Group does not confirm the fair value change of the equity instruments. Transaction cost related to the equity transaction shall be deducted from the equity.

The Group conducts the profit distribution for distribution of the holder of equity, and the stock dividend has no effect upon the shareholders' total equity.

11.9.1 Repurchase of Shares

Where the consideration and transaction costs paid for the share repurchase minus shareholder's equity, and the shares of the Company is repurchased, transferred or cancelled, the gains or losses shall not be recognized. The repurchased shares shall, before cancellation or transfer, be controlled as the treasury shares. Total expenditures arising from share repurchase shall be transferred into the treasury share costs. The treasury shares arising from the repurchase ordinary shares repurchased by the Company shall not be involved in the profit distribution of the Company, and shall be presented as provision items of owner's equity in the balance sheet. Where the reduction of capital is made by means of the acquisition of the shares of the Company upon approval in accordance with the legal procedures, the capital shall be reduced on the basis of the total amount of the par value of cancelled shares. The difference between the costs paid for repurchase of shares (including transaction costs) and the par value of shares shall be used to adjust the owner's equity. A portion exceeding the total amount of par value shall be used to offset capital reserves (share premium), surplus reserves and undistributed profits; a portion less than the total amount of par value shall be used to increase the capital reserves (share premium).

11.10 Bond with Warrants

When issuing a bond with warrants, the Group shall determine whether it simultaneously contains the compositions of liabilities and equities in accordance with the provisions. Where the issued bonds with warrants contain both compositions of liabilities and equities, the liabilities composition shall be separated from equities composition at the time of initial recognition, and treated separately. For the separation, the priority shall be given to determine the fair value of the liabilities and to use it as the initially recognized amount. Afterwards, the initially recognized amount of the equities shall be determined by the initially recognized amount of the liabilities deducted from the integral issue price of the bond with warrants. The transaction costs shall be amortized between the composition of liabilities and equities according to their respective fair values. The liabilities composition shall be presented as the liabilities and subsequently measured at the amortized costs until cancelled, converted or redeemed. The equity composition shall be presented as the equities, dispensed with subsequent measurement. Where a subscription right holder fails to exercise the right for a bond with warrants issued by the Group, a part of it originally included in the capital reserves at maturity shall be transferred into the capital reserves (share premiums). Where a subscription right holder exercises the right, a part of it originally included in the capital reserves (other capital reserves) shall be transferred into the capital reserves (share premiums) in light of the amount of the equity composition, included into the capital in light of the total amount of par value of shares and par value of shares calculated by the translated shares, and included into the capital reserve (share premium) on the basis of the difference between the total amount of funds raised by warrants and the share capital.

12. Accounts Receivable

(1) Individually Significant Receivables with Bad Debt Provisions Separately Recognized

Criteria for individually significant receivables	The Group recognizes the accounts receivable of top five clients as the individually significant receivables.
Provision method for individually significant receivables with bad debt provision separately recognized.	An impairment test shall be independently made on the accounts receivable with significant single amounts. Accounts receivable that are not impaired upon independent test shall be included in a combination of financial assets with similar credit risk features so as to carry out an impairment-related test; The accounts receivables which have suffered from an impairment loss shall not be included in any combination of financial assets with similar risk features for any impairment test.

(2) Account Receivables Which Provision Bad Debt Reserves According to Credit Risk Characteristics Combination:

Calculation and withdrawal method of bad debt reserves according to credit risk feature combination (aging analysis, percentage of balance and other methods)	
Account receivables with single amount	The Group shall divide the other receivables except

insignificant and the account receivables which have not been impaired during the single test in spite of significant amount	for the receivables with significant single amount and individual bad debt reserves provision and receivables with bad debt reserves provision in spite of insignificant single amount into the account of the units within the scope of consolidated statement of Baosteel Group and account receivable from others according to the nature of the units receivable, and divide the receivables among two combinations into several aging groups by taking the account age as the credit risk feature. Based on the actual loss ratio of aging group of account receivable which are same or similar, and have the similar credit risk feature to that of the previous years, and combining with the current situation, the Group shall determine the proportion of each aging group with bad debt reserves reserve made, and then calculate the bad debt reserves which shall be provisioned among the receivables of each aging group this year. Among them, receivables of the units within the scope of consolidated statement of Baosteel Group don't provision the bad debt reserves, and for provision proportion of receivables of other parties please see the table below.
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Combination of Bad-debt Provisions Made Using the Aging Analysis Method

Applicable Not applicable

Account age	Percentage of provisions for bad debts of receivables (%)	Percentage of provisions for bad debts of other receivables (%)
Within 1 year (incl. 1 year)	5	5
1-2 years	30	30
2-3 years	60	60
3 years or more	100	100

Combination of Bad-debt Provisions Made Using the Percentage Method

Applicable Not applicable

Combination of Bad-debt Provisions Made Using the Other Methods

Applicable Not applicable

(3) Accounts Receivable with Single Amount Insignificant and Bad-debt Provision Made on a Single Basis:

Cause for bad-debt provision made on a single basis	Existence of objective evidence for occurrence of decrease in value
Method of bad-debt provision	The difference between the estimated revocable amount and book value shall be recognized as the bad-debt provision

13. Inventories

13.1 Classification of Inventories

The Inventories are mainly classified as raw materials, products in process, finished products, spare parts, etc., and are initially measured at the cost. The cost of inventory comprises procurement cost, processing cost, and the expenditures available to enable the inventories to reach the present destination and the condition.

13.2 Measurement of the Cost of Delivered Inventories

Upon the dispatch of inventories, the weighted average cost formula is used to determine the actual cost of inventories dispatched.

13.3 Recognition of the Net Realizable Value

On the balance sheet date, the inventories shall be measured according to the cost or the net realizable value, whichever is lower. When the net realizable value is lower than the cost, the inventory falling price shall be made. The net realizable value refers, in the daily activities, to the amount after deducting the estimated cost of completion, estimated sale expense and relevant taxes from the estimated sale price of inventories. The Group shall determine the net realizable value of inventories based on solid evidence

obtained and after taking into consideration the purpose for which the inventory is held, and the effect of events occurring after the balance sheet date.

For inventories, the excess of cost over the net realizable value is generally recognized as provision for decline in value of inventories on an item-by-item basis.

After provision for decline in value of inventories has been made, if the circumstances that previously caused inventories to be written down no longer exist which results in the net realizable value is higher than the book value, the amount of the write-down is reversed in profit or loss for the current period.

13.4 Stock Counting System of Inventories

The perpetual inventory system is adopted for stock counting

13.5 Amortization Methods of Low-value Consumables and Wrap Pages

Low-value consumables and wrap pages shall be amortized using the writing-off process.

14. Long-term equity investments

14.1 Criteria of Common Control and Significant Influence

Control refers to that the investor has power over the investee, enjoys the variable returns by participating in the relevant activities of the investee, and has the ability to use the power over investee to influence its return amount. Joint control refers to the mutual control of an arrangement in accordance with the relevant agreement, and the related activities of such arrangement can be decided after getting the unanimous consent of participants sharing the control. Significant impact refers to having the power of participating in decision-making of the financial and operating policies of investee, but failing to control or making joint control with other parties over the making of these policies. When determining whether to conduct the control or exert significant impact on the invested unit, potential voting right factors held by the investors and other parties such as current convertible bond and current executable warrant of the invested unit have been considered.

14.2 Determination of Initial Investment Cost

For the long-term equity investment obtained from the business combination under the same control, the share of the combined party's owners' equity in the book value of consolidated financial statement of the final controlling party on the combining date shall be taken as the initial investment cost of long-term equity investment. Difference among the initial investment cost of long-term equity investment and the cash paid, non-cash asset transferred as well as book value of incurred liability is used to adjust the capital reserves. If the capital reserves are insufficient for writing down, the retained earnings shall be adjusted. If taking the issuance of equity securities as the combination consideration, the share of the combined party's owners' equity in the book value of consolidated financial statement of the final controlling party on the combining date shall be taken as the initial investment cost of long-term equity investment, total par value of the issued shares shall be taken as the capital stock, and difference between the initial investment cost of long-term equity investment and the total par value of the issued shares shall be used to adjust the capital reserves. If the capital reserves are insufficient for writing down, the retained earnings shall be adjusted. If the stock equity is obtained from the acquire under the same control by multiple transactions step by step, and business combination under the same control is finally formed, the handling shall be conducted according to whether it belongs to "package deal". If so, all the transactions shall go through the accounting treatment as the transaction obtaining the control. If not, the enjoyed share of book value of the combined party's owners' equity in the consolidated financial statement of the final controlling party on the combining date shall be taken as the initial investment cost of long-term equity investment. Difference between the initial investment cost of long-term equity investment and the sum of book value of long-term equity investment before the combination and the book value of newly paid consideration for getting more shares is used to adjust the capital reserves. If the capital reserves are insufficient for writing down, the retained earnings shall be adjusted. Equity investment adopting equity method accounting before the combining date or other comprehensive income confirmed for available-for-sale financial assets will not undergo the accounting treatment temporarily.

For the long-term equity investment obtained from the business combination not under the same control, the combined cost on the purchase date shall be taken as the initial investment cost of long-term equity investment. If the stock equity is obtained from the acquiree by multiple transactions step by step, and business combination not under the same control is finally formed, the handling shall be conducted according to whether it belongs to "package deal". If so, all the transactions shall undergo the accounting treatment as the transaction obtaining the control. If not, the sum of book value of equity investment originally held in the acquiree and the new investment cost shall be taken as the initial investment cost of long-term equity investment under cost method accounting. If the original stock equity adopts the equity method accounting, other comprehensive income shall not undergo the accounting treatment. If the original equity investment is the available-for-sale financial assets, the difference between fair value and

book value, as well as the cumulative fair value change included into the other comprehensive income shall be transferred to the current profits and losses.

Audit fee, legal service fee, assessment consultation fee and other agency fees as well as other related management fees brought by the combining party or the purchaser for business combination shall be included in the current profits and losses during their occurrence.

Except for those formed by business combination, long-term equity investment obtained by other forms shall go through the initial measurement according to the cost. The cost of long-term equity investment which has significant impact upon the invested unit or implements joint control but does not constitute the control shall be the sum of new investment cost and fair value of the original equity investment determined by Accounting Standard for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments.

14.3 Subsequent Measurement and Recognition of Profit and Loss

14.3.1 Long-term Equity Investment Using the Cost Method

The Company's financial statement adopts the cost method for the accounting of the long-term equity investment in the subsidiary. The subsidiary is the invested entity over which the Group can implement the control.

Long-term equity investment accounted by cost method shall be valued according to the initial investment cost. Adding or retrieving investment is to adjust the cost of long-term equity investment. The current investment income shall be confirmed according to the cash dividends or profits declared by the invested unit to issue.

14.3.2 Long-term Equity Investment Using the Equity Method

The Group adopts the equity method for the accounting of the investment in associated enterprises and joint ventures. Associated enterprise is the invested unit upon which the Group can have significant impact, and joint venture is the joint venture arrangement in which the Group only enjoy the right of the net assets of such arrangement.

When the calculation is performed using the equity method, if the initial cost of a long-term equity investment is more than the investor's attributable share of the fair value of the investee's identifiable net assets for the investment, the initial cost of the long-term equity investment may not be adjusted; if the initial cost of a long-term equity investment is less than the investing enterprise' attributable share of the fair value of the investee's identifiable net assets for the investment, the difference shall be included in the current profits and losses and the cost of the long-term equity investment shall be adjusted simultaneously.

When equity method accounting is adopted, investment income and other comprehensive income shall be confirmed respectively according to the share of net profit or loss and other comprehensive income achieved by the invested unit which shall be enjoyed or shared, and the book value of the long-term equity investment shall be adjusted. Based on the profit or cash dividend declared by the invested unit to distribute, calculate the share which should be enjoyed to accordingly reduce book value of the long-term equity investment. For other changes of owners' equity of the invested unit except for the net profits and losses, other comprehensive incomes and profit distribution, book value of the long-term equity investment shall be adjusted and included into the capital reserves. When confirming the enjoyed share of net profits or losses of the invested unit, the net profit of the invested unit shall be adjusted and then confirmed on the basis of the fair value of all identifiable assets of the invested unit when obtaining the investment. If the accounting policy and accounting period of the invested unit are not consistent with those of the Company, the financial statement of the invested unit shall be adjusted according to the accounting policy and accounting period of the Company, and investment income and other comprehensive income shall be confirmed on this basis. For the transactions between the Group and associated enterprises and joint ventures, if the assets invested or sold fail to constitute a business, the part of unrealized gains or losses through internal transaction belonging to the Group and calculated according to the shared proportion shall be offset, and the profit and loss on investments shall be confirmed on this basis. If the unrealized losses on internal transaction between the Group and the invested unit belong to the loss from asset devaluation, these shall not be offset.

The Group's share of net losses of the invested is recognized to the extent that the carrying amount of the long-term equity investment together with any long-term interests that substantially form part of the investors net investment in the invested are reduced to zero. If the Group has to assume additional obligations, the estimated obligation assumed is provided for and charged to the profit or loss as investment loss for the period. Where the invested realizes net profits in subsequent periods, the Group resumes recognizing its share of profits after setting off profits against the unrecognized share of losses.

14.4 Disposal of a Long-term Equity Investment

During the disposal of long-term equity investment, the difference between its book value and actually acquired money shall be included in the current profits and losses. For long-term equity investment accounted with the equity method, if the remaining stock equity after the disposal still adopts the equity method for accounting, other comprehensive income originally confirmed by equity method accounting shall adopt the same basis with the direct disposal of related assets and liabilities of the invested unit to go through the accounting treatment and shall be carried over to the current profits and losses with the corresponding rate. The owners' equity confirmed by the investee due to the change of other owners' equity except for the net profit and loss, other comprehensive income and profit distribution shall be carried over to the current profits and losses with the corresponding rate.

For long-term equity investment accounted by cost method, if the remaining stock equity after the disposal still adopts the cost method for accounting, other comprehensive income confirmed due to adopting equity method accounting or recognition and measurement standards of financial instruments before the Group obtains the control of the invested unit shall adopt the same basis with the direct disposal of related assets and liabilities of the invested unit to go through the accounting treatment and shall be carried over to the current profits and losses with the corresponding rate. Other owners' equity changes in net asset of investee confirmed by equity method accounting except for the net profit and loss, other comprehensive income and profit distribution shall be carried over to the current profits and losses with the corresponding rate.

Because the Group loses the control of the invested unit due to the disposal of part of equity investment, when making the individual financial statements, if the remaining stock equity after the disposal can implement joint control over or have significant impact on the invested unit, the equity method for accounting shall be adopted, and the remaining stock equity shall be adjusted as acquired with the equity method accounting. If the remaining stock equity after the disposal cannot implement joint control over or have significant impact on the invested unit, accounting treatment shall be conducted according to relevant provisions of the financial instruments confirmation and measurement standard, and the difference between the fair value and the book value on the date of losing control shall be included in the current profits and losses. Other comprehensive income confirmed due to adopting equity method accounting or financial instruments confirmation and measurement standard before the Group obtains the control of the invested unit shall adopt the same basis with the direct disposal of related assets and liabilities of the invested unit for accounting treatment when the Group loses the control of the invested unit, and other owners' equity changes in net asset of investee confirmed by equity method accounting except for the net profit and loss, other comprehensive income and profit distribution shall be carried over to the current profits and losses when the Group loses the control of the invested unit. Among them, if the remaining stock equity after the disposal adopts the equity method accounting, other comprehensive income and other ownership interest shall be carried over with the corresponding rate. If the remaining stock equity after the disposal adopts the accounting treatment according to the financial instruments confirmation and measurement standard, other comprehensive income and other owners' equity shall be carried over in full.

If the Group loses the joint control over and significant impact on the invested unit due to the disposal of part of equity investment, remaining stock equity after the disposal shall be accounted by financial instruments confirmation and measurement standard, and the difference between the fair value and the book value on the date of losing joint control or significant impact shall be included in the current profits and losses. Other comprehensive income from the original equity investment confirmed due to adopting equity method accounting shall adopt the same basis with the direct disposal of related assets and liabilities of the invested unit for accounting treatment when the equity method accounting is not used any longer, and owners' equity confirmed due to the change of other owners' equity except for the net profit and loss, other comprehensive income and profit distribution shall be transferred to the current investment income when the equity method accounting is not used any longer.

The Group conducts the disposal of subsidiary's stock equity step by step through multiple transaction until lose the control, and if the above transaction belongs to the package deal, accounting treatment should be conducted which take each transaction as the transaction of disposing the subsidiary's stock equity and losing the control, and the difference between the disposal money and the book value of corresponding long-term equity investment before losing the control shall first be recognized as other comprehensive income, and then transferred to the current profits and losses when the control is lost.

15. Investment Property

(1) Investment Property Measured at Cost:

Depreciation or Amortization Method

Investment property means a property held to earn rentals or for capital appreciation or both, comprising a tenure that is leased out, a building that is leased out, etc.

An investment property shall be initially measured at cost. Subsequent expenditures incurred on an investment property are recognized as cost of the investment property only when: 1) it is probable that economic benefits associated with the investment property will flow to the Group; and 2) the cost of the investment property can be measured reliably. Subsequent expenditures that fail to meet such recognition criteria are recognized in profit or loss in the period in which they are incurred.

The Group uses the cost model for subsequent measurement of an investment property, and adopts the depreciation or amortization policy consistent with that applicable to buildings or tenure.

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

16. Fixed Assets

(1) Conditions for Recognition

Fixed assets mean tangible assets that are held for the sake of producing commodities, rendering labor service, renting or business management, with their useful life in excess of one fiscal year. No fixed asset may be recognized unless it simultaneously meets the conditions as follows: the economic benefits pertinent to the fixed asset are likely to flow into the enterprise; and the cost of the fixed asset can be measured reliably. A fixed asset shall be initially measured at cost.

Subsequent expenditures incurred for a fixed asset that meet the recognition criteria mentioned in the previous paragraph shall be included in the cost of the fixed asset, and the book value of the replaced portions shall be derecognized. Subsequent expenditures that fail to meet the recognition criteria mentioned in the previous paragraph shall be recognized in profit or loss in the period in which they are incurred.

(2) Depreciation Method

Depreciation is provided to write off the cost of each category of fixed assets over their estimated useful lives from the month after they are brought to working condition for the intended use, using the straight-line method. The useful lives, estimated net residual values rates and annual depreciation rates of each class of fixed assets are as follows:

Category of Fixed Assets	Depreciation method	Depreciable Life (Years)	Residual Value (%)	Annual Depreciation (%)
Houses and buildings	Straight-line	15-35	4	2.7-6.4
Machinery equipment	Straight-line	7-15	4	6.4-13.7
Transportation facilities	Straight-line	5-10	4	9.6-19.2
Office facilities and other facilities	Straight-line	4-9	4	10.7-24.0

Estimated net residual value of a fixed asset means 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.

(3) Other notes

A fixed asset shall be derecognized on disposal or when no future economic benefits are expected from its use or disposal. When a fixed asset is sold, transferred, discarded or damaged, the book value and relevant taxes shall be deducted from the disposal income arising from the sales, transfer, discard or damage of fixed assets and the difference shall be included in the current profits and losses.

The Group shall review the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least at the end of each financial year. A change in the useful life or estimated net residual value of a fixed asset or the depreciation method used shall be accounted for as a change in an accounting estimate.

17. Construction in Progress

The cost of construction in progress shall be determined at the actual cost, including the expenditure actually incurred for the construction, borrowing costs capitalized before the project reaches the working condition for its intended use and other related expenses. Construction in progress is not subject to depreciation and is carried over to fixed assets when it is ready for its intended use.

18. Borrowing Costs

For borrowing costs that are directly attributable to the acquisition, construction or production of a qualified asset, capitalization of such borrowing costs can commence only when all of the following conditions are satisfied: (1) expenditures for the asset have already been incurred; (2) borrowing costs have already been incurred; and (3) 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 already commenced. Capitalization of such borrowing costs ceases when the qualified assets acquired, constructed or produced become ready for their intended use or sale. The amount of any other borrowing cost incurred is recognized as an expense in the period in which it is incurred.

Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. Where funds are borrowed under general-purpose borrowings, the amount of interest to be capitalized on such borrowings is determined by applying a capitalization rate to the weighted average of the excess amounts of cumulative expenditure on the asset over and above 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**(1) Cost Measurement, Useful Life and Impairment Test**

Intangible assets include tenure, software, etc.

The intangible assets shall be initially measured at cost. An intangible asset with a definite service life shall be, on an average basis, amortized using the straight-line method over its service life when the asset is available for use with its original cost less any accumulated impairment losses. An intangible asset with an indefinite service life shall not be amortized.

Amortization method, useful life and estimated net residual values of various intangible assets are as follow:

Category	Amortization method	Useful life (Year)	Residual values rates (%)
Land use rights	Straight-line	40-70	0%
Software	Straight-line	5	0%
Others	Straight-line	3-50	0%

At the end of the period, the service life and amortization method of intangible assets with a definite service life shall be rechecked, and adjusted when necessary.

(2) Accounting Policies for Expenditures on Research and Development

The expenditures on research and development shall be recorded into the profits and losses of the current period when they occur.

Expenditures incurred during the development phase shall be recognized as an intangible asset only when they meet the following conditions simultaneously and shall be recognized in profits or losses for the period in which they are incurred if they fail to meet such following conditions simultaneously:

- 1) It is technically feasible to complete the intangible asset and make it ready for use or sale;
- 2) There is an intention to complete the intangible asset and use or sell it;
- 3) There exist the means by which the intangible asset can produce economic benefits, including the evidence of a market for any product produced using this intangible asset or for the intangible asset itself; where the intangible asset is intended for internal use, there exists the evidence of its usability;
- 4) Sufficient technical, financial and other resources available to support and finish the development of the intangible asset and use or sell it;
- 5) Research and development expenditures attributable to this intangible asset can be reliably measured.

If it is impossible to differentiate between the expenditures on the research phase and the expenditures on the development phase, all expenditures incurred during the research and development phases shall be recorded into the profit and losses of the current period.

20. Long-term Assets Impairment

The Group shall check whether the long-term equity investment, investment real estate measured by cost method, fixed assets, projects under construction and intangible assets with finite service life have the sign of impairment on the balance sheet date. If such assets have the sign of impairment, their recoverable amounts can be estimated. Intangible assets with uncertain service life and intangible assets having not reached the serviceable condition shall be conducted with the impairment test every year no matter whether there is the sign of impairment.

The estimation of recoverable amount of assets is based on the single asset, and if it is hard to estimate the recoverable amount of single asset, the recoverable amount of asset Group shall be determined based on the asset Group to which the assets belong. The recoverable amount is the higher one between the net amount obtained after the fair value of assets or asset Group subtracts the disposal cost and the present value of expected future cash flow.

If the recoverable amount of assets is lower than its book value, assets impairment reserves shall be made with provision according to the difference and included in the current profits and losses.

Once an impairment loss is recognized on an above mentioned asset, it will not be reversed in any subsequent period

21. Long-term Prepaid Expenses

Long-term prepaid expenses mean various expenditures incurred but that should be allocated over the current and future periods of more than one year. Long-term prepaid expenses shall be evenly amortized over the estimated beneficial period.

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 Benefits

(1) Accounting Treatment Method of Short-term Benefits

During the accounting period of the employees providing services for the Group, the actually incurred short-term benefits will be recognized as liabilities and included into the current profits and losses or relevant asset costs. Employee services and benefits of the Group shall be included into the current profits and losses or relevant asset costs according to the actual amount incurred during the actual occurrence. Employee services and benefits which belong to the non-monetary benefits shall be measured in accordance with the fair value.

The corresponding employee compensation and corresponding liabilities of the medical insurance premiums, industrial injury insurance premium, birth insurance premium and other social insurance premium and housing accumulation fund paid by the Group for the employee, as well as the labor union expenditure and personnel education fund withdrawn by the Group according to the regulations shall be determined in accordance with the specified provision base and proportion during the accounting period of

the employees providing services for the Group, and shall be included into the current profits and losses or the relevant asset costs.

(2) Accounting Treatment Method of Post-employment Benefits

All post-employment benefits of the Group are based on the defined contribution plan.

During the accounting period of the employees providing services for the Group, the amount payable calculated according to the defined contribution plan shall be recognized as the liabilities and included into the current profits and losses or the relevant asset costs.

(3) Accounting Treatment Method of Termination Benefits

In the case of giving compensation for terminating the labor relation with the employee before the expiration of the employee labor contract or encouraging employees to voluntarily accept the reduction, if the Group has formulated the formal plan on the termination of labor relation or has brought forward the proposal on voluntary reduction and will conduct the implementation, and the Group can't unilaterally withdraw the plan on the termination of labor relation or proposal on reduction, the estimated liabilities generated from compensating for the termination of labor relation shall be confirmed and included in the current profits and losses.

The Group will provide early retirement benefits for the employee accepting the early retirement arrangement. Early retirement benefits refer to the wage and social insurance premium paid by the Group to the employees who have not reached the retirement age specified by the state but voluntarily quit jobs according to the provisions of the Group management system. For early retirement benefits, the Group shall conduct the accounting treatment according to the termination benefits. When the relevant recognition conditions of early retirement are met, the early retirement benefits to be paid by the Group during the period from the date of the employee who voluntarily quit jobs stopping providing service to the date of normal retirement shall be recognized as the estimated liabilities and included into the current expenses.

(4) Accounting Treatment Method of Other Long-term Employee Benefits

Other long-term employee benefits which are in conformity with the conditions of defined contribution plan shall be dealt with according to the relevant provisions of the above defined contribution plan.

24. Estimated Liabilities

When the obligation related to the contingencies is the current obligation borne by the Group, the performance of such obligation may lead to the outflow of economic interests, and the amount of such obligation can be measured reliably, such obligation shall be recognized as the estimated liabilities.

On the balance sheet date, risks associated with contingencies, uncertainty, time value of money and other factors shall be considered, and the estimated liabilities shall be measured according to the best estimate paid for the performance of current obligation. If the time value of money has significant impact, the best estimate shall be determined according to the discounted amount of the estimated future cash outflow.

25. Share-based Payment

Share-based payment of the Group is the transaction that the Group grants equity instruments or undertakes the liabilities recognized based on the equity instruments for getting the services from the employees. Share-based payment of the Group is the equity-settled share-based payment.

25.1 Equity-settled Share-based Payment

Equity-settled share-based payment granted to the employees: For equity-settled share-based payment for getting the services provided by the employees, the Group shall conduct the measurement according to the fair value of the equity instruments granted to the employee on the grant date. The amount of such fair value shall be based on the best estimate on the number of vesting equity instruments within the waiting period and shall be calculated with straight line method and included in the relevant costs or expenses, and the capital reserves shall be increased accordingly. On each balance sheet date within the waiting period, the Group shall make the best estimate and correct the number of vesting equity instruments according to the latest follow-up information such as the change of number of vesting employees. The impact from the above estimate shall be included in the current relevant costs or expenses, and the capital reserves shall be adjusted accordingly.

25.2 Relevant Accounting Treatment of Implementation, Modification and Termination of Share-based Payment Plan

When the Group changes the share-based payment plan, if such change increases the fair value of the equity instruments granted, the increase of the acquired service shall be confirmed according to the increase of the fair value of the equity instruments. If such change increases the number of the equity instruments granted, the increased fair value of the equity instrument shall be recognized as the increase of the acquired service accordingly. The increase of the fair value of equity instruments refers to the difference of fair value on the change date of equity instruments before and after the change. If such change decreases the total fair value of share-based payment or other ways which are unfavorable to the employee are used to change the terms and conditions of share-based payment plan, the acquired service shall continue to be dealt with the accounting treatment, and it shall be deemed that such change never occur, unless the Group cancels part or all of the equity instruments granted.

Within the waiting period, if the equity instruments granted are canceled, the Group will conduct the acceleration of vesting treatment for the equity instruments of which the grant is canceled, include the amount which should be recognized within the remaining waiting period into the current profits and losses, and recognize the capital reserves. The employee can select those meeting the non-vesting conditions but failing to meet within the waiting period; the Group will conduct the cancellation treatment of equity instruments granted.

25.3 Others

For restricted shares subscription money paid by incentive object, if the releasing condition fails to be met, the subscription money shall be returned to the incentive object. When getting such money, the Group shall confirm the capital stock and capital reserves (capital stock premium) according to the subscription money, and confirm the liability and treasury stock regarding to repurchase obligation.

26. Revenue

26.1 Revenue from Sales of Commodities

No revenue from selling goods may be recognized unless all of the following conditions are met simultaneously: the significant risks and rewards of ownership of the goods have been transferred to the buyer by the enterprise; the enterprise retains neither continuous management right usually relating to the ownership nor effective control over the goods sold; the relevant amount of revenue can be measured in a reliable way; the relevant economic benefits are likely to flow into the enterprise; the relevant costs incurred or to be incurred can be measured in a reliable way.

26.2 Revenue from Rendering of Services

The outcome of a transaction concerning the rendering of labor services can be measured in a reliable way, means that the following conditions shall be met simultaneously: the amount of revenue can be measured in reliable way; the relevant economic benefits are likely to flow into the enterprise; the schedule of completion under the transaction can be confirmed in a reliable way; and the costs incurred or to be incurred in the transaction can be measured in a reliable way. The Group shall recognize the revenue from rendering services employing the percentage-of-completion method. The schedule of completion under the transaction concerning the rendering of labor services shall be determined according to the proportion of the costs incurred against the estimated total cost. If the result of a transaction concerning the rendering of labor services cannot be estimated in a reliable way, the revenue from the rendering of labor services shall be recognized in accordance with the amount of the cost of labor services which has incurred and can be compensated. If no compensation is estimated to be received for the labor service cost incurred, no revenue will be recognized.

26.3 Royalty Revenues

Royalty revenues shall be recognized in accordance with such times and methods as stipulated in the relevant contracts or agreements.

26.4 Interest Revenues

The amount of interest revenue should be measured and determined in accordance with the length of time for which the Group's cash is used by others and with the actual interest rate.

27. Government Subsidies

A government subsidy means the monetary or non-monetary asset obtained free by the Group from the government. Government subsidies are divided into government subsidies pertinent to assets and government subsidies pertinent to incomes, depending on the natures of the subsidy targets as expressly defined in relevant government documents.

No government subsidy may be recognized unless relevant conditions are met simultaneously. If a government subsidy is a monetary asset, it shall be measured in the light of the received or receivable amount.

(1) Judgment Basis and Accounting Treatment Method of Government Subsidies Pertinent to Assets

Government subsidies of the Group mainly include the government subsidies related to technical reform in previous years. Because such government subsidies are pertinent to the fixed assets under acquisition and construction or purchase, these shall be the government subsidies pertinent to assets.

The government subsidies pertinent to assets shall be recognized as deferred income, equally distributed within the useful lives of the relevant assets, and included in the current profits and losses.

(2) Judgment Basis and Accounting Treatment Method of Government Subsidies Pertinent to Income

Government subsidies of the Group mainly include the special funds for foreign economic and technological cooperation, etc. Because such government subsidies are directly pertinent to the period expense incurred, these shall be the government subsidies pertinent to income.

The government subsidies pertinent to incomes shall be treated respectively in accordance with the circumstances as follows: those subsidies used for compensating the related future expenses or losses of the Group shall be recognized as deferred income and shall be included in the current profits and losses during the period when the relevant expenses are recognized; or those subsidies used for compensating the related expenses or losses incurred to the enterprise shall be directly included in the current profits and losses.

If it is necessary to refund any government subsidy which has been recognized, it shall be treated respectively in accordance with the circumstances as follows: if deferred income is concerned, the book balance of the deferred income shall be offset against, but the excessive part shall be included in the current profits and losses; and if no deferred income is concerned, it shall be directly included in the current profits and losses.

Government compensation for relocation of enterprises for public interest

The Group has to be relocated as a result of overall town planning and other public interests so the relocation compensation directly appropriated from the financial budget by the government shall be treated as a special account payable. Where compensation is made for losses on the fixed assets and intangible assets, the cost of expenses, losses on work stoppage during relocation and reconstruction of enterprise and proposed new assets after the relocation of assets, such compensation shall, after the special account payable is transferred to the deferred incomes, be calculated depending on its natures and in light of the government subsidies related to government and to the revenues. Any balance after the amount transferred into the deferred incomes is deducted from the obtained relocation compensation shall be recognized as the capital reserve.

28. Deferred Income Tax Assets and Deferred Income Tax Liabilities

Income tax expenses shall include the current income taxes and the deferred income taxes.

28.1 Current Income Taxes

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

28.2 Deferred Tax Assets and Deferred Tax Liabilities

The difference between the carrying amount of an asset or liability and its tax base, and temporary difference between the tax base and the carrying amount of an item which has not been recognized as an asset or liability but its tax base can be determined in light of the tax law, shall be used to recognize the deferred tax assets and deferred tax liabilities using the balance sheet liability method.

In general cases, related deferred income taxes are recognized for all temporary differences. The Group shall recognize the deferred income tax liabilities arising from a deductible temporary difference to the extent of the amount of the taxable income which it is most likely to obtain and which can be deducted from the deductible temporary difference. Besides, the Group shall not recognize the deferred income tax assets or liabilities arising from all taxable temporary differences related to: the initial recognition of business reputation; the initial recognition of assets or liabilities arising from the following transactions which are simultaneously featured by the following: (a) the transaction is not business combination; (b) At the time of transaction, the accounting profits will not be affected, nor will the taxable amount (or the deductible loss) be affected. As for any deductible loss or tax deduction that can be carried forward to subsequent years, the corresponding deferred income tax assets shall be recognized to the extent that the amount of future taxable income to be offset by the deductible loss or tax deduction to be likely obtained.

The taxable temporary differences related to the investments of subsidiary companies, associates and joint ventures shall recognize corresponding deferred income tax liabilities. However, those that can simultaneously meet the following conditions shall be excluded: the Group can control the time of reversing temporary differences; and the temporary differences are unlikely to be reversed in the expected future. Where the deductible temporary difference related to the investments of the subsidiaries, associates and joint ventures can meet the following requirements simultaneously, the Group shall recognize the corresponding deferred income tax assets: the temporary differences are likely to be reversed in the expected future; and it is likely to acquire any amount of taxable income tax that may be used for offsetting the deductible temporary differences.

On the balance sheet day, the deferred income tax assets and deferred income tax liabilities shall be measured at the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.

Except the income taxes of the current period and deferred income tax related to the transactions or events directly recorded in the other consolidated income or shareholder's equities shall be recorded into the other consolidated income or shareholder's equities, and except the book value of business reputation adjusted by the deferred income taxes arising from the business combination, the remaining current income taxes and deferred income tax expenses or proceeds shall be recorded into the current profits and losses.

The book value of deferred income tax assets shall be reexamined on balance sheet date. If it is unlikely to obtain sufficient taxable income taxes to offset the benefit of the deferred income tax assets, the carrying amount of the deferred income tax assets shall be written down. When it is likely to obtain sufficient taxable income taxes, such written-down amount shall be subsequently reversed.

28.3 Offset of Income Tax

When the Group has the statutory right for net settlement, and attempts to conduct net settlement or acquisition of assets and satisfaction of liabilities simultaneously, the current income tax assets and the current income tax liabilities shall be presented as the net amount after offset.

The deferred income tax assets and the deferred income tax liabilities of the Group shall be presented as the net amount after offset if and only if: the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and the deferred tax assets and the 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 liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

29. Leasing

The term "financing lease" shall refer to a lease that has transferred substantially all the risks and rewards related to the ownership of an asset. The term "operating lease" shall refer to a lease other than a financing lease.

29.1 Accounting Treatment Methods for Operating Lease

29.1.1 Operating Leases Recorded by the Group as a Lessee

The rental expenses from operating leases shall be recorded by the lessee in the relevant asset costs or the profits and losses of the current period by using the straight-line method over each period of the lease term. The initial direct costs shall be included in the profits and losses of the current period, while contingent rents shall be included in the profits and losses of the period in which they are actually incurred.

29.1.2 Operating Leases Recorded by the Group as a Lessor

The rental incomes from operating leases shall be recognized as the current profits and losses by using the straight-line method over each period of the lease term. The initial direct costs with a relatively large amount shall be capitalized, and recorded into the current profits and losses in more than one phase on the basis same as that of the recognition of rental incomes during the entire lease term; the other initial direct costs with a relatively small amount shall be recorded into the profits and losses in the period in which they are actually incurred. Contingent rents shall be included in the profits and losses of the period in which they are actually incurred.

29.2 Accounting Treatment Methods for Financing Lease

29.2.1 Financing Leases Recorded by the Group as a Lessor

On the date when the lease term starts, the sum of the minimum lease receipts and the initial direct costs shall be treated as the entry values of the financing lease receivable, and the unsecured residual values shall be recorded simultaneously; the difference between the sum of the minimum lease receipts, the initial direct costs and the unsecured residual values thereof, and the sum of the minimum lease receipts, the initial direct costs and the present values thereof shall be recognized as the unrealized financing incomes. During the lease term, unrealized financing incomes shall be recognized during the lease term using the effective interest method. Contingent rents shall be included into the profits or losses of the period in which they are actually incurred.

After the unrealized financing incomes are deducted from the financing lease accounts receivable, the balance shall be presented as the long-term claim and the long-term claim due in one (1) year.

30. Key Assumptions Adopted for and Uncertain Factors Involved in Significant Judgments and Accounting Estimates Made in the Process of Applying Accounting Policies

In the application of the accounting policies 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. These judgments, estimates and assumptions are based on historical experience of the Group's management as well as other factors that are considered to be relevant. Actual results may differ from these estimates of the Group.

The aforementioned judgments, estimates and assumptions are reviewed regularly on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key Assumptions Adopted for and Uncertain Factors Involved in Accounting Estimates

The key accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the future accounting periods are outlined as below.

30.1 Inventory Falling Price Reserve

As mentioned in Note (III), 13, the inventories shall be measured according to the cost or the net realizable value, whichever is lower. The net realizable value refers to the amount after deducting the estimated cost of completion, estimated sale expense and relevant taxes from the estimated sale price of inventories.

Whereas a considerable portion of the operating capitals of the Group is used for inventories, the Group has a special operating procedure to control this risk. On a periodic basis, the Group can implement the all-around stock-taking over the inventories and determine whether there exist obsolete and idle inventories and review their decreases in value. The review procedure involves the determination whether any obsolete and idle inventories need to make provisions in the financial statements by the comparison between the book value of obsolete and idle inventories and their corresponding net realizable value. The appropriate accounting estimate shall be required for the selling price of inventories employed by the net realizable value, the estimated cost of completion, selling expenses, and relevant taxes from the estimated sale price of inventories. The management has ensured the rationality of the accounting estimate in accordance with the optimal estimate, and considering the historical experiences, present production costs and sales expenses. Based on the aforesaid procedure, the falling price reserves have, in the opinion of the management of the Group, been made in full for the obsolete and idle inventories.

30.2 Impairment of Accounts Receivable

If there is any obvious evidence that the recoverability of the receivables is doubtful, the Group will make the bad-debt provisions for such receivables. Because the management needs to make assumptions when taking the bad-debt provisions into consideration, and make judgment for the financial conditions of previous payment collection, age, financial status of debtor, and overall economic environment, the calculation for the bad-debt provisions shall be uncertain. Although there is no reason to confirm whether a significant change in the assumptions and estimates based on which the impairment of receivable is calculated may occur in the future, the book value of receivables and bad-debt losses will be changed when the future actual result differs from the original estimate.

30.3 Deferred Income Tax Assets

The realization of the deferred income tax assets mainly depends on the future actual gains and the effective tax rate of temporary differences in the future years of use. If the future effective gains are less than the expected gains, or the effective tax rate is lower than the expected one, the recognized deferred income tax assets shall be reversed, and recognized in the Consolidated Profit Statement during the period in which the reversal is incurred. Any deductible loss that can be carried forward to the next year is not recognized by certain subsidiaries as the deferred income tax asset because whether such subsidiaries obtain the sufficient taxable incomes is uncertain.

30.4 Impairment Reserve for Fixed Assets

The Group assesses at each balance sheet date whether there is any indication of impairment of fixed assets. If there is any indication that carrying amount cannot be recovered, the impairment test shall be performed. Where the carrying amount of the asset or that of asset group is higher than the recoverable amount, that is, the higher of the net amount after the fair value minus the disposal costs and the present value of expected future cash flow, there shall be indication that the impairment has occurred. The net amount after the fair value minus the disposal costs shall be determined by reference to the negotiated sales price or observable market price of similar assets in the arm's length transaction minus the incremental cost directly attributable to assets disposal. When expecting the present value of future cash flow, the management shall estimate the expected future cash flow of such asset or such asset group, and select the appropriate discount rate to determine the present value of the future cash flow. On the basis of the aforesaid procedures, in the opinion of the management of the Group, the provision for impairment losses have been fully made for the fixed assets.

30.5 Impairment Reserve for AFS Financial Assets

The Group at each balance sheet date assesses if there is any indication of impairment of AFS equity instrument investments held by the Company for strategic investment purposes and not to be sold due to any temporary share price fluctuations. The Company will make impairment provision for an AFS financial asset when and if it meets the quantitative criteria established by the Company for judging the impairment of AFS financial assets (Note (III), 11.3). The management of the Group, after comprehensively taking relevant factors into consideration, thinks there is no need to make impairment provision for AFS financial assets on the balance sheet date.

IV. Taxes

1. Main Tax Categories and Tax Rates

Tax category	Taxation Basis	Tax Rate
VAT	Taxable sales revenue	6%、11%、13% or 17%
Business tax	Taxable income	3% or 5% (Note 1)
Urban maintenance and construction tax	Actually-paid turnover tax	1%~7%
Enterprise income tax	Taxable income	Note (2)
Educational surtax and surcharge	Actually-paid turnover tax	1%~5%
Riverway management fee	Actually-paid turnover tax	At the ratio specified by the government
Property tax	Taxable residual or rent income of taxable houses	At the ratio specified by the government
Individual income tax	Taxable income	At the ratio specified by the government

Note 1: According to CS [2016] No. 36, pilot scope has included all business tax payers involving architecture, real estate, finance and life service since May 1, 2016. The Company has paid VAT rather than business tax since then for corresponding revenue.

Note 2: The Company shall have the enterprise income tax rate of 25%. Each subsidiary of the Group shall, in light of their respective income tax rate, make accrual and payment for business income tax in proportion to their respective taxable incomes. The overseas subsidiaries of the Group shall, in accordance with the tax laws of their locations, make accrual and payment for business income tax.

V. Notes to Consolidated Financial Statements

1. Monetary Funds

Unit: RMB

Item	Ending balance	Beginning balance
Cash on hand	859,578.31	664,508.04
Bank deposit	12,685,876,497.60	6,903,794,819.63
Other monetary funds	838,519,595.83	912,483,788.44
Total	13,525,255,671.74	7,816,943,116.11
Where: total overseas deposit	2,796,874,834.26	1,639,426,680.42

Particulars about restricted monetary funds:

Unit: RMB

Item	Ending balance	Balance at the beginning of the year
Legal reserves deposited by the Finance Company in the Central Bank of China	802,025,553.04	848,054,823.96

On June 30, 2016, monetary fund of the Group deposited overseas was RMB 2,796,874,834.26 (December 31, 2015: RMB 1,639,426,680.42). By the end of the reporting period, other monetary funds of the Group mainly included RMB 273,610.67 of the Group's refundable investment funds (December 31, 2015: RMB 316,726.75), RMB 26,677,814.62 of bank acceptance deposit (December 31, 2015: RMB 54,125,398.02), RMB 5,660,557.81 of deposit of letter of guarantee (December 31, 2015: RMB 9,531,943.88), RMB 503,463.29 of credit card deposit (December 31, 2015: RMB 324,915.82), etc..

2. Financial Assets Measured by Fair Value and the Change Calculated in Current Gain and Loss

√ Applicable □ Not applicable

Unit: RMB

Item	Ending balance	Beginning balance
Held-for-trading financial assets	1,658,109,189.61	872,874,998.19
Where: Debt instrument investment	301,532,400.00	10,247,756.02
Equity instrument investment	1,395,067.16	52,039,179.96
Derivative financial assets	4,181,722.45	
Others	1,351,000,000.00	810,588,062.21
Total	1,658,109,189.61	872,874,998.19

In the opinion of the management of the Company, the realization of the held-for-trading financial asset investment has no major limitation.

3. Notes Receivable

(1) Categories of Notes Receivable

√ Applicable □ Not applicable

Unit: RMB

Item	Ending balance	Beginning balance
Bank acceptance	6,900,463,598.40	7,405,501,078.59
Trade acceptance	877,677,820.00	787,097,624.19
Total	7,778,141,418.40	8,192,598,702.78

(2) Notes Receivable that Has Been Pledged by the Company at the End of the Period

□ Applicable √ Not applicable

(3) Notes Receivable That Have Been Endorsed or Discounted by the Company at the End of the Period and not Been Overdue on Balance Sheet Date:

□ Applicable √ Not applicable

(4) Notes That Have Been Converted as Accounts Receivable by the Company at the End of the Period Because the Drawer Has not Performed the Contract

□Applicable √Not applicable

(5) At the end of the period and the beginning of the year, in the balance of notes receivable, there are no arrears owed to the Company by any shareholder holding shares representing 5% or more of voting rights of the Company.

(6) Refer to the Note (X), 6(1) for the notes receivable from the affiliated parties in the balance of notes receivable.

4. Accounts Receivable

(1) Account ages of receivables

Unit: RMB

Age	Ending balance				Balance at the beginning of the year			
	Amount	Ratio (%)	Bad debt reserves	Book value	Ratio (%)	Bad debt reserves	Book value	金额
Within 1	8,907,903,047.50	93	330,017,583.58	8,577,885,463.92	8,896,959,848.03	92	314,461,324.78	8,582,498,523.25
1-2 years	291,912,616.82	3	20,240,053.21	271,672,563.61	378,613,268.11	4	35,400,252.29	343,213,015.82
2-3 years	176,567,335.38	2	37,104,218.10	139,463,117.28	187,468,604.13	2	42,667,227.20	144,801,376.93
3 years or	240,095,457.27	2	122,296,069.53	117,799,387.74	218,257,711.54	2	130,707,350.43	87,550,361.11
Total	9,616,478,456.97	100	509,657,924.42	9,106,820,532.55	9,681,299,431.81	100	523,236,154.70	9,158,063,277.11

(2) Accounts Receivables Disclosure by Category

Unit: RMB

Category	Ending balance					Beginning balance				
	Book balance		Bad-debt provision		Book Value	Book balance		Bad-debt provision		Book Value
	Amount	Proportion (%)	Amount	Provision proportion (%)		Amount	Proportion (%)	Amount	Provision proportion (%)	
Other accounts receivable with significant single amount and individual bad debt provision	1,650,904,042.83	17	28,972,493.05	2	1,621,931,549.78	1,611,241,932.67	17	40,613,092.34	3	1,570,628,840.33
Other accounts receivable with bad debt provision according to credit risk characteristics combination	7,843,278,344.61	82	358,389,361.84	5	7,484,888,982.77	7,939,350,148.71	82	351,915,711.93	4	7,587,434,436.78
Receivables with bad-debt provisions made individually in spite of insignificant single amounts	122,296,069.53	1	122,296,069.53	100	-	130,707,350.43	1	130,707,350.43	100	-
Total	9,616,478,456.97	/	509,657,924.42	/	9,106,820,532.55	9,681,299,431.81	/	523,236,154.70	/	9,158,063,277.11

EOP accounts receivable with significant single amounts or those for which independent bad-debt provisions already performed in spite of insignificant single amounts

√Applicable □Not applicable

Unit: RMB

Accounts receivable (by unit)	Ending Balance			
	Accounts receivable	Bad-debt provision	Provision proportion (%)	Reason
Accounts receivable with significant single amounts	1,650,904,042.83	28,972,493.05	2	Note 1
Receivables with relatively long age	122,296,069.53	122,296,069.53	100	Note 2
Total	1,773,200,112.36	151,268,562.58	/	/

Unit: RMB

Accounts receivable (by unit)	Beginning Balance			
	Accounts receivable	Bad-debt provision	Provision proportion (%)	Reason
Accounts receivable with significant single amounts	1,611,241,932.67	40,613,092.34	3	Note 1
Receivables with relatively long age	130,707,350.43	130,707,350.43	100	Note 2
Total	1,741,949,283.10	171,320,442.77	/	/

Note 1: The Group independently performed impairment tests on accounts receivable with significant single amounts and at the end of this reporting period did not make impairment provisions for single accounts receivables (nor did the Group make 2015 impairment provisions for single accounts receivables at the end of Y2015). So, bad-debt provision, RMB 28,972,493.05 (Y2015: RMB 40,613,092.34), was made by portfolio as per Note (III), 12.

Note 2: Bad-debt provisions are made in full for accounts receivable with relatively long ages and minimum possibility of recovery.

In combination, accounts receivable using account age analysis to provision bad debt reserves:

√Applicable □Not applicable

Unit: RMB

Account age	Ending balance		
	Accounts receivable	Bad debt reserves	Provision proportion %
Subtotal of within 1 year	7,256,999,004.67	301,045,090.53	4
1-2 years	291,912,616.82	20,240,053.21	7
2-3 years	176,567,335.38	37,104,218.10	21
Over 3 years	117,799,387.74	-	-
Total	7,843,278,344.61	358,389,361.84	5

Unit: RMB

Account age	Beginning balance (Note)		
	Accounts receivable	Bad debt reserves	Provision proportion (%)
Within 1 year	7,285,717,915.36	273,848,232.44	4
1-2 years	378,613,268.11	35,400,252.29	9
2-3 years	187,468,604.13	42,667,227.20	23
Over 3 years	87,550,361.11	-	-
Total	7,939,350,148.71	351,915,711.93	4

Note: Above accounts receivable include those falling in the scope of consolidated finance statements of Baosteel Group, which shall not be provisioned according to bad debt reserves accounting policies of the Group,

(3) Bad Debts Reserves Provisioned, Recovered or Transferred-back in Current Period:

Total bad debts reserves provisioned in current period was 52,753,303.50 Yuan; and bad debts reserves recovered or transferred back was 67,215,540.68 Yuan. Bad debts reserves have decreased by RMB 1,369,661.32 due to the translation of foreign currency statement.

Significant bad debts reserves recovered or transferred back:

□Applicable √ Not applicable

(4) Actual Written-off Accounts Receivable in Current Period

√Applicable □Not applicable

Unit: RMB

Item	Amount
Actual written-off accounts receivable	485,654.42

Where: Significant written-off accounts receivable

□Applicable √ Not applicable

(5) Accounts Receivable with Top 5 Ending Balance Collected According to the Debtor

On June 30, 2016, for accounts receivable of the Group, total amount of top five units was RMB 1,650,904,042.83, accounting for 17% of the total amount of accounts receivable, with bad debts reserves provision of RMB 28,972,493.05.

(6) Accounts Receivable under Derecognition due to the Transfer of Financial Assets:

None.

(7) Amount of Assets and Liabilities due to Transfer of Accounts Receivable and Formed by Continuous Involvement:

None.

(8) By the end of reporting period and at the beginning of the year, For information on unit of shareholders holding 5% or more of the voting shares among the accounts receivable and information on funds receivable of other related parties, please see note (X), 6 (2).**5. Advance Payments****(1) Advance Payments Presented by Age**

Unit: RMB

Age	Ending balance		Beginning balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	4,594,876,303.71	95	4,020,560,343.15	97
1-2 years	153,249,625.28	3	79,983,246.13	2
2-3 years	28,091,339.00	1	17,690,997.15	0
3 years or more	44,700,012.65	1	41,374,233.18	1
Total	4,820,917,280.64	100	4,159,608,819.61	100

Notes to advances with account age over 1 year and significant amount that have not been properly settled: By June 30, 2016, the large-amount advance payments by the Group with an age of one year or longer were mainly available for the procurement of large-sized equipment for the construction in progress.

(2) Top 5 Prepayment among Ending Balance Collected according to the Prepayment Object:

On June 30, 2016, total amount of prepayments of top five units was 1,812,380,949.06 Yuan, accounting for 38% of the total prepayments.

(3) At the end of reporting period and the beginning of the year, the balance of prepayment excludes the money of unit of shareholders holding 5% or more voting shares of the Company.**(4) Advance Payments by Customer Category:**

Unit: RMB Yuan

Category	Ending balance	Balance at the beginning of the year
Advance payments with significant single amounts	1,812,380,949.06	1,670,671,267.03
Other advance payments with insignificant single amounts	3,008,536,331.58	2,488,937,552.58
Total	4,820,917,280.64	4,159,608,819.61

(5) For amounts advanced to the related parties, please refer to Note (X), 6(3).

6. Interest Receivable

√Applicable □Not applicable

(1) Interest Receivable Category

Unit: RMB

Item	Ending balance	Beginning balance
Time deposit	1,251,045.94	1,949,868.15
Entrusted loans	-	1,119,658.85
Securities investment		
Interests of gains receivable from assets transfer (see note (V) 15 (note 1))	43,321,721.29	290,967,534.24
Others	4,447,002.08	124,958.05
Total	49,019,769.31	294,162,019.29

By the end of reporting period and at the beginning of the year, account age of interest receivable is within 1 year.

(2) For interest receivable from related parties among interest receivable please see note (X), 6 (4).

7. Dividends Receivable

√Applicable □Not applicable

(1) Dividends Receivable

Unit: RMB

Item (Or Investee)	Ending balance	Beginning balance
CISDI Engineering Co., Ltd. (Note)	23,852,647.00	23,852,647.00
Yongcheng Coal & Electricity (Group) Co.,Ltd.		127,017,186.28
Henan Pingbao Coal Co., Ltd.		12,000,000.00
Total	23,852,647.00	162,869,833.28

Note: Dividend receivable from CISDI Engineering Co., Ltd. was RMB 11,298,647.00 on June 30, 2016, with the account aging 1-2 years, of the recovery risk considered by the Company management was under control.

(2) Significant Dividends Receivable with Account Age Over 1 Year:

□Applicable √Not applicable

8. Other Receivables**(1) Other Receivables by Account Age**

Unit: RMB

Age	Ending balance				Balance at the beginning of the year			
	Amount	Proportion (%)	Bad-debt provision	Book value	Amount	Proportion (%)	Bad-debt provision	Book value
Within 1 year	1,650,887,234.91	89	136,981,477.14	1,513,905,757.77	875,319,421.55	79	8,134,692.17	867,184,729.38
1-2 years	21,267,836.32	1	3,979,413.27	17,288,423.05	37,756,633.22	3	3,554,264.69	34,202,368.53
2-3 years	139,381,764.18	7	5,921,327.69	133,460,436.49	131,301,356.72	12	5,149,058.56	126,152,298.16
3 years or more	63,001,073.39	3	42,032,751.26	20,968,322.13	69,439,480.03	6	39,744,095.49	29,695,384.54
Total	1,874,537,908.80	100	188,914,969.36	1,685,622,939.44	1,113,816,891.52	100	56,582,110.91	1,057,234,780.61

(2) Disclosure of Other Receivables by Category:

Unit: RMB

Category	Ending balance					Beginning balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Ratio (%)	Amount	Provision proportion (%)		Amount	Ratio (%)	Amount	Provision proportion (%)	
Other receivables with significant single amount and individual bad debt provision	327,397,604.50	17	3,061,293.64	1	324,336,310.86	306,246,025.49	27	-	-	306,246,025.49
Other receivables with bad debt provision according to credit risk characteristics combination	1,378,090,366.76	74	16,803,738.18	1	1,361,286,628.58	767,826,770.54	69	16,838,015.42	2	750,988,755.12
Other receivables for which independent bad debt provision is performed in spite of insignificant single amounts	169,049,937.54	9	169,049,937.54	100	-	39,744,095.49	4	39,744,095.49	100	-
Total	1,874,537,908.80	/	188,914,969.36	/	1,685,622,939.44	1,113,816,891.52	/	56,582,110.91	/	1,057,234,780.61

Other receivables that have significant single amount at the end of the period with individual bad debt reserves provision made

Applicable Not applicable

Unit: RMB

Other receivables (By units)	Ending balance			Provision cause
	Other receivables	Bad debt reserves	Provision proportion %	
Large other receivables	327,397,604.50	3,061,293.64	1	Note 1
Other receivables with long account age	169,049,937.54	169,049,937.54	100	Note2
Total	496,447,542.04	172,111,231.18	/	/

Unit: RMB

Other receivables (By units)	Balance at the beginning of the year			
	Other receivables	Bad debt reserves	Provision proportion %	Provision cause
Large other receivables	306,246,025.49	-	-	Note 1
Other receivables with long account age	39,744,095.49	39,744,095.49	100	Note2
Total	345,990,120.98	39,744,095.49		

Note 1: Large other receivables are mainly the electricity charge deposit, advances for project and other funds with lower recovery risk, and there was no bad debt reserves provision for receivables of related parties within the Group, so the book balance of other receivables of the Company was RMB 327,397,604.50 (December 31, 2015: RMB 306,246,025.49), and bad debt reserves provision was 3,061,293.64 Yuan.

Note 2: Account age of other receivables is long and the possibility of recovery is very small, so the Company made in full bad debt reserves provision for such other receivables.

In combination, other accounts receivables using account age analysis to provision bad debt reserves:

Applicable Not applicable

Unit: RMB

Account age	Ending balance		
	Other receivables	Bad debt reserves	Provision proportion %
Subtotal of within 1 year	1,308,523,084.23	6,902,997.22	1
1-2 years	21,267,836.32	3,979,413.27	19
2-3 years	27,331,124.08	5,921,327.69	22
Over 3 years	20,968,322.13	-	-
Total	1,378,090,366.76	16,803,738.18	1

Account age	Balance at the beginning of the year		
	Other receivables	Bad debt reserves	Provision proportion %
Within 1 year	701,356,412.16	8,134,692.17	1
1-2 years	37,756,633.22	3,554,264.69	9
2-3 years	19,250,716.62	5,149,058.56	27
Over 3 years	9,463,008.54	-	-
Total	767,826,770.54	16,838,015.42	2

In combination, other accounts receivables using balance percentage method to provision bad debt reserves:

Applicable Not applicable

In combination, other accounts receivables using other methods to provision bad debt reserves:

Applicable Not applicable

(3) Bad Debts Reserves Provisioned, Recovered or Transferred back in Current Period:

Bad debts reserves provision in the current period was 132,998,664.05Yuan; and bad debts reserves recovered or transferred back was 665,805.60Yuan.

Significant bad debts reserves recovered or transferred back in the current period:

Applicable Not applicable

(4) Actual Written-Off Other Receivables in Current Period

Applicable Not applicable

(5) Classification of Other Receivables according to Nature of Money

Applicable Not applicable

(6) Other Receivables with Top 5 Ending Balance Collected according to the Debtor

Applicable Not applicable

On June 30, 2016, total amount from top 5 units of other receivables of the Company was RMB 327,397,604.50, accounting for 17% of the total amount of other receivables, with RMB 3,061,293.64 of bad debts reserves provision.

(7) Receivables Involving in Government Subsidies

Applicable Not applicable

(8) Other Receivables under Derecognition due to the Transfer of Financial Assets:

None.

(9) Amount of Assets and Liabilities Formed by Transfer of Other Receivables and Continuous Involvement:

None.

(10) By the end of reporting period and at the beginning of the year, for funds of unit of shareholders holding 5% (including 5%) voting shares of the Company or more among the other receivables and funds of other related parties receivable please see note (X), 6 (5).

9. Buying Back the Sale of Financial Assets

Unit: RMB

Item	Ending balance	Balance at the beginning of the year
Buying back the sale of financial assets	-	2,140,000,000.00

10. Inventory**(1) Classification of Inventories**

Unit: RMB

Item	Ending balance			Beginning balance		
	Book balance	Falling price reserve	Book value	Book balance	Falling price reserve	Book value
Raw materials	4,448,176,132.45	110,450,848.91	4,337,725,283.54	2,946,702,429.03	127,758,317.36	2,818,944,111.67
Work-in-progress	7,633,641,238.85	478,618,920.48	7,155,022,318.37	7,228,761,440.83	443,789,510.43	6,784,971,930.40
Stock	12,065,867,431.79	796,644,325.27	11,269,223,106.52	11,003,224,858.87	869,320,702.99	10,133,904,155.88
Spare parts and others	4,025,755,347.76	228,454,942.55	3,797,300,405.21	3,995,946,319.40	218,005,782.81	3,777,940,536.59
Total	28,173,440,150.85	1,614,169,037.21	26,559,271,113.64	25,174,635,048.13	1,658,874,313.59	23,515,760,734.54

(2) Falling Price Reserve of Inventories

Unit: RMB

Item	Beginning balance	Increased amount in the period		Decreased amount in the period		Ending balance
		Provision	Others	Write-back or Write-off	others	
Raw materials	127,758,317.36	6,817,756.51		24,125,224.96	0	110,450,848.91
Work-in-progress	443,789,510.43	208,557,758.36		173,741,890.98	-13,542.67	478,618,920.48

Stock	869,320,702.99	165,552,110.51		239,197,013.15	-968,524.92	796,644,325.27
Spare parts and others	218,005,782.81	12,104,430.58		1,655,270.84	0	228,454,942.55
Total	1,658,874,313.59	393,032,055.96		438,719,399.93	-982,067.59	1,614,169,037.21

Item	Basis for inventory falling price reserve	Cause of reversing inventory falling price reserve in this period	Proportion of amount reversed in this period to EOP balance of this inventory
Raw materials	Book value of inventories higher than net realizable value	Rising market price or falling product cost	1%
Work-in-progress	Book value of inventories higher than net realizable value	Rising market price or falling product cost	2%
Finished goods	Book value of inventories higher than net realizable value	Rising market price or falling product cost	2%
Spare parts and others	Book value of inventories higher than net realizable value	-	-

(3) Notes to Ending Balance of Inventories that Includes any Borrowing Capitalization

The EOP balance of inventories does not include any capitalized interest.

(4) Finished Items Which have not been Settled at the End of Period Resulting from Construction Contract

Applicable Not applicable

11. Non-current Assets Due Within 1 Year

Unit: RMB

Item	Ending Balance	Beginning Balance
Proceeds from transfer of assets receivable (Note 1)	4,500,000,000.00	4,500,000,000.00
Trust products due within 1 year (Note 2)	161,182,224.00	
Total	4,661,182,224.00	4,500,000,000.00

Note 1: Proceeds from transfer of assets receivable due within one year amount to RMB 4.5 billion, including RMB 2.6 billion due from Shanghai Baosteel Stainless Steel Co., Ltd. and RMB 1.9 billion due from Shanghai Baosteel Special Steel Co., Ltd. Please see Notes (V), 15 Note (1)

Note 2: Trust and financing products available for sale and due within 1 year totaled RMB 161 million, most of which were purchased in the reporting period by Ouyee Commerce Co., Ltd., the subsidiary of the Company.

As regards the accounts due from the related parties in the non-current assets and due within one year, please refer to Note (X), 6(6).

12. Other Current Assets

Unit: RMB

Item	Ending balance	Beginning balance
Pending deduct VAT on purchase	4,335,370,405.66	2,944,403,352.66
Financial management products (Note)	28,782,459,565.13	5,088,464,093.70
Total	33,117,829,970.79	8,032,867,446.36

Note: Financing products held and classified as available-for-sale financial assets by the Group are such financial instruments as high-credit bond, trust plan (beneficial interests) and instruments with float income but without principal guaranteed or active market quote, which are mainly used in monetary market. The Group listed and presented them as other current assets because they are due within 1 year.

13. Loans and Advances to Customers

(1) Classification of Loans and Advances to Customers

Unit: RMB

Item	Ending balance	Balance at the beginning of the year
Loans	389,007,161.96	990,478,072.43
Discount	1,724,742,072.91	1,412,450,723.68
Provision for loan impairment	-107,977,482.17	-164,523,818.63
Total	2,005,771,752.70	2,238,404,977.48

(2) Provision for Loan Impairment

Unit: RMB

Item	Balance at the beginning of the year	Provision amount for the current period	Decrease for the current period		Difference from foreign currency translation	Ending balance
			Reversed	Written-off		
Provision for loan impairment	164,523,818.63	-	56,546,336.46	-	-	107,977,482.17

At the end of this reporting period and the beginning of the current year, no loans or advance payments were made to any shareholder holding shares representing 5% or more of the voting rights of the Company.

For particulars of loans and advance payments made to other related parties at the end of this reporting period and the beginning of the current year, please refer to Note (X), 6(7).

14. Available-for-Sale (AFS) Financial Assets

√Applicable □Not applicable

(1) Available-for-Sale (AFS) Financial Assets

Unit: RMB

Item	Ending balance			Beginning balance		
	Book balance	Impairment reserves	Book value	Book balance	Impairment reserves	Book value
Available-for-sale debt instruments:	2,006,633,621.70	50,240,011.70	1,956,393,610.00	403,945,851.70	50,240,011.70	353,705,840.00
Available-for-sale equity instruments:	10,622,348,970.72	7,404,202.27	10,614,944,768.45	10,577,723,157.92	7,404,202.27	10,570,318,955.65
Where:						
Measured at fair value	1,021,411,487.95		1,021,411,487.95	977,617,036.31	-	977,617,036.31
Measured at cost	9,600,937,482.77	7,404,202.27	9,593,533,280.50	9,600,106,121.61	7,404,202.27	9,592,701,919.34
Total	12,628,982,592.42	57,644,213.97	12,571,338,378.45	10,981,669,009.62	57,644,213.97	10,924,024,795.65

(2) Available-for-sale Financial Assets Measured at Fair value at the End of the Period

√Applicable □Not applicable

Unit: RMB

Available-for-sale financial assets category	Available-for-sale equity instruments	Available-for-sale debt instruments	Total
Cost of equity instruments/ amortized cost of debt instruments	1,423,532,392.40	1,988,488,060.64	3,412,020,453.04
Fair value	1,021,411,487.95	1,956,393,610.00	2,977,805,097.95
Change of fair value accumulatively included in other comprehensive income	-402,120,904.45	18,145,561.06	-383,975,343.39
Provisioned impairment amount	-	50,240,011.70	50,240,011.70

(3) Available-for-sale Financial Assets Measured at Cost at the End of the Period

√Applicable □Not applicable

Unit: RMB Yuan

Invested unit	Book balance				Impairment reserves				Shareholding ratio in invested unit (%)	Current cash dividend
	Beginning of the period	Current increase	Current decrease	Ending of the period	Beginning of the period	Current increase	Current decrease	Ending of the period		
CISDI Engineering Co., Ltd.	9,508,999.34	-	-	9,508,999.34	-	-	-	-	6.28%	
Jinchuan Group Automation Engineering Co., Ltd.	1,000,000.00		-	1,000,000.00	-	-	-	-	7.13%	
Shanghai Huayi Information Technology Co., Ltd	3,000,000.00	-	-	3,000,000.00	-	-	-	-	15.00%	
Henan Longyu Energy Company Limited	370,269,254.56	-	-	370,269,254.56	-	-	-	-	12.96%	103,680,755.16
Yongcheng Coal & Power (Group) Co., Ltd.	279,000,000.00	-	-	279,000,000.00	-	-	-	-	7.78%	
Henan Zhenglong Coal Mining Co., Ltd.	45,569,714.27	-	-	45,569,714.27	-	-	-	-	4.91%	
China Technology & Economy Investment Consulting Co., Ltd.	3,000,000.00	-	-	3,000,000.00	666,024.47	-	-	666,024.47	5.00%	
Yantai Tiezhong Baosteel Ironworking Co., Ltd.	5,600,000.00	-	-	5,600,000.00	-	-	-	-	10.00%	-
China Resources (Holdings) Company Limited (Beijing)	1,618,750.00		-	1,618,750.00	-	-	-	-	0.09%	-
Anhui Huishang Company Limited	3,000,000.00	-	-	3,000,000.00	-	-	-	-	3.53%	-
Hanyang Parts Co., Ltd	3,311,720.00	-	-	3,311,720.00	3,311,720.00	-	-	3,311,720.00	20.00%	-
Baovale Mineracao S.A.	103,282,213.00			103,282,213.00	-	-	-	-	50.00%	
ShangHai LuoJing Ore Terminal Co., Ltd.	88,734,096.00			88,734,096.00	-	-	-	-	12.00%	
Yangtze River Economic United Development (Group) Co., Ltd.	980,000.00			980,000.00	-	-	-	-	0.15%	
Guoqi (Beijing) Auto Lightweight Technology Research Co., Ltd.	3,000,000.00			3,000,000.00	-	-	-	-	6.90%	
Beijing Iron Ore Trading Center Corporation	5,000,000.00			5,000,000.00	-	-	-	-	6.25%	
Globalore Pte Ltd	16,011,054.60	266,668.80		16,277,723.40	3,426,457.80	-	-	3,426,457.80	14.29%	
Baometal S.r.L	14,319,532.64	564,692.36		14,884,225.00	-	-	-	-	10.00%	
CNPC Pipeline Co., Ltd.	8,643,900,787.20			8,643,900,787.20	-	-	-	-	3.52%	
Total	9,600,106,121.61	831,361.16		9,600,937,482.77	7,404,202.27	-	-	7,404,202.27	/	103,680,755.16

(4) Impairment Change of Available-for-sale Financial Assets in the Reporting Period

√Applicable □Not applicable

Unit: RMB

Available-for-sale financial assets category	Available-for-sale equity instruments	Available-for-sale debt instruments	Total
Provisioned beginning impairment balance	7,404,202.27	50,240,011.70	57,644,213.97
Current provision			
Where: Transferred-in from other comprehensive income			
Current cuts			
Where: Rise of fair value after the period	/		
Ending balance of provisioned impairment reserves	7,404,202.27	50,240,011.70	57,644,213.97

(5) Notes to Available-for-sale Equity Instruments Whose Fair Value Undergoes Significant Fall or Prolonged Fall But not yet Provision Impairment Reserves:

√Applicable □Not applicable

Unit: RMB

Available-for-sale equity instruments item	Investment cost	Ending fair value	Falling degree of fair value against cost (%)	Continuou s falling period (months)	Provisioned impairment amount	Cause for non-provisioned impairment
Xishan Coal Electricity Group	941,660,003.69	347,665,193.90	63	/	-	Note
Total	941,660,003.69	347,665,193.90	63	/	-	/

Note: The above available-for-sale equity instruments are 42,658,306 shares (000983) of Xishan Coal Electricity Group Co., Ltd. which the Company's subsidiary - Shanghai Baosteel International Economic & Trading Co., Ltd. bought in Shenzhen Stock Exchange from 2010 to 2011, with investment costs of RMB 941,660,003.69 and average cost of RMB 22.10 per share. As of June 30, 2016, closing price of Xishan Coal Electricity Group was 8.15 Yuan per share, accumulatively decreasing by RMB 593,994,809.79, and final book value was RMB 347,665,193.90. Such equity instrument investment is the investment that the Group takes the strategic holding as the main purpose and doesn't make the decision of selling out due to the temporary change, and the Group records it in the account by taking it as the available-for-sale financial assets.

According to the provisions of the Accounting Standards for Business Enterprises, the Company shall take the equity investment in Xishan Coal Electricity Group as the available-for-sale financial assets for accounting, and stock price fluctuation of Xishan Coal Electricity Group shall be included in other comprehensive income. When the Group evaluates whether there is objective evidence showing that such available-for-sale financial assets have the impairment on the balance sheet date, it mainly conducts the analysis on the basic operation of the invested unit. Xishan Coal Electricity Group is a very large coal enterprise and is the leading coal enterprise of the scarce high-quality metallurgical coke. In addition to the coal business, Xishan Coal Electricity Group has also developed two industry chains – “coal - electricity – material” and “coal - coke - chemical” based on Shanxi Coking Coal Group. The fall of its share price was mainly affected by domestic capital market downturn and sluggish coal industry. Xishan Coal Electricity Group has stable operation, operating earnings in recent three years and earnings before interest, taxes, depreciation and amortization have no significant decline, operating conditions have not deteriorated seriously, and the purpose of long-term strategic holding of share of Xishan Coal Electricity Group did not change. After taking related factors into consideration, the management personnel thought that such available-for-sale financial assets have no need for impairment reserves provision on June 30, 2016 based on the quantitative criteria (Note III, 11.3) of impairment judgment on available-for-sale financial assets.

15. Long-term Receivables

√Applicable □Not applicable

(1) Long-term Receivables

Unit: RMB

Item	Ending balance			Beginning balance			Discount rate range
	Book balance	Bad debt provision	Book value	Book balance	Bad debt provision	Book value	
Financial leasing amount				3,750,000.00	187,500.00	3,562,500.00	
Where: Unrealized financial income				-101,250.00	-	-101,250.00	
Sales of goods with installment							
Rendering of service with installment							
Asset transfer receivables (Note1)	4,500,000,000.00		4,500,000,000.00	9,000,000,000.00	-	9,000,000,000.00	
Less: gains receivable from assets transfer due within 1 year (Note 1)	-4,500,000,000.00		-4,500,000,000.00	-4,500,000,000.00	-	-4,500,000,000.00	
Preferential borrowing for down payment of employees' first apartment (Note 2)	117,955,000.00		117,955,000.00	72,180,000.00	-	72,180,000.00	
Others	3,495,485.49		3,495,485.49	3,330,708.90	-	3,330,708.90	
Total	121,450,485.49	-	121,450,485.49	4,579,260,708.90	187,500.00	4,579,073,208.90	/

Note 1: In accordance with the Connected Transaction Bulletin (Lin 2012-005) 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 Unit (Lin 2012-007) issued by the Company on March 14, 2012, the Company transferred the related assets and equities of the Stainless Steel and Special Steel Business Unit on the basis of evaluation value on the base date of assets evaluation (December 31, 2011) issued by the Zhongzixin Assets Appraisal Co., Ltd., which was completed on April 1, 2012. Out of the proceeds from transfer of these assets, RMB 22.5 billion will be collected in five years, i.e. RMB5.1 billion or 20% each year. One installment (principal and interest thereupon) will be collected on April 1st of each year beginning in 2013 and ending in 2017. As of the end of this reporting period, the balance of long-term accounts receivable which has been transferred into "due within 1 year" is RMB 4.5 billion, of which RMB 2.6 billion is receivable from Shanghai Baosteel Stainless Steel Co., Ltd. and RMB 1.9 billion from Baosteel Special Steel Co., Ltd.

Note 2: According to the preferential borrowing policy for the first apartment provided by the Company to certain employees, every employee is allowed to borrow 300,000-450,000, the interest of which is determined by 50 % of housing fund loan rate, with the loan term up to 10 years. Loan shall be repaid from the 3rd year upon borrowing and paid off no later than 8 years, with the fixed amount in each month or prepayment option

RMB 187,500 was reversed as bad debt reserves for long-term receivables in the reporting period.

(2) Long-term Receivables under Derecognition due to Transfer of Financial Assets

None.

(3) Amount of Assets and Liabilities Formed by Transfer of Long-term Receivables and Continuous Involvement

None.

(4) Neither at the end of this reporting period nor at the beginning of this year did any long-term account receivable include investment by any shareholder holding shares representing 5% or more of the voting rights of the Company.

(5) For long-term accounts receivable from other related parties at the end of this reporting period and at the beginning of this year, please see Note (X), 6(8).

16. Long-term Equity Investment

√Applicable □Not applicable

Unit: RMB

Name of investee	Beginning balance	Current change								Ending balance	Ending balance of impairment reserves
		Added investment	Reduced investment	Investment gains and losses recognized under the Equity Method	Other comprehensive income adjustment	Other equity change	Cash dividend or profit declared to issue	Impairment reserves provision	Others		
I. Joint Ventures											
Baosteel-NSC/Arcelor Automotive Steel Sheets Co., Ltd.	1,709,806,023.00			61,146,741.51		1,469,371.25				1,772,422,135.76	
BAO-ISLAND ENTERPRISES LIMITED	571,868,624.40			2,705,529.60	12,117,950.40					586,692,104.40	
Shandong Baohua Wear-resistant Steel Co., Ltd.	75,041,834.57			-4,650,767.24						70,391,067.33	
Guangzhou JFE Steel Sheet Co., Ltd.	1,528,680,972.01			17,287,883.35						1,545,968,855.36	35,000,000.00
Hangzhou Baowei Auto Parts Co., Ltd.	150,409,079.04			14,831,311.98						165,240,391.02	
Changsha Baosheng Steel Processing and Delivery Co., Ltd.	5,741,212.21			-1,581,893.25						4,159,318.96	
Changshu Baosheng Fine Blanking Materials Co., Ltd	75,758,737.99			-529,103.16						75,229,634.83	
Wuhan Baozhang Automobile Steel Parts Co., Ltd	30,028,626.34			-171,724.26			-13,951.20			29,842,950.88	
Wuhan Baohan Welding Equipment Co., Ltd	3,011,680.24			47,391.64						3,059,071.88	
Subtotal	4,150,346,789.80			89,085,370.17	12,117,950.40	1,469,371.25	-13,951.20			4,253,005,530.42	35,000,000.00
II. Associated enterprises											
Shanghai Baosteel & Arcelor Tailor Metal Co., Ltd.	125,983,674.52			11,931,195.62			-21,356,000.00			116,558,870.14	
Shanghai Firsttech Software Co., Ltd.	2,831,840.50			161,863.27						2,993,703.77	
Henan Pingbao Coal Industry Co., Ltd.	411,604,835.83			15,189,249.22						426,794,085.05	
Tianjin BCM Distribution Co., Ltd.	50,729,313.89			-2,057,394.13						48,671,919.76	
Wuxi Baomit Steel Processing and Delivery Co., Ltd.	68,294,250.55			581,828.98						68,876,079.53	
Sichuan Daxing Baohua Chemical Co., Ltd.	28,148,728.61			-3,159,080.66		-39,607.00				24,950,040.95	
Baosteel Can Making (Vietnam) Co.,Ltd.	62,317,797.88				1,320,520.05					63,638,317.93	
Beijing Qingke Chuangtong Information Technology Co., Ltd.	8,695,219.83			708,617.31						9,403,837.14	
MIBao Metal Processing Zhengzhou Co., Ltd.	22,706,467.33			742,646.96						23,449,114.29	
Guangzhou Automobile Baoshang Steel Processing Co., Ltd.	58,118,195.72			1,596,257.58			-1,247,085.73			58,467,367.57	
Wuxi Baomeifeng Steel Processing Co.,	27,182,613.20			-780,929.23						26,401,683.97	

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SFSC-Bassinnet Information Technology Co., Ltd	4,994,178.57			-2,133,534.89						2,860,643.68
Guangzhou South China Gangbao Terminal Co., Ltd.	6,600,000.00			-21,525.70						6,578,474.30
Tianjin Zhongzhi Tiancheng Technology Co., Ltd.	8,863,455.09			-860,575.30						8,002,879.79
Cangcang (Shanghai) Supply Chain Management Co., Ltd.		400,000.00								400,000.00
Shanghai Extrame Information Technology Co., Ltd.		3,500,000.00								3,500,000.00
Shanghai Runyi Incubator Management Co., Ltd.		3,000,000.00								3,000,000.00
Guangdong Zhanjiang Ganglongteng Shipping Co., Ltd.		27,000,000.00								27,000,000.00
Transferred-in stock right separation regarding marketability from the original system	7,949,489.18									7,949,489.18
Subtotal	895,020,060.70	33,900,000.00		21,898,619.03	1,320,520.05	-39,607.00	-22,603,085.73			929,496,507.05
Total	5,045,366,850.50	33,900,000.00		110,983,989.20	13,438,470.45	1,429,764.25	-22,617,036.93			5,182,502,037.47
										35,000,000.00

When the equity method is employed for calculation, the Group and all of its JVs as well as its affiliated companies have no significant difference in accounting policies, and there is no major limitation on the realization of the long-term investment and the repatriation of returns on investment.

17. Investment Property

√Applicable □Not applicable

Measurement mode of investment property

(1) Investment Property Measured at Cost

√Applicable □Not applicable

Unit: RMB

Item	Houses and buildings	Land use right	Total
I. The original book value			
1.Beginning balance	209,756,400.58	318,321,681.83	528,078,082.41
2. Current adds	15,933,859.14		15,933,859.14
(1) Purchase			
(2) Inventory/ fixed assets/ transferred-in from construction in progress	15,933,859.14		15,933,859.14
(3) Adds from corporate merge			
3. Current cuts	486,486.00		486,486.00
(1) Disposal	486,486.00		486,486.00
(2) Other transferred-out			
4.Ending balance	225,203,773.72	318,321,681.83	543,525,455.55
II. Accumulative depreciation and accumulative amortization			
1.Beginning balance	94,344,350.13	60,396,566.96	154,740,917.09
2. Current adds	11,925,368.00	4,124,040.27	16,049,408.27
(1) Provision or amortization	4,034,503.65	4,124,040.27	8,158,543.92
(2) Transferred-in from fixed assets	7,890,864.35		7,890,864.35
3. Current cuts	419,303.15		419,303.15
(1) Disposal	419,303.15		419,303.15
(2) Other transferred-out			
4.Ending balance	105,850,414.98	64,520,607.23	170,371,022.21
III. Impairment reserves			
1.Beginning balance			
2. Current adds			
(1) Provision			
3. Current cuts			
(1) Disposal			
(2) Other transferred-out			
4.Ending balance			
IV. Book value			
1. Ending book value	119,353,358.74	253,801,074.60	373,154,433.34
2. Beginning book value	115,412,050.45	257,925,114.87	373,337,165.32

(2) Investment Property Without Proper Certificate of Title

□Applicable √Not applicable

18. Fixed Assets**(1) Fixed Assets**

Unit: RMB

Item	Houses and buildings	Machinery equipment	Transportation tools	Office and other equipment	Total
I. The original book value					
1.Beginning 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
2. Current adds	6,022,592,952.38	8,423,818,851.76	742,651,842.50	3,554,438,335.53	18,743,501,982.17
(1) Purchase	1,059,566.31	71,379,216.10	20,097,195.07	85,187,666.23	177,723,643.71
(2) Transferred-in from construction in progress	6,021,046,900.07	8,352,439,635.66	689,306,245.36	3,468,895,395.29	18,531,688,176.38
(3) Transferred-in from investment property	486,486.00	-	-	-	486,486.00
(4) Transferred-in from other non-current assets	-	-	33,248,402.07	355,274.01	33,603,676.08
3. Current cuts	189,995,702.26	1,837,168,596.54	231,909,860.73	394,231,014.95	2,653,305,174.48
(1) Disposal or scrap	34,744,061.27	1,635,642,818.63	233,959,058.23	389,119,035.08	2,293,464,973.21
(2) Transferred to investment property	15,933,859.14	-	-	-	15,933,859.14
(3) Transferred to other non-current assets	169,664,437.40	225,817,633.66	108,499.97	7,247,270.90	402,837,841.93
(4) Translation difference of foreign financial statements	-30,346,655.55	-24,291,855.75	-2,157,697.47	-2,135,291.03	-58,931,499.80
4.Ending balance	64,025,559,466.31	160,013,235,154.09	19,400,120,343.86	21,199,715,851.81	264,638,630,816.07
II. Accumulative depreciation					
1.Beginning 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
2. Current adds	1,246,958,346.72	3,453,566,557.10	465,623,603.03	579,097,280.77	5,745,245,787.62
(1) Provision	1,246,539,043.57	3,453,566,557.10	456,095,796.41	578,878,025.97	5,735,079,423.05
(2) Transferred-in from investment property	419,303.15	-	-	-	419,303.15
(3) Transferred-in from other non-current assets	-	-	9,527,806.62	219,254.80	9,747,061.42
3. Current cuts	85,912,723.20	1,472,006,892.99	217,271,884.60	376,818,978.51	2,152,010,479.30
(1) Disposal or scrap	17,083,437.19	1,353,513,645.52	218,111,860.79	371,964,571.43	1,960,673,514.93
(2) Transferred to investment property	7,890,864.35	-	-	-	7,890,864.35
(3) Transferred to other non-current assets	66,883,053.93	121,080,836.48	104,159.97	6,375,468.82	194,443,519.20
(4) Translation difference of foreign financial statements	-5,944,632.27	-2,587,589.01	-944,136.16	-1,521,061.74	-10,997,419.18
4.Ending balance	29,442,263,432.69	101,064,281,492.29	15,207,268,100.53	14,739,235,317.11	160,453,048,342.62
III. Impairment reserves					
1.Beginning balance	86,912,759.34	520,719,316.70	3,311,755.79	10,116,826.70	621,060,658.53
2. Current adds	102,717,303.05	94,279,770.74	22,858,260.62	938,337.45	220,793,671.86
(1) Provision	102,717,303.05	94,279,770.74	-	816,529.19	197,813,602.98
(2) Transferred-in from other non-current assets	-	-	22,858,260.62	121,808.26	22,980,068.88
3. Current cuts	102,717,303.05	96,638,598.24	-	928,159.54	200,284,060.83
(1) Disposal or scrap	-	2,358,827.50	-	111,630.35	2,470,457.85
(2) Transferred to other	102,717,303.05	94,279,770.74	-	816,529.19	197,813,602.98

non-current assets					
4. Ending balance	86,912,759.34	518,360,489.20	26,170,016.41	10,127,004.61	641,570,269.56
IV. Book value					
1. Ending book value	34,496,383,274.28	58,430,593,172.60	4,166,682,226.92	6,450,353,530.09	103,544,012,203.89
2. Beginning book value	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) Temporarily Idle Fixed Assets

□Applicable√Not applicable

(3) Fixed Assets Acquired Through Finance Leasing

□Applicable√Not applicable

(4) Leased Fixed Assets through Operating Leasing

√Applicable □Not applicable

Unit: RMB

Item	Ending book value	Beginning book value
Houses and buildings	529,462,210.50	416,723,646.04
Machinery equipment	347,843,216.38	385,081,696.38
Transportation tools	112,765,785.39	127,315,264.45
Office and other equipment	26,403,025.87	32,516,114.08
Total	1,016,474,238.14	961,636,720.95

(5) Fixed Assets without Proper Certificate of Title

√Applicable □Not applicable

Unit: RMB Yuan

Item	Book value	Reason
Property ownership certificates of houses and buildings	2,917,279,631.87	Note

Note: The Group has been attempting to acquire property ownership certificates of houses and buildings as of June 30, 2016, with the book value of RMB 2,917,279,631.87 (December 31, 2015: RMB 2,868,428,719.17).

Other notes:

On June 30, 2016, the Group obtained RMB 25,578,745.19 of long-term loan and RMB 325,988,583.76 of short-term loan by pledging fixed assets with net value of RMB 657,807,385.03 (December 31, 2015: RMB 72,864,992.38) and land use right with net book value of RMB 71,071,569.11 (December 31, 2015: RMB 67,699,345.04), with RMB 351,567,328.95 of total loans (December 31, 2015: RMB 66,654,085.10).

19. Construction in Progress

√Applicable □Not applicable

(1) Construction in Progress

Unit: RMB

Item	Ending balance			Beginning balance		
	Book balance	Depreciation reserve	Book value	Book balance	Depreciation reserve	Book value
Technical innovation and infrastructure construction projects	24,093,803,621.74	810,291,641.28	23,283,511,980.46	34,438,681,114.96	810,291,641.28	33,628,389,473.68
Total	24,093,803,621.74	810,291,641.28	23,283,511,980.46	34,438,681,114.96	810,291,641.28	33,628,389,473.68

(2) Significant Changes of Construction in Progress

√Applicable □Not applicable

Unit: RMB

Item	Budget	Beginning balance	Increase for the current period	Transferred-in fixed assets	Other current cuts	Ending balance	Proportion of project investment in budget	Construction progress	Accumulated amount of interest capitalization	Including: capitalized amount of interest for the current period	Capitalization rate of interest for the current period	Source of capital
Technical innovation and infrastructure projects	43,653,249,800.00	34,438,681,114.96	8,468,181,446.36	18,531,688,176.38	281,370,763.20	24,093,803,621.74	55		733,081,452.63	310,928,437.83	3.915-4.725	Self-raised or borrowing
Total	43,653,249,800.00	34,438,681,114.96	8,468,181,446.36	18,531,688,176.38	281,370,763.20	24,093,803,621.74	/	/	733,081,452.63	310,928,437.83	/	/

(3) Current Depreciation Reserves Provision for Construction in Progress:

□Applicable √Not applicable

20. Engineering Materials

√Applicable □Not applicable

Unit: RMB

Item	Ending balance	Beginning balance
Special materials	11,597,161.47	5,863,958.76
Special equipment	15,922,861.22	43,945,769.33
Others	11,639,086.79	5,623,852.38
Total	39,159,109.48	55,433,580.47

21. Intangible Assets**(1) Intangible Assets**

Unit: RMB

Item	Land use right	Computer software	Others	Total
I. The original book value				
1.Beginning balance	10,052,379,524.84	568,733,420.73	271,415,357.72	10,892,528,303.29
2. Current adds	2,580,253,424.28	46,757,494.15	4,950.00	2,627,015,868.43
(1) Purchase		28,085,796.20	4,950.00	28,090,746.20
(2) Transferred-in from construction-in-progress	16,429,672.06	18,598,169.20		35,027,841.26
(3) Transferred-in from other non-current assets	2,561,017,958.00			2,561,017,958.00
(4) Transferred-in from construction in progress	2,805,794.22	73,528.75		2,879,322.97
3.Current cuts				
4.Ending balance	12,632,632,949.12	615,490,914.88	271,420,307.72	13,519,544,171.72
II. Accumulative amortization				
1.Beginning balance	1,322,402,167.68	238,024,076.08	67,027,419.15	1,627,453,662.91
2.Current adds	120,588,857.65	60,560,132.33	2,647,174.89	183,796,164.87
(1) Provision	120,584,225.54	60,513,561.17	2,647,174.89	183,744,961.60
(2) Translation difference of foreign financial statements	4,632.11	46,571.16		51,203.27
3.Current cuts				
4.Ending balance	1,442,991,025.33	298,584,208.41	69,674,594.04	1,811,249,827.78
III. Impairment Reserves				
1.Beginning balance			13,610,153.50	13,610,153.50
2. Increased amount in the period				
3. Decreased amount in the period				
4. Ending balance			13,610,153.50	13,610,153.50
IV. Book value				
1. Ending book value	11,189,641,923.79	316,906,706.47	188,135,560.18	11,694,684,190.44
2. Beginning book value	8,729,977,357.16	330,709,344.65	190,777,785.07	9,251,464,486.88

Note: More land use rights were acquired, mainly because Zhanjiang Steel, subordinate to the Group, has obtained in the reporting period the corresponding land use rights according to *Pre-deposit Agreement for Land Use* and *Supplementary to Pre-deposit Agreement for Land Use* entered into between Zhanjiang Steel and People's Government of Zhanjiang. Therefore, the accounts originally included into other non-current assets have been transferred into intangible assets-land use right for accounting. Please see Note (V) 24.

(2) Use Right of Land without Proper Certificate of Title

□Applicable √Not applicable

Other notes:

On June 30, 2016, the Group obtained RMB 25,578,745.19 of long-term loan and RMB 325,988,583.76 of short-term loan by pledging fixed assets with net value of RMB 657,807,385.03 (December 31, 2015: RMB 72,864,992.38) and land use right with net book value of RMB 71,071,569.11 (December 31, 2015: RMB 67,699,345.04), with RMB 351,567,328.95 of total loans (December 31, 2015: RMB 66,654,085.10).

22. Long-term Unamortized Expenses

√Applicable □Not applicable

Unit: RMB

Item	Beginning balance	Amount added in the period	Amortization amount in the period	Other reduced amount	Ending balance
Decoration expenses	150,769,291.99	55,242,055.09	12,843,971.11	-	193,167,375.97
Rental expenses	8,676,914.56	298,119.66	762,867.53	-	8,212,166.69
Relocation payment for environmental protection of coke oven of Meishan Steel (Note)	805,396,557.48		12,683,410.38	-	792,713,147.10
Expenditure on HV power supply of Huangshi Cold Rolling Phase II	1,330,708.50		295,713.00	-	1,034,995.50
Others	91,003,915.84	109,643.16	16,153,908.07	-	74,959,650.93
Total	1,057,177,388.37	55,649,817.91	42,739,870.09	-	1,070,087,336.19

Note: In accordance with "Agreement on relocating residents in health protection area of Shanghai Meishan Iron & Steel Co., Ltd. in the 11th 5-year period" (hereinafter referred to as the "Agreement") jointly signed by and among Shanghai Meishan Iron & Steel Co., Ltd. (hereinafter referred to as the "Meishan Steel"), Nanjing Yuhuatai Banqiao Sub-district Office and Nanjing Yuhua Administration Committee of ETDZ on October 16, 2012, the relocation compensation shall be made for the residential areas at a protection distance of 1km from the coke oven construction project of the Meishan Steel. Therefore, Meishan Steel shall bear the relocation expenses of RMB 880,000,000.00, including the expenses of RMB 750,000,000.00 which must be paid to the Nanjing Yuhuatai Banqiao Sub-district Office, and the expenses of RMB 130,000,000.00 which must be paid to the Nanjing Yuhua Administration Committee of ETDZ. Pursuant to this Agreement, Meishan Steel paid RMB 120,000,000.00 in 2012, RMB 510,000,000.00 in 2013 and RMB 110,000,000.00 in 2014. RMB 70,000,000.00 has been paid in 2015 and RMB 70,000,000.00 remains outstanding which shall be included in non-current liabilities due within 1 year. The aforesaid relocation compensation borne by Meishan Steel shall be amortized according to the remaining service life of the main assets. Please see Notes (V) 36(3)note.

23. Deferred Income Tax Assets/Deferred Income Tax Liabilities

(1) Deferred Income Tax Assets Which Have Not Been Offset

√Applicable □Not applicable

Unit: RMB

Item	Ending balance		Beginning balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Depreciation reserves of assets	4,329,055,645.30	1,060,709,038.29	4,049,428,220.68	1,013,353,762.28
Unrealized profits of internal purchase and sale	599,469,156.87	149,867,289.27	48,827,028.32	12,206,757.08
Deductible losses	61,663,786.84	14,212,127.21	50,621,260.76	12,655,315.19
Residual rate difference of fixed assets	214,713.24	53,678.31	214,713.24	53,678.31
Dismissal welfare	413,955,893.44	103,488,973.36	490,283,167.08	122,570,791.77
Losses on variation in fair values	478,116,585.02	119,529,146.26	501,245,019.14	125,311,254.79
Others	935,636,775.05	232,976,424.82	937,187,688.55	234,804,423.19
Total	6,818,112,555.76	1,680,836,677.52	6,077,807,097.77	1,520,955,982.61

(2) Deferred Income Tax Liabilities That Have Not Been Offset

√Applicable □Not applicable

Unit: RMB

Item	Ending balance		Beginning balance	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Added value of assets in the merge of enterprises under different controls				
Increased tax of investment income	2,656,821,717.34	475,646,200.35	2,484,949,935.95	442,584,276.06
Fair value change in available-for-sale financial assets	38,893,064.32	9,723,266.08	37,807,806.00	9,451,951.50
Others	10,326,666.42	2,619,166.37	10,514,696.00	2,665,395.63
Total	2,706,041,448.08	487,988,632.80	2,533,272,437.95	454,701,623.19

(3) Deferred Income Tax Assets and Liabilities Listed by Net Amount after Offset:

□Applicable √Not applicable

(4) Unconfirmed Deferred Income Tax Assets Report

√Applicable □Not applicable

Unit: RMB

Item	Ending balance	Beginning balance
Deductible temporary difference		
Asset impairment reserves	1,640,715,290.20	1,625,271,620.29
Deductible loss	10,716,055,673.89	9,883,597,331.62
Others	2,560,893.97	8,468,952.44
Total	12,359,331,858.06	11,517,337,904.35

(5) Deductible Loss without Deferred Income Tax Assets Recognized will be Due in:

√Applicable □Not applicable

Unit: RMB

Year	Ending balance	Beginning balance	Note
2016	723,645,331.03	784,374,042.91	
2017	3,196,360,047.92	3,196,360,047.92	
2018	1,952,708,976.90	1,952,719,366.97	
2019	1,085,489,351.97	1,085,489,351.97	
2020	2,863,214,371.18	2,864,654,521.85	
2021	894,637,594.89	-	
Total	10,716,055,673.89	9,883,597,331.62	/

24. Other Non-current Assets

Unit: RMB

Item	Ending balance	Beginning balance
Borrowings due from Bao-Island	117,905,780.14	117,905,780.14
Luoqing fixed assets to be disposed (Note)	205,847,656.54	
Land transfer fee prepaid for Zhanjiang Steel		2,759,830,784.03
Prepaid engineering equipment cost	484,932,256.56	914,569,629.24
Amount for trust and financing products	935,203,263.00	720,039,507.00

Others	3,901,737.25	1,629,299.59
Total	1,747,790,693.49	4,513,975,000.00

Note: The Company has stopped its production in Luoqing in 2012 and relevant assets were about to be disposed and recycled. The Company transferred in 2013 Luoqing assets originally calculated in other non-current assets into construction in progress for accounting and planned to reuse these assets in the renovation project of fixed assets to generate profits. Remaining Luoqing assets were discussed in the reporting period and scheduled to be fully disposed in the future. Therefore, assets which were originally included in the construction in progress (Original book value: RMB 1,988,108,441.46; impairment reserves balance: RMB 1,792,841,504.67; Book value: RMB 195,266,936.79) and fixed assets (Original book value: RMB 208,394,322.73; impairment reserves balance: RMB 197,813,602.98; Book value: RMB 10,580,719.75) have been transferred into other non-current assets for accounting.

25. Short-Term Borrowings

√Applicable □Not applicable

(1) Short-term Borrowing Category

On the balance sheet date, in the short-term borrowing of the Group, the annual interest rate of the RMB borrowings ranges from 3.30% to 5.33% (2015: 3.30% to 5.89%); that of USD borrowings ranges from LIBOR+0.4% (1 month) to LIBOR+2.45% (3 months) (2015: LIBOR+0.6% for 1 month to LIBOR+2.8% for 3 months); that of EUR borrowings ranges from 0.25% to 1.25% (2015: 0.95% to 3.49%).

Unit: RMB

Item	Ending balance	Beginning balance
Pledged borrowings	-	500,000,000.00
Mortgage borrowings	325,988,583.76	350,265,683.94
Secured borrowings		
Credit borrowings	33,284,265,597.73	26,260,766,250.76
Total	33,610,254,181.49	27,111,031,934.70

Note1: On June 30, 2016, in the pledged borrowings, the Group obtained borrowing of RMB through factoring accounts receivable (Dec.31, 2015: RMB 500,000,000.00).

Note 2: Please see note (V) 18(5) and note (V) 21 for details.

(2) Bank Loan Credit Lines

As of June 30, 2016, the total amount of bank loan credit lines unused by the Group was about RMB 89.461 billion (December 31, 2015: 85.908 billion). In the opinion of the management of the Group, considering the aforesaid bank loan credit lines and the cash flows from operating activities, the Group will have sufficient funds to pay off various current liabilities which will become due within the next year.

26. Customer Deposits and Deposits from Banks and Other Financial Institutions

Unit: RMB

Item	Ending balance	Balance at the beginning of the year
Current deposits	1,297,321,371.76	1,296,771,357.09
Fixed deposits	5,352,434,585.73	8,713,208,778.73
Total	6,649,755,957.49	10,009,980,135.82

For particulars about the deposits received by the end of this reporting period from shareholders each holding shares representing 5% or more of the voting rights of the Company and from other related parties, please refer to Note (X), 6(9).

27. Borrowing funds

Unit: RMB

Item	Ending balance	Balance at the beginning of the year
Borrowing funds from domestic banks	198,000,000.00	198,000,000.00

28. Notes Payable

√Applicable □Not applicable

Unit: RMB

Category	Ending balance	Beginning balance
Trade acceptance	4,199,918,496.76	3,339,883,539.09
Bank acceptance	662,757,686.93	1,094,008,830.86

Total	4,862,676,183.69	4,433,892,369.95
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Notes payable which is due and remains outstanding at the end of the period is 0 Yuan.
Above notes payable will be due in 2016.

Neither at the end of this reporting period nor at the beginning of this year did the balance of notes payable include any notes payable to shareholders each holding shares representing 5% or more of the voting rights of the Company.

For notes payable to related parties and included in the balance of notes payable, please see Note (X), 6(10).

29. Accounts Payable

(1) Accounts Payable Statement

Applicable Not applicable

Unit: RMB

Item	Ending balance	Beginning balance
Accounts payable for equipment procurement	3,076,213,081.46	5,282,089,642.19
Accounts payable for procurement of raw materials	20,722,233,569.29	16,103,815,633.32
Total	23,798,446,650.75	21,385,905,275.51

As of the end of the period and the beginning of the year, please see note (X) and 6 (11) for shareholder entities or associated parties who hold more than 5% (including 5%) shares of the Company with voting rights in accounts payable.

30. Advance Receipts

(1) Advance Receipts Statement

Applicable Not applicable

Unit: RMB

Item	Ending balance	Beginning balance
Advance receipts	14,243,355,002.77	12,467,881,559.99
Total	14,243,355,002.77	12,467,881,559.99

(2) Significant Advance Receipts with Account Age Over 1 Year

Applicable Not applicable

(3) At the end of the reporting period and the beginning of the year, there was no balance of advance receipts from shareholders holding more than 5% (including) of voting shares.

(4) For related parties of advance receipts of related parties at the end of the reporting period and the beginning of the year, please see Note (X), 6(12).

31. Employee Benefits Payable

(1) Employee Benefits Payable Statement:

Applicable Not applicable

Unit: RMB

Item	Beginning balance	Current adds	Current cuts	Ending balance
I. Short-term benefits	1,499,672,917.38	4,214,880,533.10	3,669,196,293.15	2,045,357,157.33
II. Benefits post resignation-defined contribution plan	1,635,753.48	609,382,535.26	609,475,257.83	1,543,030.91
III. Dismissal welfare	170,444,790.56	28,686,181.48	111,249,306.26	87,881,665.78
IV. Other benefits due within in 1 year				
Total	1,671,753,461.42	4,852,949,249.84	4,389,920,857.24	2,134,781,854.02

(2) Short-term Benefits Statement

√Applicable □Not applicable

Unit: RMB

Item	Beginning balance	Current adds	Current cuts	Ending balance
I. Wages, bonuses, allowances and subsidies	1,143,192,881.4 4	3,249,565,134.2 3	2,790,412,983. 13	1,602,345,032.54
II. Employees' welfare expenses	-	154,601,337.25	154,601,337.25	-
III. Social insurance charges	1,752,198.55	279,599,714.60	280,356,858.57	995,054.58
Including: Medical insurance	661,028.23	242,119,608.04	242,097,713.81	682,922.46
Work-related injury insurance	39,400.32	10,510,987.12	10,472,069.51	78,317.93
Maternity insurance	51,079.03	22,669,689.36	22,657,950.83	62,817.56
Employment fee for the injured	15,270.14	120,378.14	128,265.54	7,382.74
Others	985,420.83	4,179,051.94	5,000,858.88	163,613.89
IV. Housing accumulation funds	1,713,263.24	305,268,850.95	306,780,644.25	201,469.94
V. Labor union expenditures and personnel education funds	188,686,109.65	100,673,173.38	63,131,045.48	226,228,237.55
VI. Short-term paid absence	-	56,733,921.28	56,733,921.28	-
VII. Short-term profit share plan				
VIII. Others	164,328,464.50	68,438,401.41	17,179,503.19	215,587,362.72
Total	1,499,672,917.3 8	4,214,880,533.1 0	3,669,196,293. 15	2,045,357,157.33

(3) Defined Contribution Plan Statement

√Applicable □Not applicable

Unit: RMB

Item	Beginning balance	Current adds	Current cuts	Ending balance
1. Basic pension insurance	1,139,790.50	482,285,923.32	482,264,902.65	1,160,811.17
2. Unemployment insurance	97,170.59	27,370,460.12	27,381,987.81	85,642.90
3. Enterprise annuity	398,792.39	99,726,151.82	99,828,367.37	296,576.84
Total	1,635,753.48	609,382,535.26	609,475,257.83	1,543,030.91

32. Taxes Payable

Unit: RMB

Item	Ending balance	Beginning balance
VAT	660,653,096.04	-557,122,801.25
Business tax	-1,272,357.31	14,967,514.50
Enterprise income tax	2,418,257,371.13	1,824,943,777.30
Individual income tax	38,941,786.53	94,921,564.31
Urban maintenance and construction tax	33,887,066.51	24,878,561.18
Property tax	35,676,517.78	28,089,124.91
Others	454,014,161.12	267,637,334.02
Total	3,640,157,641.80	1,698,315,074.97

33. Interest Payable

√Applicable □Not applicable

Unit: RMB

Item	Ending balance	Beginning balance
Interest payable for medium-term notes	92,884,736.68	13,272,131.15
Interest payable for borrowings	139,850,221.39	131,116,792.40
Interest payable for corporate bonds issued by Bao-Trans Enterprises	27,175,545.32	55,218,891.37
Total	259,910,503.39	199,607,814.92

For interest payable at the end of this reporting period and at the beginning of this year to shareholders each holding shares representing 5% or more of the voting rights of the Company and to other related parties, please see Note (X), 6(13).

34. Dividends Payable

√Applicable □Not applicable

Unit: RMB

Item	Ending balance	Beginning balance
Sumitomo Corporation	18,677,691.84	-
Sumitomo Corporation (China) Holding Ltd.	2,075,299.09	-
Toyota Tsusho Corporation	508,659.29	-
Mitsui & Co., Ltd.	15,658,348.70	-
Guangzhou Nansha Hi-tech Development Corporation	332,423.60	-
Mitsui & Co. (China) Ltd.	332,423.60	-
Mitsui Tokyo Co., Ltd.	1,495,906.20	-
Van Shung Chong Holdings Limited	837,707.47	-
Guizhou Aluminium Factory	603,743.23	603,743.23
Others	22,022.21	22,022.21
Total	40,544,225.23	625,765.44

35. Other Accounts Payable**(1) Other payables presented by account nature**

√Applicable □Not applicable

Unit: RMB

Item	Ending balance	Beginning balance
Security deposits and cash pledges	345,632,302.96	473,438,875.33
Advances	120,292,267.88	232,618,756.66
Transportation and port fees	34,656,679.26	29,172,718.40
Project funds payable	698,517,817.83	753,624,742.69
Safe production risk funds	64,839,425.87	55,017,424.30
Principal and interests of financing products payable to investors (Note)	1,148,153,644.29	617,501,551.55
Commission charges	11,426,151.03	9,600,400.11
Others	142,129,319.85	112,069,657.12
Total	2,565,647,608.97	2,283,044,126.16

Note: This refers to principal and interests of trust products invested by investors and provided by Ouyeeel Commerce, subordinate to the Company.

(2) For other accounts payable at the end of this reporting period and at the beginning of this year to shareholders each holding shares representing 5% or more of the voting rights of the Company and to other related parties, please see Note (X), 6(14).

36. Non-current Liabilities Due Within One Year

√Applicable □Not applicable

(1) Details about the Non-current Liabilities Due Within One Year are Listed as Follows:

Unit: RMB

Item	Ending balance	Beginning balance
Long-term borrowings due within 1 year	43,908,628.83	138,114,896.18
Long-term accounts payable due within 1 year	70,000,000.00	70,000,000.00
Bonds payable due within 1 year		-
Total	113,908,628.83	208,114,896.18

(2) Long-term Borrowings Due Within 1 Year

On June 30, 2016, the Group's long-term loan amount due within one year is RMB 43,908,628.83 (December 31, 2015: RMB 138,114,896.18). For details on mortgage loan of long-term loan please see note (V) 18, (5).

(3) Long-term Accounts Payable Due Within One Year

Unit: RMB

Item	Ending balance	Balance at the beginning of the year
Compensation funds payable for relocation (Note)	70,000,000.00	70,000,000.00
Total	70,000,000.00	70,000,000.00

Note: Please see Note (V), Note 22.

37. Other Current Liabilities

Unit: RMB

Item	Ending balance	Beginning balance
Short-term bonds payable	20,328,179,519.43	10,057,344,262.30
Others	5,994,816.89	
Total	20,334,174,336.32	10,057,344,262.30

Change in short-term bonds payable

√Applicable □Not applicable

Unit: RMB

Name	Par value	Issuing date	Term	Issue value	Beginning balance	Issuance in the period	Provisioned interests per par value	Amortization of premium and discount	Repayment in the period	Ending balance
Bonds payable-short-term financing bond	10,000,000,000.00	October 26, 2015	1 year	10,000,000,000.00	10,057,344,262.30		158,131,147.54			10,215,475,409.84
Bonds payable-short-SCP	5,000,000,000.00	January 20, 2016	270 days	5,000,000,000.00		5,000,000,000.00	63,958,904.11			5,063,958,904.11
Bonds payable-short-SCP	5,000,000,000.00	February 22, 2016	270days	5,000,000,000.00		5,000,000,000.00	48,745,205.48			5,048,745,205.48
Total	/	/	/	20,000,000,000.00	10,057,344,262.30	10,000,000,000.00	270,835,257.13			20,328,179,519.43

Note: According to the Proposal on Carrying out Direct Financing in Domestic and Overseas Markets reviewed and approved by the First Extraordinary General Meeting of Shareholders held on January 26, 2015, the Company was allowed to register with National Association of Financial Market Institutional Investors and issue short-term financing bonds, the total amount of which shall not exceed RMB 10 billion (including RMB 10 billion). The Company issued short-term financing bonds Phase I on October 26, 2015, with the amount of RMB 10 billion, the term of 366 days, unit par value of RMB 100 and annual interest rate of 3.18%. The principal shall be return and interests paid when due.

According to the Proposal on Carrying out Direct Financing in Domestic and Overseas Markets reviewed and approved by the First Extraordinary General Meeting of Shareholders held on January 26, 2015, the Company was allowed to register with National Association of Financial Market Institutional Investors and issue SCP, the total amount of which shall not exceed RMB 10 billion (including RMB 10 billion). The Company issued SCP Phase I on January 20, 2016, with the amount of RMB 5 billion, the term of 270 days, unit par value of RMB 100 and annual interest rate of 2.9%. The Company issued SCP Phase II on February 22, 2016, with the amount of RMB 5 billion, the term of 270 days, unit par value of RMB 100 and annual interest rate of 2.78%.

38. Long-term Borrowings

√Applicable □Not applicable

(1) Classification of Long-term Borrowings

Item	Ending balance	Beginning balance
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Pledged borrowing		
Credit borrowings	11,654,342,450.00	9,088,269,188.03
Mortgaged borrowings	25,578,745.19	21,995,157.86
Guaranteed borrowing	829,391.13	762,038.79
Total	11,680,750,586.32	9,111,026,384.68

Note: For details of mortgage loan please see note (V) 18(3) and note (V) 21.

Other notes, including interest rate range:

Among the above loan, annual interest rate of USD loan ranges from LIBOR+0.45% for 1 month to LIBOR+2.55% for 3 months; JPY is 1%; KRW loan is 3.05%; and RMB loan is from 4.18% to 5.39%.

(2) Long-term Borrowings with Its Amount among Top 5

Long-term borrowings with the amount among Top 5 across the Group were RMB 3,670,000,000 equivalent on June 30, 2016 (December 31, 2015: RMB 2,367,500,000.00).

39. Bonds Payable

Applicable Not applicable

(1) Bonds Payable

Unit: RMB		
Item	Ending balance	Beginning balance
Medium-term note (Note1, 2)	7,000,000,000.00	2,000,000,000.00
Bao-Trans Corporate Bond (Note 3, 4)	6,964,217,441.01	6,747,373,959.29
Total	13,964,217,441.01	8,747,373,959.29

(2) Bond Payable Change: (Excluding Preferred Stock, Perpetual Liabilities and Other Financial Instruments Classified as Financial Liabilities)

Applicable Not applicable

Unit: RMB										
Bond name	Nominal value	Issue date	Term	Total amount	Beginning balance	Current issuance	Interest provision per nominal value	Amortization of premiums and discounts	Current payments	Ending balance
Bao-Trans Bonds (Note1)	USD 500,000,000.00	December 5, 2013	5 years	USD 500,000,000.00	3,218,167,625.69		62,192,698.56	72,908,450.78	62,192,698.56	3,291,076,076.47
Bao-Trans Bonds (Note2)	EUR 500,000,000.00	February 22, 2015	3 years	EUR 500,000,000.00	3,529,206,333.60		29,479,796.40	172,841,569.92	58,386,335.38	3,673,141,364.54
Total	/	/	/		6,747,373,959.29		91,672,494.96	245,750,020.70	120,579,033.94	6,964,217,441.01

Note 1: In December 2013, Bao-Trans Co., Ltd ("Bao-Trans"), a subsidiary of the Company was approved by the 2012 general shareholders' meeting held on April 26, 2013 to issue bonds denominated in US dollar in Hong Kong with the amount of USD 0.5 billion and duration of 5 years in accordance with the resolution of the shareholders' meeting of Developing Direct Financing. Bao-Trans issued USD 500 million of bonds with issuing price 99.199% of par value and fixed interest rate 3.75% per annum on December 5, 2013. Interest will be paid semi-annually on June 12 and December 12 respectively. The bond will be due on 12 December, 2018.

Note 2: According to the Proposal on Carrying out Direct Financing in Domestic and Overseas Markets reviewed and approved by the First Extraordinary General Meeting of Shareholders held on January 26, 2015, the Group's subsidiary Bao-Trans was allowed to issue the euro bonds which do not exceeds 1 billion euros (including 1 billion euros) overseas by several times. Bao-Trans issued the euro bonds according to 99.713% of the principal on February 23, 2015, with issuing amount of 500 million euros, interest calculation method of fixed interest rate for interest payment, and nominal interest rate at 1.625%. The method of repaying principal and interest was adopted for paying the interest on February 23 every year and paying off the principle upon the expiration. The bonds will expire on February 23, 2018.

Unit: RMB

Name	Par value	Issuance date	Term	Total amount	Balance at the beginning of the year	Current issuance	Interest provision per nominal value	Current payments	Interests payable at the end of the period	Ending balance
Medium note (15 Baosteel MMT001) (Note 1)	2,000,000,000.00	October 26, 2015	3 years	2,000,000,000.00	2,000,000,000.00		36,598,907.10		49,871,038.25	2,000,000,000.00
Medium note (16 Baosteel MMT001) (Note 2)	5,000,000,000.00	March 22, 2016	3 years	5,000,000,000.00		5,000,000,000.00	43,013,698.63		43,013,698.63	5,000,000,000.00
Total	/	/	/	7,000,000,000.00	2,000,000,000.00	5,000,000,000.00	79,612,605.73		92,884,736.88	7,000,000,000.00

Note 1: Baosteel convened the 2015 First Extraordinary General Meeting of Shareholders on January 26, 2015 which reviewed and approved the Proposal on Carrying out Direct Financing in Domestic and Overseas Markets, the Company was allowed to register with National Association of Financial Market Institutional Investors and apply to issue medium term note, the total amount of which shall not exceed RMB 20 billion (including RMB 20 billion). The Company issued medium term note at par in the reporting period, with the amount of RMB 2 billion, nominal interest rate of 3.68% and the term of 3 years. The principal shall be returned as a lump sum and interests paid annually, with the value date on

Baosteel convened the 2015 First Extraordinary General Meeting of Shareholders on January 6, 2015 which reviewed and approved the Proposal on Carrying out Direct Financing in Domestic and Overseas Markets, the Company was allowed to register with National Association of Financial Market Institutional Investors and apply to issue medium term note, the total amount of which shall not exceed RMB 20 billion (including RMB 20 billion). The Company issued medium term note at par in the reporting period, with the amount of RMB 5 billion, nominal interest rate of 3.14% and the term of 3 years. The principal shall be returned as a lump sum and interests paid annually, with the value date on March 22, 2016 and the redemption date on March 22, 2019.

40. Long-term Payables

√Applicable □Not applicable

(1) Long-term payables listed according to the nature of money:

Unit: RMB

Item	Beginning balance	Ending balance
Relocation compensation payable for environmental protection project of Meishan Steel coke oven	70,000,000.00	70,000,000.00
Less: Long-term payable due within one year	70,000,000.00	70,000,000.00
Repurchase obligations under stock incentive plan (note)	82,585,917.00	81,458,444.00
Total	82,585,917.00	81,458,444.00

Note: On June 30, 2016, amount of liabilities recognized by the repurchase obligation under restricted stock incentive plan of the Company was RMB 81,458,444.00 Yuan. For details please see the note (XI),1.

41. Long-term Employee Benefits Payable

√Applicable □Not applicable

(1) Statement of Long-term Employee Benefits Payable

√Applicable □Not applicable

Unit: RMB

Item	Ending balance	Beginning balance
I. Benefits after resignation-net liabilities of defined benefit plans		
II. Dismissal benefits	328,635,121.63	328,307,328.96
III. Other long-term benefits		
Total	328,635,121.63	328,307,328.96

42. Special Payables

√Applicable □Not applicable

Unit: RMB

Item	Beginning balance	Current adds	Current cuts	Ending balance	Cause
Government grants	292,916,697.81	-	34,346,697.81	258,570,000.00	
Total	292,916,697.81	-	34,346,697.81	258,570,000.00	/

43. Deferred Income

√Applicable □Not applicable

Unit: RMB

Item	Beginning balance	Current adds	Current cuts	Ending balance	Cause
Government grants	1,092,839,458.77	64,101,063.36	79,047,873.99	1,077,892,648.14	
Total	1,092,839,458.77	64,101,063.36	79,047,873.99	1,077,892,648.14	/

Items related to government subsidies:

Unit: RMB

Liability item	Beginning balance	New current subsidiary amount	Current amount included in non-operating income	Other changes	Ending balance	Related to assets/ income
Major industries revitalization and overall technical innovation projects	735,125,069.31	3,669,326.06	20,402,050.02	-	718,392,345.35	Related to assets
Interest subsidies for special loans	129,612,595.96	-	4,650,116.04	-	124,962,479.92	Related to assets
Relocation compensation	95,377,267.33	-	-	-	95,377,267.33	Related to assets
Infrastructure subsidies	96,470,782.40	-	-	-	96,470,782.40	Related to assets

Subsidies for Bassinet Hi-tech	34,671,618.71	454,859.00	21,799,357.19	-	13,327,120.52	Related to income
Others	1,582,125.06	59,976,878.30	30,079,915.22	2,116,435.52	29,362,652.62	Related to assets
Total	1,092,839,458.77	64,101,063.36	76,931,438.47	2,116,435.52	1,077,892,648.14	/

44. Other Non-current Liabilities

Unit: RMB

Item	Ending balance	Beginning balance
Others	7,923,822.88	7,134,514.14
Total	7,923,822.88	7,134,514.14

45. Share Capital

Unit: RMB

	Beginning balance	Current change (+,-)					Ending balance
		New issue of shares	Share dividends	Capitalization of accumulation funds	Others	Subtotal	
Total shares	16,467,517,524.00				-590,300.00	-590,300.00	16,466,927,224.00

Other notes:

In accordance with the Agreement for Proposal on Repurchase of Shares of the Company by Centralized Competitive Price Transaction, the Notification to Creditors of Baoshan Iron & Steel Co., Ltd. on Repurchase of Shares, and the Resolution of the 2nd Extraordinary General Meeting 2012 of Baoshan Iron & Steel Co., Ltd. as well as the regulations of the revised Articles of Associations, the Company will repurchase A-share stocks through centralized competitive price transactions at Shanghai Stock Exchange. The repurchase price per share shall not exceed RMB 5, and the maximum total amount available for repurchase shall not exceed RMB 5 billion. On September 21, 2012, the Company implemented the repurchase for the first time, and totally repurchased 414,055,508 shares up to December 31, 2012. In accordance with the resolutions of General Meeting and the regulations of the revised articles of association, the Company has applied for the decrease of capital of RMB 390,000,000, and completed the cancellation of 390,000,000 shares with the Shanghai Branch of the China Securities Depository and Clearing Corporation Limited (CSDC) on December 20, 2012. The Company completed the procedure on the industrial and commercial registration on December 31, 2012. After change, the registered capital and the capital amount to RMB 17,122,048,088. The equity changes in 2012 were verified by Deloitte Touche Tohmatsu CPA LLP., for which the DSB (Y) Z (12) No. 0078 Capital Verification Report has been issued.

As of May 21, 2013, the Company had completed the implementation of the share repurchase scheme, and repurchased 1,040,323,164 shares, and the number of repurchased shares will be 650,323,164 after the 390,000,000 cancelled shares are deducted from the total repurchased shares. In accordance with the resolution of the general 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 the China Securities Depository and Clearing Corporation Limited (CSDC) on May 23, 2013. The Company completed the procedure on the industrial and commercial registration on June 24, 2013. After change, the registered capital and the capital amount to RMB 16,471,724,924.00. The equity changes in 2013 were verified by Deloitte Touche Tohmatsu CPA LLP., for which the DSB (Y) Z (13) No. 0103 Capital Verification Report has been issued.

In 2014, 698,900 shares were reduced due to the incentive plan of repurchasing restricted stock which fails to reach the unlocking conditions. The Company completed the procedure on the industrial and commercial registration change on December 31, 2014. After change, the registered capital and the capital amount to RMB 16,471,026,024.

In 2015, 3,508,500 shares were reduced due to the incentive plan of repurchasing restricted stock which fails to reach the unlocking conditions. On December 31, 2015, the registered capital and the capital amount to RMB 16,467,517,524.

In 2016, 590,300 shares were reduced due to the incentive plan of repurchasing restricted stock which fails to reach the unlocking conditions. For details, please see note XI. By the end of reporting period, the registered capital and the capital amount to RMB16,466,927,224.00, among 16,424,278,824 RMB common shares without restricted conditions, Baosteel Group holds 13,130,265,267 shares, with shareholding ratio of 79.74%.

46. Capital Reserves

Unit: RMB

Item	Beginning balance	Current adds	Current cuts	Ending balance
Capital premium (Share capital premium)	32,053,868,293.15	6,988,521.29	537,173.00	32,060,319,641.44
Others Capital reserves	1,686,013,797.47	29,679,302.63	-	1,715,693,100.10
Total	33,739,882,090.62	36,667,823.92	537,173.00	33,776,012,741.54

Other notes, including current changes and reason for change:

Increase in other capital reserve was mainly due to transferred-in relocation compensation surplus of RMB 31,010,023.36

47. Treasury Shares

Applicable Not applicable

Unit: RMB

Item	Beginning balance	Current adds	Current cuts	Ending balance
Share incentive scheme	82,585,917.00		1,127,473.00	81,458,444.00
Total	82,585,917.00		1,127,473.00	81,458,444.00

Other notes, including current change and the reason:

Please see Note (XI) 1 for cancellation.

48. Other Comprehensive Income

Applicable Not applicable

Unit: RMB

Item	Beginning balance	Amount in the period					Ending balance
		Amount before income tax in the period	Less: currently transferred-in gains and losses previously included in other comprehensive income	Less: income tax expense	Amount after tax attributable to the parent company	Amount after tax attributable to minority	
I. Other comprehensive income that can't be reclassified in gains and losses in the following period							
Where: Changes in net liabilities and net assets resulting from re-measuring defined benefit plan							
Proportion held in the invested entities' other comprehensive incomes that will not be reclassified into profit or loss under the Equity Method							
II. Other comprehensive income that will be reclassified in gains and losses in the following period	-997,587,960.09	323,737,459.41	1,652,153.28	20,267,446.86	290,909,358.68	10,908,500.59	-706,678,601.41
Where: Proportion held in the invested entities' other comprehensive incomes that will be reclassified into profit or loss under the Equity Method	-66,998,586.15	13,438,470.45	-	-	13,438,470.45	-	-53,560,115.70
Gains and losses from change of fair value of available-for-sale financial assets	-358,515,200.81	82,721,940.73	1,652,153.28	20,267,446.86	61,078,731.37	-276,390.78	-297,436,469.44
Gains and losses from available-for-sale financial assets reclassified from held-to-maturity investment							
Valid part of gains and losses from cash flow hedge							
Translation difference arising from translation of financial statements denominated in foreign currencies	-572,074,173.13	227,577,048.23	-	-	216,392,156.86	11,184,891.37	-355,682,016.27
Total other comprehensive income	-997,587,960.09	323,737,459.41	1,652,153.28	20,267,446.86	290,909,358.68	10,908,500.59	-706,678,601.41

49. Special Reserves

√Applicable □Not applicable

Unit: RMB

Item	Beginning balance	Current adds	Current cuts	Ending balance
Safe production expenses	10,915,599.63	136,377,275.36	122,727,151.52	24,565,723.47
Total	10,915,599.63	136,377,275.36	122,727,151.52	24,565,723.47

The Group appropriates special reserves in accordance with the provisions of the Measures on the Appropriation and Use of Production Safety Expenses (CQ [2012] No. 16) as the expenditure on production safety.

50. Surplus Reserves

Unit: RMB

Item	Beginning balance	Current adds	Current cuts	Ending balance
Statutory surplus reserves	11,622,601,293.28	-	-	11,622,601,293.28
Arbitrary surplus reserves	14,894,053,633.06	-	-	14,894,053,633.06
Reserve fund				
Enterprise development fund				
Others				
Total	26,516,654,926.34	-	-	26,516,654,926.34

51. Undistributed Profits

Unit: RMB

Item	Current period	Last period
Previous ending undistributed profit before adjustment	37,148,447,581.69	39,765,842,085.69
Total number of adjusting beginning undistributed profits (more+, less-)		-
Beginning undistributed profits after adjustment	37,148,447,581.69	39,765,842,085.69
Plus: Net profit attributable to owners of parent company in the period	3,468,482,796.75	3,174,482,235.10
Less: Provisions for statutory surplus reserves		-
Provisions for mandatory surplus reserves		-
Withdrawal of general risk reserves		
Common stock dividends payable	988,015,633.44	2,964,784,684.32
Common stock dividends converted to stock capital		
Ending undistributed profits	39,628,914,745.00	39,975,539,636.47

Note: According to 2015 Annual General Meeting held by the Company on April 28, 2016, 2015 Profit Distribution Scheme shall be: based on the Company's total capital stock of 16,466,927,244 shares (please see note (V), 45), cash dividend shall be distributed RMB 0.06 (tax included) per share, totaling RMB 988,015,633.44 (tax included).

52. Operating Incomes and Operating Costs

Unit: RMB

Item	Amount in the period		Amount in last period	
	Revenue	Cost	Revenue	Cost
Principal business	77,592,837,577.47	66,730,428,989.17	80,222,406,130.37	70,868,464,721.93
Other business	399,962,261.91	339,830,908.09	548,201,095.90	656,904,955.17
Total	77,992,799,839.38	67,070,259,897.26	80,770,607,226.27	71,525,369,677.10

53. Business Tax and Surcharges

Unit: RMB

Item	Amount in the period	Amount in last period
Excise tax		
Business tax	23,277,797.35	31,122,817.91
Urban construction and maintenance tax	139,231,515.11	128,188,466.65
Education surcharge	126,822,633.01	114,218,374.44
Others	8,106,787.67	10,792,545.99
Total	297,438,733.14	284,322,204.99

Note: For the business tax payment criterion, see Note (IV)

54. Sales Expense

Unit: RMB

Item	Amount in the period	Amount in last period
Transportation and storage charge	500,899,312.76	491,432,461.60
Employee benefits	313,541,533.41	300,300,971.96
Depreciation and amortization	39,584,044.80	30,084,772.57
Others	162,474,775.49	149,679,594.50
Total	1,016,499,666.46	971,497,800.63

55. Administrative Expense

Unit: RMB

Item	Amount in the period	Amount in last period
Technical development expense	1,592,303,435.18	1,787,166,640.67
Employee benefits	811,034,345.04	853,191,224.50
Taxes	291,107,058.24	268,014,326.65
Depreciation and amortization	279,219,895.61	281,643,903.22
Inventory gains and losses of current assets	112,489,437.25	-3,508,917.39
Others	275,774,761.31	307,633,602.46
Total	3,361,928,932.63	3,494,140,780.11

56. Financial Expense

Unit: RMB

Item	Amount in the period	Amount in last period
Interest expense	1,365,499,930.77	717,393,365.25
Less: capitalized interest costs	-310,928,437.83	-281,947,158.58
Less: interest incomes	-166,565,167.72	-284,906,184.26
Exchange losses (gains)	242,390,783.93	273,311,215.91
Others	26,369,663.22	20,420,573.29
Total	1,156,766,772.37	444,271,811.61

57. Loss on Assets Impairment

√Applicable □Not applicable

Unit: RMB

Item	Amount in the period	Amount in last period
I. Loss on bad debts	117,683,121.27	651,233.27
II. Loss on inventory falling price	-39,457,267.18	42,995,430.55
III. Impairment loss of available-for-sale financial assets		
IV. Impairment loss of held-to-maturity investment		
V. Impairment loss of long-term equity investment		
VI. Impairment loss of investment property		
VII. Impairment loss of fixed assets		
VIII. Impairment loss of engineering materials		
IX. Impairment loss of construction in progress		
X. Impairment loss of productive biological assets		
XI. Impairment loss of oil and gas assets		
XII. Impairment loss of intangible assets		
XIII. Impairment loss of goodwill		
XIV. Others	223,833,534.89	46,858,430.56
Total	302,059,388.98	90,505,094.38

Others mean loan impairment reserve.

58. Gains from Changes in Fair Values

√Applicable □Not applicable

Unit: RMB

Source of gains from changes in fair values	Amount in the period	Amount in last period
Financial assets measured at fair value and the change included in current gains and losses	10,619,295.97	20,115,034.88
Where: Gains from change in fair value of derivative financial instruments		
Financial liabilities measured at fair value and the change included in current gains and losses	-57,873,954.55	-17,901,082.57
Investment property measured at fair value		
Total	-47,254,658.58	2,213,952.31

59. Investment Income

√Applicable □Not applicable

Unit: RMB

Item	Amount in the period	Amount in last period
Investment income from available-for-sale financial assets	103,680,755.16	266,378,172.29
Long-term equity investment incomes calculated using the equity method	110,983,989.20	85,341,686.87
Share investment income /(Loss)	6,795,686.95	529,860.36
Bond investment income /(Loss)	13,521,558.43	40,826,778.82
Fund investment income /(Loss)	8,200,085.39	15,780,962.62
Trust investment income /(Loss)	131,180,771.22	10,100,082.00
Income /(Loss) arising from disposal of	-73,809,000.00	-76,736,435.55

derivative financial instruments		
Others	55,296,886.94	82,500,418.96
Total	355,850,733.29	424,721,526.37

60. Non-operating Revenue

Unit: RMB

Item	Amount in the period	Amount in last period	Non-recurring gains and losses calculated in the period
Total gains from disposal of non-current assets	20,148,602.92	2,669,489.50	20,148,602.92
Including: Gains from disposal of fixed assets	20,148,602.92	2,669,489.50	20,148,602.92
Government subsidies	113,762,570.78	295,898,568.26	113,762,570.78
Compensation incomes	4,625,397.88	3,739,381.63	4,625,397.88
Others	31,489,794.15	21,600,340.31	31,489,794.15
Total	170,026,365.73	323,907,779.70	170,026,365.73

Government subsidies calculated in current gains and losses

√Applicable □Not applicable

Unit: RMB

Subsidiary item	Amount in the period	Amount in last period	Related to assets/income
Transferred-in government subsidies related to technical innovation assets in previous years	21,623,314.57	223,448,812.88	Related to assets
Special subsidiary fund for hi-tech	29,961,425.47	2,854,442.48	Related to assets/income
Tax refund	1,634,337.26	-	Related to income
Relocation compensation	3,363,419.19	3,244,580.51	Related to income
Other financial subsidies	57,180,074.29	66,350,732.39	Related to assets/income
Total	113,762,570.78	295,898,568.26	/

61. Non-operating Expenditures

Unit: RMB

Item	Amount in the period	Amount in last period	Non-recurring gains and losses calculated in current period
Total loss from disposal of non-current assets	228,547,391.70	333,224,226.52	228,547,391.70
Including: Loss from disposal of fixed assets	228,547,391.70	333,224,226.52	228,547,391.70
Donations	10,906,291.00	10,500,000.00	10,906,291.00
Others	20,638,637.56	9,285,160.19	20,638,637.56
Total	260,092,320.26	353,009,386.71	260,092,320.26

62. Income Tax Expenses**(1) Statement of Income Tax Expense**

Unit: RMB

Item	Amount in the period	Amount in last period
Current income tax expenses	1,547,404,607.60	1,026,357,063.47
Deferred income tax expenses	-146,861,132.16	79,118,105.85
Total	1,400,543,475.44	1,105,475,169.32

63. Other Comprehensive Income

Please see note (V) 48.

64. Items of Cash Flow Statement**(1) Other Cash Receipts Related to Operating Activities**

Unit: RMB

Item	Amount in the period	Amount in last period
Non-operating incomes, government subsidies and other incomes	341,792,115.10	424,679,995.68
Others	530,652,092.74	-
Total	872,444,207.84	424,679,995.68

(2) Other Cash Payments Related to Operating Activities

Unit: RMB

Item	Amount in the period	Amount in last period
Sales expenses	404,246,271.15	442,509,120.97
Administrative expenses	443,910,347.27	431,834,529.46
Other	200,298,041.59	120,900,340.85
Total	1,048,454,660.01	995,243,991.28

(3) Other Cash Receipts Related to Investment Activities

Unit: RMB

Item	Amount in the period	Amount in last period
Proceeds from disposal of Wusong Lot	4,879,536,386.73	5,208,894,246.60
Interest incomes	34,670,574.69	14,077,691.10
Other	304,019.25	-
Total	4,914,510,980.67	5,222,971,937.70

(4) Other Cash Payments Related to Investment Activities

Unit: RMB

Item	Amount in the period	Amount in last period
Cash paid for settlement of derivative instruments	78,904,777.46	57,272,019.38
Other	45,475,000.00	-
Total	124,379,777.46	57,272,019.38

(5) Other Cash Payments Related to Fundraising Activities

Unit: RMB

Item	Amount in the period	Amount in last period
Returned purchase money paid by the Group Corporation	-	1,500,000,000.00
Total	-	1,500,000,000.00

65. Supplementary Data for Cash Flow Statement**(1) Supplementary Data for Cash Flow Statement**

Unit: RMB

Supplementary data	Amount in the period	Amount in last period
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	3,621,408,785.51	3,293,775,649.35
Plus: Provision for impairment losses of assets	302,059,388.98	90,505,094.38
Fixed assets depreciation, oil and gas assets depletion and productive biological assets depreciation	5,038,909,674.81	5,183,714,652.94
Amortization of intangible assets	183,744,961.60	134,192,941.94
Amortization of long-term deferred expenses	42,739,870.09	37,740,892.30
Losses on disposal of fixed, intangible and other long-term assets (with "-"for gains)	208,398,788.78	330,554,737.02
Scrap loss of fixed assets (With "-" for gains)		
Losses on the changes in fair value (with "-"for gains)	47,254,658.58	-2,213,952.31
Financial expenses (with "-"for gains)	1,130,397,109.15	423,851,238.32
Investment losses (with "-"for gains)	-355,850,733.29	-424,721,526.37
Decrease in deferred tax assets (with "-"for increase)	-180,131,292.08	121,415,693.34
Increase in deferred tax liabilities (with "-"for decrease)	33,270,159.92	-1,472,373.89
Decrease in inventory (with "-"for increase)	-3,004,053,111.92	834,638,014.79
Decrease in receivables from operating activities (with "-"for increase)	-1,652,356,369.45	-631,567,331.16
Increase in payables for operating activities (with "-"for decrease)	2,861,043,953.10	16,169,868.01
Others		
Net cash flow from operating activities	8,276,835,843.78	9,406,583,598.66
2. Investing and financing activities that do not involve in cash receipts and payments		
Debt capitalization		
Convertible corporate bond due within 1 year		
Fixed assets acquired under finance leases		
3. Net changes in cash and cash equivalents:		
EOP balance of cash	12,723,230,118.70	13,170,099,197.20
Less: BOY balance of cash	6,968,888,292.15	10,550,257,587.98
Plus: EOP balance of cash equivalents	-	1,811,003,911.79
Less: BOY balance of cash equivalents	2,140,000,000.00	741,031,995.09
Net increase in cash and cash equivalents	3,614,341,826.55	3,689,813,525.92

(2) Constitution of Cash and Cash Equivalents

Unit: RMB

Item	Ending balance	Beginning balance
I. Cash	12,723,230,118.70	6,968,888,292.15
Including: cash on hand	859,578.31	664,508.04
Bank deposits available for payment at any time	12,685,876,497.60	6,903,794,819.63
Other monetary funds available for payment at any time	36,494,042.79	64,428,964.48
Deposit in Central Bank of China for payments		
Due from banks		
Call loan to banks		
II. Cash equivalents	-	2,140,000,000.00
III. EOP balance of cash and cash equivalents	12,723,230,118.70	9,108,888,292.15

Cash and cash equivalents exclude such cash and cash equivalents which the parent company or the subsidiaries within the group are restricted to use.

66. Assets Whose Ownership or Use Right is Restricted

√Applicable □Not applicable

Unit: RMB

Item	Ending book value	Reason
Monetary fund	802,025,553.04	Legal reserves deposited by the Finance

		Company in the Central Bank of China
Fixed assets	657,807,385.03	Pledged borrowings
Intangible assets	71,071,569.11	Pledged borrowings
Total	1,530,904,507.18	/

67. Foreign Monetary Items

√Applicable □Not applicable

(1). Foreign Monetary Items:

Unit: Yuan

Item	Ending balance of foreign currency	Translation exchange rate	Ending balance of translated RMB
Monetary fund			
Where: USD	397,978,595.76	6.631200	2,639,075,664.21
JPA	4,687,857,636.26	0.064491	302,324,626.82
EUO	64,718,684.09	7.375000	477,300,295.13
HKD	6,312,647.76	0.854670	5,395,230.66
Others			84,786,556.38
Accounts receivable			
Where: USD	131,818,627.80	6.631200	874,115,684.67
EUO	103,154,602.33	7.375000	760,765,192.19
JPA	1,472,338,793.94	0.064491	94,952,601.16
KRW	22,887,508,849.83	0.005747	131,534,513.36
Long-term borrowing			
Where: USD	31,829,802.28	6.631200	211,069,784.91
JPA	12,860,571.71	0.064491	829,391.13
KRW	3,989,689,403.17	0.005747	22,928,745.00
Short-term borrowing			
USD	242,329,259.72	6.631200	1,606,933,787.07
EUO	57,525,274.86	7.375000	424,248,902.09
KRW	5,000,000,000.00	0.005747	28,735,000.00

VI. Consolidated Scope Change**1. Merge Under Different Controls**

□Applicable √Not applicable

2. Merge Under the Same Control

□Applicable √Not applicable

VII. Equity in Other Entities**1. Equity in Subsidiaries**

√Applicable □Not applicable

(1). Constitution of the Enterprise Group

Subsidiaries name	Principal business territory	Registration address	Business nature	Shareholding ratio (%)		Acquisition method
				Direct	Indirect	
Yantai Lubao Steel Pipe Co., Ltd. ("Lubao Steel Pipe")	China	Yantai	Manufacturing	100%	-	Merge under the same control
Baosteel Huangshi Coated & Galvanized Sheets Co., Ltd. (Huangshi Coating & Galvanizing)	China	Huangshi	Manufacturing	50.63%	-	Merge under the same control
Shanghai Baosteel International Economic & Trading Co., Ltd. ("Baosteel International")	China	Shanghai	Iron and steel trading	100%	-	Merge under the same control
Shanghai Meishan Iron & Steel Co., Ltd. ("Meishan Steel")	China	Nanjing	Manufacturing	77.04%	-	Merge under the same control
Shanghai Bassinet Software Co., Ltd. ("Bassinet Software")	China	Shanghai	Information technology	55.5%	-	Merge under the same control
Baosteel America Inc. ("Baosteel America")	USA	Texas, USA	Iron and steel trading	100%	-	Merge under the same control
Howa Trading Co., Ltd. ("Howa Trading")	Japan	Tokyo, Japan	Iron and steel trading	100%	-	Merge under the same control
Baosteel Europe GmbH ("Baosteel Europe")	Germany	Hamburg, Germany	Iron and steel trading	100%	-	Merge under the same control
Baosteel Singapore PTE Ltd. ("Baosteel Singapore")	Singapore	Singapore	Iron and steel trading	100%	-	Merge under the same control
Bao-Trans Enterprises Ltd. (Bao-Trans Enterprises)	China Hong Kong	China Hong Kong	Iron and steel trading	100%	-	Merge under the same control
Shanghai Baosteel Chemical Co., Ltd. ("Baosteel Chemical")	China	Shanghai	Manufacturing	100%	-	Merge under the same control
Baosteel Group Finance Co., Ltd. ("Finance Company")	China	Shanghai	Finance	62.1%	-	Merge under the same control
Nantong Baosteel Iron & Steel Co., Ltd. ("Baotong Iron & Steel")	China	Nantong	Manufacturing	95.82%	-	Merge under the same control
Baosteel Zhanjiang Iron & Steel Co., Ltd. ("Zhanjiang Steel")	China	Zhanjiang	Manufacturing	90%	-	Merge under the same control
Yantai Baosteel Steel Pipe Co., Ltd. ("Yanbao Steel Pipe")	China	Yantai	Production and sale of steel pipes	80%	20%	Establishment, investment and others
Shanghai Huagongbao E-commerce Co., Ltd. (Huagongbao)	China	Shanghai	E-commerce	-	53.85%	Establishment, investment and others
Xinjiang Karamay Steel Pipe Ltd. (Baoma Tube)	China	Karamay	Production and sale of steel pipes	75%	-	Establishment, investment and others
Poly Pipe (Thailand) Co., Ltd. (Poly Pipe) (Note1)	Thailand	Thailand	Processing of steel pipes	-	51%	Establishment, investment and others
BGM Co., Ltd. (BGM) (Note 1)	South Korea	Gyeonggi-do, Korea	processing and sale of iron and steel products	-	50%	Establishment, investment and others
Ouyeel Commerce Co., Ltd (Ouyeel Commerce)	China	Shanghai	E-commerce	8.67%	42.33%	Establishment, investment and others

Note 1: On the balance sheet date, the Group's proportion of investment in BGM was 50%, but the Group held more than half of majority vote in the Board of Directors. Therefore, the Group included BGM into the consolidated statement scope for accounting by taking it as the subsidiary.

(2). Important Non-wholly-owned Subsidiaries

The Company disclosed the investee with long term equity investment balance at the end of the period over RMB 5 billion and Finance Co., the finance segment of the Group, as important non-wholly-owned subsidiaries.

Unit: RMB 1,000

Subsidiaries name	Shareholding ratio of minority	Current gains and losses attributable to minority	Current dividend declared to issue to minority	Ending equity balance of minority
Meisteel Co.	22.96%	32,323		2,201,486
Financial Co.	37.90%	25,034	15,930	723,571
Zhanjiang Steel	10.00%	-13,755		1,927,250

(3). Main Financial Data of Important Non-wholly-owned Subsidiaries

Unit: RMB 1,000

Subsidiaries name	Ending balance						Beginning balance					
	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
Meisteel Co.	7,086,493	23,840,976	30,927,469	21,173,368	188,969	21,362,337	4,902,620	24,480,962	29,383,582	19,760,453	198,366	19,958,819
Financial Co.	6,876,513	8,256,252	15,132,765	13,214,522	9,085	13,223,607	5,434,504	8,886,162	14,320,666	12,429,397	8,814	12,438,211
Zhanjiang Steel	7,784,793	49,928,591	57,713,384	25,570,829	13,713,246	39,284,075	5,992,409	45,466,151	51,458,560	21,937,141	10,947,042	32,884,183

Unit: RMB 1,000

Subsidiaries name	Amount in the period				Amount in last period			
	Operating revenue	Net profit	Total comprehensive income	Cash flow from operating activities	Operating revenue	Net profit	Total comprehensive income	Cash flow from operating activities
Meisteel Co.	8,824,477	140,369	140,369	626,248	10,810,760	38,711	38,711	208,165
Financial Co.	187,028	66,053	68,735	1,630,054	259,471	79,762	85,726	2,519,853
Zhanjiang Steel	983,218	-145,068	-145,068	-1,046,199	162,927	-94,765	-94,765	3,883

The above subsidiaries have no major restrictions in using the enterprise Group assets and repayment enterprise Group debts.

2. Relevant Data of Structured Entity Included in Consolidated Scope of Financial Statement

The following trust products, entrusted by Ouyeel Commerce to Hwabao Trust for issuance and management, have been included as structured entities in the consolidated scope of financial statements at the end of the reporting period.

Unit: RMB

Name	Type	Trustee agency	Business nature and operation scope	Registered capital (RMB)	Actual contribution by the Group at the end of the period (RMB)	If consolidated financial statement
Baosteel #1	Trust product	Hwabao Trust	Securities investment	NA	7,027,531.15	Yes
Baosteel #11	Trust product	Hwabao Trust	Securities investment	NA	1,350,143,524.34	Yes
Baosteel #13	Trust product	Hwabao Trust	Securities investment	NA	308,873,000.00	Yes
Total	/	/	/	/	1,666,044,055.49	/

3. Equity in the Joint Venture or Associated Enterprise

√Applicable □Not applicable

(1) Important Joint Venture or Associated Enterprise

The Company takes the invested unit with year-end balance of long-term equity investment more than six hundred million Yuan as the important joint ventures for disclosure and the invested unit with year-end balance of long-term equity investment more than one hundred million Yuan as the important associated enterprises for disclosure.

Unit: RMB Yuan

JVs and associated enterprises name	Principal business territory	Registration address	Business nature	Shareholding ratio (%)		Accounting treatment method for investment in JVs and associated enterprises
				Direct	Indirect	
I. JVs						
Baosteel-NSC/Arcelor Automotive Steel Sheets Co., Ltd. ("BNA")	China	Shanghai	Manufacturing	50	-	Equity Method accounting
BAO-ISLAND ENTERPRISES LIMITED ("BAO-ISLAND")	China	Hong Kong	Ship leasing	50	-	Equity Method accounting
Guangzhou JFE Steel Sheet Co., Ltd. (Guangzhou JFE)	China	Guangzhou	Production of iron and steel	-	50	Equity Method accounting
II. Associated enterprises						
Shanghai Baosteel & Arcelor Tailor Metal Co., Ltd. ("Welding Co.")	China	Shanghai	Manufacturing	-	38	Equity Method accounting
Henan Pingbao Coal Industry Co., Ltd. ("Henan Pingbao")	China	Xuchang	Mining	-	40	Equity Method accounting

(2) Main Financial Data of Important JVs

Unit: RMB 1,000

	Ending balance/Amount in the period			Beginning balance/Amount in last period		
	BNA	Bao-Island Enterprise	Guangzhou JFE	BNA	Bao-Island Enterprise	Guangzhou JFE
Current assets	3,141,242	331,925	1,361,129	2,742,477	510,468	1,353,706
Including: Cash and cash equivalent	1,182,453	250,984	391,355	962,741	437,051	398,124
Non-current assets	2,215,291	1,176,547	3,945,932	2,377,932	1,132,763	4,115,260
Total assets	5,356,533	1,508,472	5,307,061	5,120,409	1,643,231	5,468,966

Current liabilities	1,786,599	232,304	2,128,763	1,674,207	230,009	2,256,493
Non-current liabilities	25,090	102,784	677,876	26,590	269,484	774,952
Total liabilities	1,811,689	335,088	2,806,639	1,700,797	499,493	3,031,445
Minority equity						
Shareholders' equity attributable to the parent company	3,544,844	1,173,384	2,500,422	3,419,612	1,143,737	2,437,522
Net asset amount calculated by shareholding ratio	1,772,422	586,692	1,250,211	1,709,806	571,869	1,218,760
Adjusting events						
--Others			260,759			274,921
Book value of equity investment in JVs	1,772,422	586,962	1,510,969	1,709,806	571,869	1,493,681
Operating revenue	5,334,988	211,561	2,056,382	5,177,213	252,663	1,851,278
Financial expense	-7,266	1,956	123,634	-4,674	1,846	48,109
Income tax expense	57,317	152		41,736	263	-
Net profit	122,293	5,411	62,900	140,262	-46,286	52,783
Net profit of discontinued operation						
Other comprehensive income						
Total comprehensive income	122,293	5,411	62,900	140,262	-46,286	52,783
Dividend from associated enterprises in the year						

(3) Main Financial Data of Important Associated Enterprises

Unit: RMB 1,000

	Ending balance/Amount in the period		Beginning balance/Amount in last period	
	Henan Pingbao	Welding Co.	Henan Pingbao	Welding Co.
Current assets	148,420	549,469	19,934	510,137
Non-current assets	1,943,236	230,090	1,818,083	243,373
Total assets	2,091,656	779,559	1,838,017	753,510
Current liabilities	1,024,671	412,369	774,005	417,718
Non-current liabilities	-	4,256	35,000	4,256
Total liabilities	1,024,671	416,625	809,005	421,974
Minority equity				
Shareholders' equity attributable to the parent company	1,066,985	362,934	1,029,012	331,536
Net asset amount calculated by shareholding ratio	426,794	137,915	411,605	125,983
Adjusting events				
--Others		-21,356		
Book value of equity investment in associated enterprises	426,794	116,559	411,605	125,983
Fair value of equity investment in associated enterprises with public offerings				
Operating revenue	353,095	462,638	330,706	543,989
Net profit	37,973	31,398	38,122	36,479
Net profit of discontinued operation				
Other comprehensive income				
Total comprehensive income	37,973	31,398	38,122	36,479
Dividend from associated enterprises in the year	-	21,356	-	26,852

(4) Summary Financial Data of Non-important JVs and Associated Enterprises

Unit: RMB

	Ending balance/Amount in the period	Beginning balance/Amount in last period
JVs:		
Total book value of investment	347,922	339,991
Total number of following items calculated based on shareholding proportions		
--Net profit	7,954	-3,631
--Other comprehensive income		
-- Total comprehensive income	7,954	-3,631
Associated enterprises:		
Total book value of investment	378,194	349,482
Total number of following items calculated based on shareholding proportions		
--Net profit	-5,222	-642
--Other comprehensive income	1,321	
-- Total comprehensive income	-3,901	-642

(5) Explanation about Major Restrictions on the Ability of Joint Venture or Associated Enterprise Transferring Funds to the Company:

When equity method is used for accounting, accounting policies between the Group and all joint ventures and associated companies of the Group have no significant difference, and there are no major restrictions on the investment realization of such long-term investment and repatriation of investment income.

VIII. Risks Associated with Financial Instruments

Applicable Not applicable

The Group's major financial instruments include the monetary funds, financial asset measured at fair value and the change included in the current profits and losses, notes receivable, accounts receivable, interest receivable, dividends receivable, other receivables, redemptory monetary capital for sale, non-current assets due within a year, finance management products in other current assets, loan granted and advances, available-for-sale financial assets, long-term receivables, short-term loans, borrowings from the central bank, deposits from customers and interbank, borrowing funds, financial liabilities measured at fair value with change included in current gains and losses, notes payable, accounts payable, financial assets sold for repurchase, interests payable, dividends payable, other payables, non-current liabilities due within one year, other current liabilities, long-term loans, bonds payable, etc. For details of all the financial instruments please see note (V). Risks associated with these financial instruments as well as risk management policy taken by the group for reducing these risks are as described below. The Group management personnel conduct the management and monitoring of these risk exposure in order to ensure the above risks are controlled within the limited scope.

The Group conducts the analysis on the possible impact of the reasonable and possible change of risk variables upon the current profits and losses and shareholders' equity with the sensitivity analysis technique. Because any risk variables rarely change separately, and the correlation among variables will have a significant effect upon the eventual impact amount of a risk variable, the following content is given under the assumption that the change of each variable is independent.

1. Risk Management Objectives and Policies

The objective of the Group engaging in the risk management is to achieve the right balance between the risks and benefits, reduce the negative impact on the Group's business performance to the lowest level, and maximize the interests of shareholders and other equity investors. Based on the risk management objectives, the basic strategy of the Group's risk management is to determine and analyze all kinds of risks faced by the Group, set up the appropriate bottom line of risk exposure, conduct the risk management, and supervise various risks timely and reliably, controlling the risk within the limited scope.

1.1 Market Risk

Market risk refers to the change of fair value of financial instruments being sensitive to market risk caused by the change of foreign currency exchange rate (foreign exchange risk), market price (price risk), market interest rate (interest rate risk) or other factors. Such change is caused by the effect on the single financial instrument or issuer, or financial instruments of all transaction of the whole market.

1.1.1. Foreign Exchange Risk

Foreign exchange risk refers to the risk of losses arising from change in exchange rate. The foreign exchange risk borne by the Group is mainly associated with the business activities of the Group (when the income and expenses are settled with the foreign currency which is different from the recording currency of the Group).

The Group has the large-scale procurement demand for imported iron ore and needs to settle in dollars, also income and expenses in dollars have big deficit. For the dollar gap, the Company takes the most favorable RMB financing cost ratio obtained in the current period as the comparison basis, and makes the superior selection out of dollar or RMB financing. Meanwhile, the Company closely follows the trend of exchange rate of RMB against dollar, and conducts the dynamic assessment on the exchange rate risk of dollar debts. Under the market environment that the two-way fluctuation of exchange rate of RMB against dollar is aggravated, the Group avoids the fluctuation risk of exchange rate by carrying out the supporting forward foreign exchange purchase business of dollar financing or converting financing currencies.

Based on the control idea of interest rate controlling objective, comprehensive financing cost level within the duration of loan is determined at the beginning of the Company borrowing the loan, namely, consolidate the net profit or loss for the interest expense from dollar financing and delivery profit and loss of supporting forward foreign exchange purchase transaction. Within the duration of loan, the business has no substantial effect upon the Group's operation, but there will be impact due to the revaluation on exchange rate change at the end of different reporting periods.

1.1.2. Interest Rate Risk

Interest rate risk refers to the risk that fair value of financial instruments or future cash flow will fluctuate due to the change of market interest rate. The risk from the fluctuation of market interest rate faced by the Group is mainly associated with the liabilities with interest calculated by floating interest rate. The Group conducts the management of interest cost by maintaining proper fixed interest debt and variable rate debt portfolio.

Risk of the change of fair value of financial instruments caused by the change of interest rate is mainly associated with the available-for-sale bond investment. Risk of changes in future cash flow of financial instruments of the Group due to change in interest rate is mainly associated with loans and long-term receivables.

The table below is the interest rate risk of financial instruments listed by the due date and actual interest rate:

Unit: RMB

	June 30, 2016	June 30, 2015
	Available-for-sale financial assets	Available-for-sale financial assets
Over 1 year	348,833,621.70	403,945,851.70
Total	348,833,621.70	403,945,851.70
Actual rate (Annual interest rate)	2.60%-4.61%	3.41%-4.65%

Unit: RMB

	June 30, 2016			
	Lendings to Banks and Other Financial Institutions	Buying back the sale of financial assets	Loan granted	Long-term receivables (including within 1 year)
Within 1 year	-	-	-	4,500,000,000.00

Over 1 year	-	-	2,113,749,234.87	121,450,485.49
Total	-	-	2,113,749,234.87	4,621,450,485.49
Actual rate (Annual interest rate)	-	-	3.915%-5.4%	3.915%

Unit: RMB

	December 31, 2015			
	Lendings to Banks and Other Financial Institutions	Buying back the sale of financial assets	Loan granted	Long-term receivables (including within 1 year)
Within 1 year	-	-	-	4,500,000,000.00
Over 1 year	-	-	2,402,928,796.11	4,579,260,708.90
Total	-	-	2,402,928,796.11	9,079,260,708.90
Actual rate (Annual interest rate)	-	-	2.7881%-7.92%	3.915%-5.04%

Unit: RMB

	June 30, 2016							
	Short-term financing debt	Borrowing	Borrowings from bank or other financial institutions	Deposit taking	Bonds payable	Sales of repurchased financial assets	Accounts payable	Long-term payables (including within 1 year)
Within 1 year	20,328,179,519.43	33,654,162,810.32	198,000,000.00	6,649,755,957.49	-	-	-	70,000,000.00
Over 1 year	-	11,680,750,586.32	-	-	13,964,217,441.01	-	-	81,458,444.00
Total	20,328,179,519.43	45,334,913,396.64	198,000,000.00	6,649,755,957.49	13,964,217,441.01	-	-	151,458,444.00
Actual rate (Annual interest rate)	2.78%-3.18%	0.26%-5.665%	3.40%	0.455%-4.25%	1.920%-4.070%	-	-	-

Unit: RMB

	December 31, 2015							
	Short-term financing debt	Borrowing	Borrowings from bank or other financial institutions	Deposit taking	Bonds payable	Sales of repurchased financial assets	Accounts payable	Long-term payables (including 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
Over 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
Actual rate (Annual interest rate)	3.18%	0.56%-6.22%	3.40%	0.4550%-4.6750%	1.920%-4.070%	-	-	-

1.1.3. Other Price Risks

Investment of available-for-sale financial assets and trading financial assets held by the Group are measured with fair value on the balance sheet date. Therefore, the Group assumes the risk of the change of financial market. The Group holds various equity security portfolios to reduce the price risk of equity securities investment.

Equity instrument investment price risk

Equity instrument investment price risk refers to the risk that the fair value of the equity securities will fluctuate due to the change of stock index level and value of individual securities. On December 31, 2015, the Group was exposed to the equity instrument investment price risk caused by the individual equity instrument investment which is classified as trading equity instrument investment (Note V, 2) and available-for-sale equity instrument investment (Note V, 14). The listed equity instrument investment held by the Group is listed in Shanghai Stock Exchange and Shenzhen Stock Exchange, and is measured on the balance sheet date with quoted market price. Market stock index of following stock exchanges when

the market closed on the trading day which is the most close to the balance sheet date this year, as well as their respective highest and the lowest closing price this year are as follows:

	2016	High/low	2015	High/low
	June 30	The first half of 2016	December 31	2015
Shanghai - Shanghai securities composite index	2,930	3,362/2,656	3,539	5,166/2,927
Shenzhen – Shenzhen securities composite index	10,490	11,725/9,083	12,665	18,098/9,291

The table below reflects the sensibility of pre-tax profit and equity to each 5% of change of fair value of equity instruments (based on the book value on the balance sheet date) in the case of keeping all other variables same and before any taxation impact. In terms of sensitivity analysis, for available-for-sale equity instrument investment, such impact is deemed as the impact upon the change of fair value of available-for-sale equity instrument investment, regardless of factors affecting the impairment of the income statement.

Unit: RMB 1,000

First half year of 2016	Book amount of equity investment	Increase/decrease of pre-tax profit	Increase/decrease of other comprehensive income
Investment listed in the following stock exchange			
Shanghai- equity instrument investment	208,092	63.46	10,341.15
Shenzhen- equity instrument investment	359,718	6.29	17,979.59

Unit: RMB 1,000

2015	Book amount of equity investment	Increase/decrease of pre-tax profit	Increase/decrease of other comprehensive income
Investment listed in the following stock exchange			
Shanghai - Available-for-sale investment	212,337	-	10,616.85
Shenzhen - Available-for-sale investment	270,044	-	13,502.20

1.2. Credit Risk

Credit risk refers to the risk that brings financial loss to the party when the other party of financial instruments fails to perform its obligation. For fixed income investment, credit risk refers to the economic loss risk because the Group's debtor fails to pay the principal or interest when it is due. For equity investment, credit risk refers to the loss risk resulting from operation failure of the invested Group.

The Group's credit risk mainly comes from all kinds of receivables, as well as loans granted and advances. The Group controls the credit risk by conducting the transaction with the authorized and reputable third party. According to the policy of this Group, the Group shall conduct the credit check of all the customers who require conducting the transaction with the form of credit. In addition, the Group shall conduct the continuous monitoring on balances receivable in order to ensure that the Group will not face the significant risk of bad debts. In the relevant sales trade settlement, the way of picking up goods with full advances received or earnest money and loan is used for settlement. In settlement of relevant trade selling, the Group only conducts the credit assessment on a small number of strategic customers and then determines the credit line and period, and conducts the settlement through the bank acceptance as far as possible. In the settlement of relevant purchase trade, the way of cash on delivery or payment with letter of credit is used for settlement. The Group only gives certain advance payment to the project contractors, some equipment suppliers with long construction cycle and suppliers with shortage of resources through the credit line and period.

All the Group's loans granted and advances is the main business of financial Company, the debtor is only limited to the member unit of Baosteel Group with good credit assessment, and credit risk is controlled in the appropriate level.

The credit risk of other financial assets and liabilities of the Group comes from the risk of the other party's breach of contract. In the absence of available guaranty or other credit enhancement, the Group's largest exposure to risk is equal to the book value of these financial instruments. The Group does not provide any other guarantee which may make the Group suffer from the credit risk. 17% of accounts receivable of the Group on June 30, 2016 is the account receivable of top five big customers.

1.3. Liquidity Risk

Liquidity risk refers to the risk that the enterprise suffers from the shortage of funds when performing the obligations associated with financial liabilities. The Group keeps the balance between financing persistence and flexibility with the trade financing, convertible bonds, medium-term notes, short - and long-term loans and other interest-bearing loans, and get the credit with full specified amount from major financial institutions to meet the short-term and long-term capital requirements. The Group conducts the real-time monitoring of short-term and long-term capital requirements to ensure and maintain enough cash reserves and negotiable securities for realization at any time. On June 30, 2016, the Group's current liabilities were 9.705 billion Yuan more than total amount of current assets. The Group can take the bank loan as the capital source of the difference between current liabilities and current assets. On June 30, 2016, the Group's credit line having not been used was 8.9461 billion Yuan. Therefore, the Company management holds the opinion that there is no major liquidity risk.

IX. Disclosure of the Fair Value

Applicable Not applicable

Fair value refers to the price received by the market participants through selling an asset or paid for transferring a liability in the orderly transaction occurring on the measurement date. Whether fair value is observable or is estimated by adopting the valuation technique, fair value measured and/or disclosed in the financial statements has been determined on this basis.

Fair value of financial assets and financial liabilities of the Group shall be determined in accordance with the following methods: fair value of financial assets and financial liabilities having standard terms and conditions and existing in the active market shall be determined by referring to the corresponding current bid and the current offer of active market; fair value of other financial assets and financial liabilities (excluding derivatives) shall be determined with the common pricing model based on the future cash flow discount method or determined according to the observable current market transaction price; and fair value of derivative instruments shall be determined with the public offer of active market. If there is no public offer, fair value of derivative tools without option shall be estimated and determined with the future cash flow discount method on the basis of the applicable yield curve, and fair value of derivatives with option shall be determined with the option pricing model (such as binomial model).

For financial assets and financial liabilities measured with the fair value, the Group shall divide the fair value of such financial instruments into three different levels according to the observable degree of input value of fair value and the importance of input value to overall fair value measurement. The details are as follows:

First level: Fair value measurement refers to the offer of same assets or liabilities achieved on the measurement date and without adjustment in the active market, mainly including listed and tradable equity instruments (stocks, funds), listed bonds in stock exchange, etc.;

Second level: Fair value measurement refers to the directly or indirectly observable input value of relevant assets or liabilities except for the input value of the first level, mainly including derivative financial instruments of curb exchange;

Third level: Fair value measurement refers to the non-observable value of relevant assets and liabilities.

1. Ending Fair Value of Assets or Liabilities Measured at Fair Value

Unit: RMB Yuan

Item	Ending fair value			Total
	Fair value measurement at first level	Fair value measurement at second level	Fair value measurement at third level	
I. Continuous fair value measurement				
(I) Financial asset measured at fair value and the change included in the current profits and losses	1,653,927,467.16	4,181,722.45	-	1,658,109,189.61
1. Trading financial assets	1,653,927,467.16	4,181,722.45	-	1,658,109,189.61
(1) Debt instruments investment	301,532,400.00			301,532,400.00
(2) Equity instruments investment	1,395,067.16			1,395,067.16
(3) Derivative financial assets		4,181,722.45		4,181,722.45
(4) Fund and other money management and investment	1,351,000,000.00			1,351,000,000.00
2. Financial asset designatedly measured at fair value and the change included in the current profits and losses				
(1) Debt instruments investment				
(2) Equity instruments investment				
(II) Available-for-sale financial assets	2,977,805,097.95	-	-	2,977,805,097.95
(1) Debt instruments investment	1,956,393,610.00			1,956,393,610.00
(2) Equity instruments investment	1,021,411,487.95			1,021,411,487.95
(III) Investment real estate				
1. Land use right for rental				
2. Building for rental				
(IV) Biological assets				
Total assets measured at fair value continuously	4,631,732,565.11	4,181,722.45	-	4,635,914,287.56
(V) Trading financial liabilities				
Among them: issued trading bonds				
Derivative financial liabilities				
(VI) Financial liabilities designatedly measured at fair value and the change included in the current profits and losses				
(1) Derivative financial liabilities		57,873,954.55		57,873,954.55
Total liabilities continuously measured at fair value		57,873,954.55		57,873,954.55
II. Non-sustainable fair value measurement				
(I) Assets held-for-trading				
Total assets discontinuously measured at fair value				
Total liabilities discontinuously measured at fair value				

2. Continuous Fair Value Measurement Item, Current Conversion between All Levels, Reason of Conversion and Policy for Determining Conversion Time Point

There was no transfer between the first level and second level in this year and the previous years.

X. Related Parties and Connected Transactions**1. Particulars about the Parent Company of the Company**

Unit: RMB 10,000

Name of parent company	Registration place	Nature of business	Registered capital	Shareholding ratio of parent company in the Company (%)	Voting right ratio of parent company in the Company (%)
Baosteel Group Corporation	Shanghai	Steel smelting and processing	5,279,110.10	79.74	79.74

The final controlling party of the Company is State-owned Assets Supervision and Administration Commission of the State Council.

2. Particulars about the Subsidiaries of the Group

For particulars about the subsidiaries of the Group, please see Note (VII).

3. Particulars about JVs and the Associated Enterprises of the Group

For the particulars about important JVs and the associated enterprises, please see Note (VII).

4. Particulars about Other Related Parties

Applicable Not applicable

Name of related party	Relationship of related party with the Company
Baosteel Resources (International) Co., Ltd. ("Baosteel Resources (International) and its subsidiaries")	Brother corporation
Baosteel Metal Co., Ltd. and its subsidiaries ("Baosteel Metal and its subsidiaries")	Brother corporation
Shanghai Baosteel Engineering & Technology Group Co., Ltd. and its subsidiaries ("Engineering & Technology Co. and its subsidiaries")	Brother corporation
Hwabao Trust Co., Ltd. ("Hwabao Trust")	Brother corporation
Hwabao Investment Co., Ltd. ("Hwabao Investment")	Brother corporation
Baosteel Group Baoshan Hotel ("Baoshan Hotel")	Brother corporation
Baoshan Development Co., Ltd. And its subsidiaries ("Baosteel Development" and its subsidiaries)	Brother corporation
Baosteel Group Shanghai No. 2 Iron & Steel Co., Ltd. and its subsidiaries ("No. 2 Iron & Steel Co., Ltd. and its subsidiaries")	Brother corporation
Baosteel Group Shanghai No. 1 Iron & Steel Co., Ltd. and its subsidiaries ("No. 1 Iron & Steel Co., Ltd. and its subsidiaries")	Brother corporation
Baosteel Group Shanghai Steel Pipe Co., Ltd. ("Steel Pipe Company")	Brother corporation
Baosteel Group Shanghai Meishan Co., Ltd. and its subsidiaries ("Meishan Company and its subsidiaries")	Brother corporation
Baosteel Group Shanghai Pudong Iron & Steel Co., Ltd. and its subsidiaries ("Pudong Steel and its subsidiaries")	Brother corporation
Baosteel Group Shanghai No. 5 Co., Ltd and its subsidiaries ("No. 5 Steel Company and its subsidiaries")	Brother corporation
Baosteel Group Xinjiang Bayi Iron & Steel Co., Ltd. and its subsidiaries ("Xinjiang Bayi and its subsidiaries")	Brother corporation
Baosteel Resources Co., Ltd. and its subsidiaries ("Baosteel Resources and its subsidiaries")	Brother corporation
Shanghai Iron & Steel Research Institute ("Iron & Steel Research Institute")	Brother corporation
Baosteel Desheng Stainless Steel Co., Ltd. ("Baosteel Desheng")	Brother corporation
Guangdong Baosteel Properties Co., Ltd. ("Guangdong Properties")	Brother corporation
Guangdong Shaoguan Iron & Steel Group Co., Ltd. ("Guangdong Shaosteel and its subsidiaries")	Brother corporation
Shanghai Baosteel Stainless Steel Co., Ltd. ("Shanghai Stainless")	Brother corporation
Baosteel Stainless Steel Co., Ltd. ("Baosteel Stainless")	Brother corporation
Baosteel Special Steel Co., Ltd. ("Baosteel Special Steel and its subsidiaries")	Brother corporation
Shanghai Baohua International Tendering Co., Ltd. ("Baohua Tendering")	Brother corporation

Beijing Huili Property Development Co., Ltd. ("Beijing Huili")	Brother corporation
Shanghai Baosteel Technical and Economic Development Co., Ltd. ("Technical & Economic and its subsidiaries")	Brother corporation
Baosteel (Australia) Mining Co., Ltd. ("Baosteel Australia Mining")	Brother corporation
Ningbo Baoxin Stainless Steel Co., Ltd. ("Ningbo Baoxin")	Brother corporation
Baosteel Group (Shanghai) Properties Co., Ltd. ("Baosteel Properties (Shanghai) ")	Brother corporation
Fujian Baosteel Properties Co., Ltd. ("Fujian Properties")	Brother corporation
Baosteel Hong Kong Investment Co., Ltd. ("Baosteel Hong Kong")	Brother corporation
Shanghai Baoland Co, Ltd. ("Baoland")	Brother corporation
Shanghai Baosteel Aeronautical Materials Co., Ltd (Aeronautical Materials)	Brother corporation

5. Particulars about Connected Transactions

(1) Connected Transactions of Purchases and Sales of Commodities and Provisions and Acceptance of Labor Services

√Applicable □Not applicable

Procurement of Commodities

Unit: RMB 1,000

Related party	Details of connected transaction	Amount in the period	Amount in last period
Xinjiang Bayi and its subsidiaries	Iron & steel products, etc.	30,393	420,811
Baosteel Development and its subsidiaries	Iron & steel products, auxiliary materials, etc.	476,626	553,501
Engineering & Technology Co. and its subsidiaries	Equipment, etc.	851,762	1,124,261
Baosteel Metal and its subsidiaries	auxiliary materials, etc.	52,194	177,724
Meishan Company and its subsidiaries	Raw materials, auxiliary materials, etc.	233,014	368,903
Baosteel Resources and its subsidiaries	Raw materials	1,589,744	1,706,038
Baosteel Resources (International) Co., Ltd.	Raw materials		
Baosteel Stainless	Iron & steel products, etc.	3,859,281	5,529,333
Baosteel Special Steel and its subsidiaries	Iron & steel products	2,311,674	2,766,851
Baosteel Desheng	Iron & steel products	227,121	178,385
Ningbo Baoxin	Iron & steel products	2,200,589	2,907,944
Ningbo Steel	Iron & steel products		
BNA	Iron & steel products, etc.	4,982,458	4,557,970
Guangzhou JFE	Iron & steel products, etc.	259,389	298,302
Guangdong Shaoguan and its subsidiaries	Iron & steel products, etc.	91,099	
Others	Auxiliary materials, energy, etc.	13,931	19,923
Total		17,179,275	20,609,946

Acceptance of Labor Services

Unit: RMB 1,000

Related party	Details of connected transaction	Amount in the period	Amount in the same period last year
Baosteel Development and its subsidiaries	Comprehensive logistics, engineering, transportation, maintenance service, etc.	556,687	565,646
Engineering & Technology Co. and its subsidiaries	Engineering, maintenance, detection service, etc.	829,009	905,087
Meishan Group and its subsidiaries	Comprehensive logistics, engineering, transportation, maintenance service, etc.	369,566	443,640
Baosteel Resources and its subsidiaries	Comprehensive logistics, engineering, transportation, maintenance service, etc.	263,193	227,533

Related party	Details of connected transaction	Amount in the period	Amount in the same period last year
Bao-Island	Comprehensive logistics, engineering, transportation, maintenance service, etc.	85,900	44,195
BNA	Processing, etc.	69,632	102,109
Baosteel Group	Education, training, etc.	5,018	14,168
Baosteel Special Steel and its subsidiaries	Processing service, etc.	1,740	10,191
Others	Transportation service, etc.	31,388	26,957
Total		2,212,134	2,339,526

Sales of Commodities

Unit: RMB 1,000

Related party	Details of connected transaction	Amount in the period	Amount in last period
Baosteel Group	Energy, auxiliary materials	2,460	3,556
Xinjiang Bayi and its subsidiaries	Auxiliary materials, etc.	-	242
Baosteel Development and its subsidiaries	Iron and steel products, auxiliary materials, energy, etc.	322,037	441,069
Engineering & Technology Co. and its subsidiaries	Iron and steel products, energy, auxiliary materials, etc.	110,475	123,672
Baosteel Metal and its subsidiaries	Iron and steel products, energy, etc.	681,545	440,527
Meishan Company and its subsidiaries	Iron and steel products, energy and auxiliary materials	863,018	1,062,754
Baosteel Resources and its subsidiaries	Raw materials	78,765	155,679
Baosteel Resources (International)	Raw materials	827,173	550,466
Baosteel Stainless	Raw materials, auxiliary materials, energy, etc.	569,924	825,540
Baosteel Special Steel and its subsidiaries	Raw materials, auxiliary materials, energy, etc.	879,941	1,057,281
Baosteel Desheng	Raw materials	176	5,138
Ningbo Baoxin	Iron and steel products, etc.	70,556	107,560
Guangdong Shaosteel and its subsidiaries	Raw materials, etc.	69,957	106,737
BNA	Iron and steel products, energy and auxiliary materials	4,442,395	4,253,636
Welding Co.	Iron and steel products, etc.	154,367	206,367
Tianjin BCM	Iron and steel products, etc.		56,998
Guangzhou JFE	Iron and steel products, etc.	215,913	178,954
Others	auxiliary materials, etc.	47,578	41,976
Total		9,336,280	9,618,152

Provision of Transportation and Technical Services, etc.

Unit: RMB 1,000

Related party	Details of connected transaction	Amount in the period	Amount in the same period last year
Baosteel Resources and its subsidiaries	Transportation and technical services, etc.	33,648	40,096
Engineering & Technology Co. and its subsidiaries	Technical services	56,338	27,170
Meishan Company and its	Transportation and	68,088	24,729

Related party	Details of connected transaction	Amount in the period	Amount in the same period last year
subsidiaries	technical services		
Baosteel Special Steel and its subsidiaries	Transportation and technical services	21,404	38,300
Baosteel Stainless	Transportation and technical services	19,216	40,753
Baosteel Development and its subsidiaries	Technical services	9,671	13,719
Baosteel Group	Technical services	21,573	9,916
Baosteel Resources (International) and its subsidiaries	Transportation and technical services	14,824	91,797
Ningbo Baoxin	Technical services	11,170	8,882
Xinjiang Bayi and its subsidiaries	Technical services	19,411	21,445
Guangdong Shaoguan	Transportation service		1,609
BNA	Transportation and technical services	71,986	53,267
Guangzhou JFE Steel Sheet Company Ltd.	Transportation and technical service	10,253	
Others	Transportation and technical services	66,457	37,957
Total		424,041	409,640

(2) **Related Commissioned Management/Contracting and Entrusted Management/Contract Awarding**

Applicable Not applicable

The Company's entrusted management/contracting

Unit: RMB 1,000

Name of commissioning party	Name of commissioned party	Type of commissioned assets	Amount of commissioned management assets at the end of the reporting period	Amount of accumulative commissioned management assets at the end of the reporting period	Income achieved in this reporting period
Baoshan Iron & Steel	Hwabao Trust	Funds and trust financial management products	2,680,000	3,108,000	115,000
Baoshan Iron & Steel	Hwabao Investment	Funds and trust financial management products	13,000	13,500	0

(3) **Related Lease**

Applicable Not applicable

(4) **Related Guarantee**

Applicable Not applicable

(5) **Borrowing Funds of Related Parties**

Applicable Not applicable

(6) **Asset Transfer and Debt Restructuring of Related Parties**

Applicable Not applicable

(7) **Remuneration of Critical Management**

Applicable Not applicable

(8) **Other Connected Transactions**

Unit: RMB 1,000

Category of connected transaction	Note	Amount in the period	Amount in the same period last year
Payment for land use rights and leasing of houses, vehicles and equipment	Note 1	165,748	235,059
Income from land use rights and leasing of houses and equipment	Note 1	47,050	24,622
Financial service revenues	Note 2	25,480	84,411
Financial service expenditures	Note 3	86,441	126,967

Note 1: Upon the establishment of the Company, a 20-year Lease Agreement was entered into by and between Baosteel Group and the Company, whereby Baosteel Group will rent out the plant land to the Company. In September 2001, Baosteel Group signed another 20-year Lease Agreement with the Company for the plant land under the phase-III assets acquisition project. In November 2002, Baosteel Group signed another 20-year Lease Agreement with the Company for the plant land of some newly-acquired assets under custody. In November 2010, due to the increase in the tenure tax, the Supplementary Agreement on Tenure Lease was signed by and between Baosteel Group and the Company, whereby the land-use fees of the Company have been increased.

The Group rents houses from Baosteel Group, Baosteel-NSC/Arcelor Automotive Steel Sheets Co., Ltd. and Baosteel Metal Co., Ltd., rents automobile from Baosteel Developing Co., Ltd. and its subsidiaries as well as Baosteel Metal Co., Ltd. and its subsidiaries, and rents equipment from Shanghai Baosteel Stainless Steel Trading Co., Ltd. Meanwhile, Baosteel Resources Limited and its subsidiaries, Baosteel-NSC/Arcelor Automotive Steel Sheets Co., Ltd. rent the house from the Group, Shanghai Meishan Iron & Steel Co., Ltd. rents land use right from the Group, and Baosteel Special Steel rents the equipment from the Group.

Note 2: The Group, through the Finance Co., a subsidiary of the Company, provides Baosteel Group and its subsidiaries with financial services (loans, discounting, entrusted loans, etc.), and as a result receives interest incomes from loans, discount interest incomes, entrusted loan handling charges, etc.

Note 3: The Group takes the deposits from Baosteel Group and its subsidiaries and pays them the interest thereon. The RMB deposit interest rates are subject to the interest rates specified by the People's Bank of China.

6. Accounts Receivable and Payable of Related Parties

√Applicable □Not applicable

(1) Notes Receivable

Unit: RMB 1,000

Item	Related party	Ending balance		Beginning balance	
		Book balance	Bad debt reserve	Book balance	Bad debt reserve
Notes receivable	Baosteel Special Steel and its subsidiaries	103,530		274,390	
Notes receivable	Baosteel Development and its subsidiaries	44,375		39,157	
Notes receivable	Meishan Company and its subsidiaries	83,002		900	
Notes receivable	Baosteel Metal and its subsidiaries	174,270		85,568	
Notes receivable	Engineering & Technology Co. and its subsidiaries	13,959		23,502	
Notes receivable	Ningbo Baoxin and its subsidiaries	1,632		7,206	
Notes receivable	Xinjiang Bayi and its subsidiaries	1,470		2,100	
Notes receivable	Baosteel Resource and its subsidiaries	1,704		500	
Notes receivable	Desheng Stainless Steel and its subsidiaries			100	
Notes receivable	Guangdong Shaoguan Steel and its subsidiaries	128,857			
Notes receivable	Guangzhou JFE	586		288	
Notes receivable	Other	1,000		49,420	

Notes receivable	Total	554,385	483,131
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(2) **Accounts Receivable**

Unit: RMB 1,000

Item	Related party	Ending balance		Beginning balance	
		Book balance	Bad debt reserve	Book balance	Bad debt reserve
Accounts receivable	Meishan Company and its subsidiaries	605,947		464,442	
Accounts receivable	Guangdong Shaosteel and its subsidiaries	57,127		86,068	
Accounts receivable	Baosteel Special Steel and its subsidiaries	534,955		356,413	
Accounts receivable	BNA	282,013		152,377	
Accounts receivable	Baosteel Stainless	86,888		138,277	
Accounts receivable	Engineering & Technology Co. and its subsidiaries	160,881		137,454	
Accounts receivable	Baosteel Metal and its subsidiaries	19,087		18,048	
Accounts receivable	Baosteel Development" and its subsidiaries	97,177		76,873	
Accounts receivable	Ningbo Baoxin and its subsidiaries	13,068		13,146	
Accounts receivable	Baosteel Group	12,868		14,266	
Accounts receivable	Baosteel Resources and its subsidiaries	139,079		103,932	
Accounts receivable	Desheng Stainless Steel and its subsidiaries	6,933		12,477	
Accounts receivable	Welding Co.	10,280		27,180	
Accounts receivable	Xinjiang Bayi and its subsidiaries	73,740		78,489	
Accounts receivable	Hwabao Trust	9,304		10,077	
Accounts receivable	Guangzhou JFE	8,433		8,708	
Accounts receivable	Beijing Youth	1,315		1,314	
Accounts receivable	Others	82,943		5,066	
Accounts receivable	Total	2,202,038		1,704,607	

(3) **Prepayment**

Unit: RMB 1,000

Item	Related party	Ending balance		Beginning balance	
		Book balance	Bad debt reserve	Book balance	Bad debt reserve
Prepayment	BNA	576,254		986,836	
Prepayment	Baosteel Resources and its subsidiaries	230,063		107,173	
Prepayment	Xinjiang Bayi and its subsidiaries	44,565		91,343	
Prepayment	Guangdong Shaosteel and its subsidiaries	523,860		240,611	
Prepayment	Baosteel Stainless	8,453		82,191	
Prepayment	Engineering & Technology Co. and its subsidiaries	63,701		81,632	
Prepayment	Baosteel Metal and its	139,752		33,176	

	subsidiaries				
Prepayment	Baosteel Special Steel and its subsidiaries	6,832		7,343	
Prepayment	Meishan Company and its subsidiaries	231,139		9,533	
Prepayment	Ningbo Baoxin and its subsidiaries	-		90,637	
Prepayment	Guangzhou JFE	13,364		37,015	
Prepayment	Others	26,329		134	
Prepayment	Total	1,864,312		1,767,624	

(4) Interest Receivable

Unit: RMB 1,000

Item	Related party	Ending balance		Beginning balance	
		Book balance	Bad debt reserve	Book balance	Bad debt reserve
Interest Receivable	Shanghai Stainless (note)	25,030		168,115	
Interest Receivable	Baosteel Special Steel (note)	18,291		122,853	
Interest Receivable	Total	43,321		290,968	

Note: For interests receivable from Shanghai Stainless and Baosteel Special Steel, please see note (V), 6(1).

(5) Other Accounts Receivable

Unit: RMB 1,000

Item	Related party	Ending balance		Beginning balance	
		Book balance	Bad debt reserve	Book balance	Bad debt reserve
Other Accounts Receivable	Baosteel Stainless	20,972		20,119	
Other Accounts Receivable	Baosteel Development and its subsidiaries	10,252		11,462	
Other Accounts Receivable	Baosteel Special Steel and its subsidiaries	199		171	
Other Accounts Receivable	Welding Co.	2,026		1,166	
Other Accounts Receivable	Guangdong Shaosteel and its subsidiaries	850		2,020	
Other Accounts Receivable	Meishan Company and its subsidiaries	9,875		3,389	
Other Accounts Receivable	Shandong Baohua	314		-	
Other Accounts Receivable	Xinjiang Bayi and its subsidiaries	245		692	
Other Accounts Receivable	Engineering & Technology Co. and its subsidiaries	512		-	
Other Accounts Receivable	Baosteel Group	-		5,960	
Other Accounts Receivable	Baohua International	1,253		1,753	
Other Accounts Receivable	Hwabao Trust	3,032		3,231	
Other Accounts Receivable	Ningbo Baoxin and its subsidiaries	269		126	
Other Accounts Receivable	Others	21,883		4,666	
Other Accounts Receivable	Total	71,682		54,755	

(6) Non-current Assets Due Within One Year

Unit: RMB 1,000

Item	Related party	Ending balance		Beginning balance	
		Book balance	Bad debt reserve	Book balance	Bad debt reserve
Non-current Assets Due Within One Year	Shanghai 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	
Non-current Assets Due Within One Year	Total	4,500,000		4,500,000	

Notes: Please see Note (V) 11 and note 1 for non-current assets due within one year of Shanghai Stainless and Baosteel Special Steel.

(7) Loans and Advances to Customers

Unit: RMB 1,000

Item	Related party	Ending balance		Beginning balance	
		Book balance	Bad debt reserve	Book balance	Bad debt reserve
Loan and discount	Xinjiang Bayi and its subsidiaries	-		500,000	
Loan and discount	Baosteel Resources and its subsidiaries	165,844		350,715	
Loan and discount	Engineering & Technology Co. and its subsidiaries	182,140		62,197	
Loan and discount	Baosteel Metal and its subsidiaries	32,000		32,000	
Loan and discount	Welding Co.	60,000		80,000	
Loan and discount	Guangdong Shaosteel and its subsidiaries	18		149,127	
Loan and discount	Wuhan BaoHan Welding	2,000			
Loan and discount	Total	442,002		1,174,039	

(8) Long-term Accounts Receivable

Unit: RMB 1,000

Item	Related party	Ending balance		Beginning balance	
		Book balance	Bad debt reserve	Book balance	Bad debt reserve
Long-term Accounts Receivable	Shanghai Stainless (note)	-		2,600,000	
Long-term Accounts Receivable	Baosteel Special Steel (note)	-		1,900,000	
Long-term Accounts Receivable	Engineering & Technology Co. and its subsidiaries	-		3,750	
Long-term Accounts Receivable	Total	-		4,503,750	

Notes: Please see Note (V) 15 note 1 for long-term accounts receivable of Shanghai Stainless and Baosteel Special Steel.

(9) Deposits and Due to Banks

Unit: RMB 1,000

Item	Related party	Ending balance		Beginning balance	
		Book balance	Bad debt reserve	Book balance	Bad debt reserve
Deposits and Due to Banks	Baosteel Group	5,099,106		8,150,003	
Deposits and Due to	BNA	531,626		910,436	

Banks				
Deposits and Due to Banks	Hwabao Trust	130,471		170,637
Deposits and Due to Banks	Baosteel Development	134,702		137,219
Deposits and Due to Banks	Engineering & Technology Co. and its subsidiaries	3,836		27,716
Deposits and Due to Banks	Iron & Steel Research Institute	50,311		51,002
Deposits and Due to Banks	Baosteel Resources and its subsidiaries	15,424		58,217
Deposits and Due to Banks	Hwabao Investment	480,211		160,006
Deposits and Due to Banks	Guangdong Shaosteel and its subsidiaries	111,484		190,321
Deposits and Due to Banks	Others	9,570		45,501
Deposits and Due to Banks	Total	6,566,741		9,901,058

(10) Notes Payable

Unit: RMB 1,000

Item	Related party	Ending book balance	Beginning book balance
Notes Payable	BNA	738,563	805,214
Notes Payable	Meishan Company and its subsidiaries	1,629	32,726
Notes Payable	Ningbo Baoxin and its subsidiaries	118,945	150,608
Notes Payable	Baosteel Special Steel and its subsidiaries	11,186	19,475
Notes Payable	Baosteel Stainless	9,047	54,707
Notes Payable	Engineering & Technology Co. and its subsidiaries	141,113	175,050
Notes Payable	Baosteel Development and its subsidiaries	75,790	103,788
Notes Payable	Guangdong Shaosteel and its subsidiaries	-	1,451
Notes Payable	Baosteel Resources and its subsidiaries	597,722	399,302
Notes Payable	Xinjiang Bayi and its subsidiaries	-	6,040
Notes Payable	Total	1,693,995	1,748,361

(11) Accounts Payable

Unit: RMB 1,000

Item	Related party	Ending book balance	Beginning book balance
Accounts Payable	Baosteel Stainless	870,149	878,033
Accounts Payable	Baosteel Resources and its subsidiaries	664,801	450,535
Accounts Payable	Engineering & Technology Co. and its subsidiaries	936,510	820,478
Accounts Payable	Meishan Company and its subsidiaries	804,200	730,804
Accounts Payable	Baosteel Development and its subsidiaries	479,623	349,414
Accounts Payable	BNA	153,972	148,273
Accounts Payable	Ningbo Baoxin and its subsidiaries	240,230	403,923
Accounts Payable	Baosteel Group	121,041	5,599
Accounts Payable	Baosteel Special Steel and its subsidiaries	138,988	143,378

Accounts Payable	Shanghai Stainless	41,010	-
Accounts Payable	Welding Co.	4,935	14,468
Accounts Payable	Others	82,936	65,533
Accounts Payable	Total	4,538,395	4,010,438

(12) Advance Receipts

Unit: RMB 1,000

Item	Related party	Ending book balance	Beginning book balance
Advance Receipts	Baosteel Metal and its subsidiaries	213,692	229,862
Advance Receipts	Baosteel Development and its subsidiaries	49,476	46,295
Advance Receipts	Engineering & Technology Co. and its subsidiaries	28,713	20,351
Advance Receipts	Guangzhou JFE	12,775	42,850
Advance Receipts	Meishan Company and its subsidiaries	73,562	73,859
Advance Receipts	Xinjiang Bayi and its subsidiaries	9,655	10,593
Advance Receipts	Tianjin BCM	14	1,263
Advance Receipts	Hangzhou Baowei	106,240	79,614
Advance Receipts	Wuxi Baomit	6,303	6,402
Advance Receipts	Guangdong Shaogang and its subsidiaries	55,039	193
Advance Receipts	Ningbo Baoxin and its subsidiaries	4,548	4,649
Advance Receipts	Baosteel Special Steel and its subsidiaries	6,608	6,608
Advance Receipts	Ergang and its subsidiaries	200	200
Advance Receipts	Pudong Steel and its subsidiaries	153	153
Advance Receipts	Baosteel Stainless	-	7,731
Advance Receipts	Welding Co.	1,392	1,428
Advance Receipts	Others	93,223	36,893
Advance Receipts	Total	661,593	568,944

(13) Interest Payable

Unit: RMB 1,000

Item	Related party	Ending book balance	Beginning book balance
Interest Payable	Baosteel Group	48,160	55,616
Interest Payable	Iron & Steel Research Institute	707	434
Interest Payable	Others	519	647
Interest Payable	Total	49,386	56,697

(14) Other Accounts Payable

Unit: RMB 1,000

Item	Related party	Ending book balance	Beginning book balance
Other Accounts Payable	Baosteel Group	5,806	5,842
Other Accounts Payable	Engineering & Technology Co. and its subsidiaries	2,008	3,449
Other Accounts Payable	Baosteel Resources and its subsidiaries	2,103	2,108
Other Accounts Payable	Baosteel Development and its subsidiaries	1,990	2,085

Other Accounts Payable	Baosteel Metal and its subsidiaries	706	665
Other Accounts Payable	Meishan Company and its subsidiaries	1,127	924
Other Accounts Payable	Baosteel Special Steel and its subsidiaries	200	200
Other Accounts Payable	No. 5 Steel Company and its subsidiaries	10	3
Other Accounts Payable	Others	1,530	313
Other Accounts Payable	Total	15,480	15,589

XI. Share-based payment

1. Share-based payment

Applicable Not applicable

At the 1st temporary general meeting of shareholders of 2014 held on May 20, 2014, A-Share Restricted Stock Ownership Incentive Scheme of Baoshan Iron & Steel Co., Ltd., the Phase-I Grant Program Under the A-Share Restricted Stock Ownership Incentive Scheme of Baoshan Iron & Steel Co., Ltd. and relevant proposals were reviewed and approved. At the 15th meeting of the 5th Board of Directors of the Company held on May 22, 2014, the Proposal for Determination of the Incentive Targets and Respective Grant Quantities of A-Share Restricted Stock Ownership Incentive Scheme and the Proposal for the Implementation of Phase I Program of the A-Share Restricted Stock Ownership Incentive Scheme were reviewed and approved. According to the incentive object list and granting quantity authorized by the Board of Directors, the Company repurchased A ordinary share of the Company from Shanghai Stock Exchange through the open bidding for taking it as the source of the incentive object getting the restricted stock since May 23, 2014. According to the regulations of restricted stock plan, two years after the grant date of restricted stock is lock-up period. Within the lock-up period, the granted restricted stock of incentive object will be locked according to the plan and shall not be transferred. Three years after the next day upon the expiry of lock-up period are the unlocking period. In any year within the unlocking period, if the unlocking conditions of restricted stock are reached, incentive object can apply for unlocking and legal transfer of the restricted stock held through the plan at constant unlocking speed (i.e., unlock with the proportion of 1/3 of each year within the unlocking period). Restricted stocks which are not unlocked due to failing to reach the unlocking conditions of the year shall be repurchased by the Company with the granting price.

As of June 11, 2014, the stock repurchase for equity incentive plan has been completed. The Company repurchased 47,446,100 shares with RMB 187,734,750.08 of repurchase cost. These shall be included in the treasury stock.

According to the provisions of the first granting scheme, the number of incentive object under equity incentive plan to whom the Company grants the repurchased stock was 136, total number of shares was 47,446,100, granting price was 1.91 Yuan/share, and incentive objects paid RMB 90,622,051.00 Yuan for subscription of restricted stock. The Company conducted the confirmation of a liability in full regarding to the repurchase obligation of restricted stock and handled as acquired the treasury stock. As of June 24, 2014, 47,446,100 shares initially granted have changed from non-restricted outstanding shares to restricted outstanding shares, and all the transfer procedures of initial share grant have been completed.

On December 16, 2014, the Company repurchased with the granting price and canceled 434,400 shares and 264,500 shares of restricted stock having not reached the unlocking conditions and respectively held by Mr. Zhang Yong and Ms. Zhang Xiaobo who are the incentive object under the initial granting scheme of the restricted stock plan, with repurchase cost of RMB 1,334,899.00. A few days ago, 698,900 shares among the above restricted stock have been transferred to the special security account for repurchase opened by the Company, and have been canceled on December 16, 2014. Meanwhile, the Company has reduced capital stock and capital reserve by 698,900 Yuan and 635,999 Yuan respectively, and reduced treasury stock by 1,334,899 Yuan.

In 2015, the Company repurchased with the granting price and canceled 488,700 shares held by Li Shiping, 434,400 shares held by Fu Jianguo, 434,400 shares held by Hu Yuliang, 380,100 shares held by Jia Yiyun, 264,500 shares respectively held by Pei Shibing, Sun Dale and Lu Junyong, and 488,700 shares respectively held by Guo Bin and Hou Angui of restricted stock having not reached the unlocking conditions and respectively, who are the incentive objects under the initial granting scheme of the restricted stock plan. Therefore, the Company has reduced stock capital of RMB 3,508,500.

During the reporting period, the Company did not have restricted stock released and newly granted.

According to China's policies and relevant provisions of the Company's restricted stock, 2 incentive objects have been adjusted to exit the restricted stock scheme, as reviewed and approved by 6th session of sixth Board of Directors on March 29, 2016. 590,300 shares of restricted stock failing to reach the releasing conditions shall be purchased back by the Company at the granting price and cancelled on May 25, 2016. Therefore, the Company's stock capital has reduced by RMB 590,300, with registered capital of RMB 16,466,927,224 then.

As approved by the 7th meeting of the sixth board of directors on April 27, 2016, 1/3 of restricted stock granted to the incentive objects in the first rewarding plan shall not be released and shall be repurchased by the Company (which is now in progress) due to such indexes as 2015 total operating revenue failing to reach the first release condition.

Specific situations on adjustment of above incentive object of restricted stock plan have been disclosed, and for details please visit the website of Shanghai Stock Exchange, <http://www.sse.com.cn>

Unit: share Currency: RMB

Total amount of equity instruments granted by the Company in the reporting period	
Total amount of equity instruments exercised by the Company in the reporting period	
Total amount of equity instruments of the Company which become invalid in the reporting period	590,300
Exercise price range and reaming contract term of outstanding stock option issued by the Company at the end of the period	
Exercise price range and reaming contract term of other outstanding equity instruments issued by the Company at the end of the period	

2. Stock Payment Measured at Equity

Applicable Not applicable

Unit: RMB

Determination method of fair value of equity instruments on grant date	Based on performance conditions estimate of each unlocking period as stipulated in the restricted stock plan
Basis of determining the number of investing equity instruments	Based on unlocking conditions of each unlocking period as stipulated in the restricted stock plan
Reason for significant difference of estimate between current period and prior period	
Total equity-settled share-based payment in exchange of employee service	43,970,875.32
Aggregate amount of equity-settled share-based payment included in capital reserves	26,911,586.73
Total expenses recognized by equity-settled share-based payment in current period	6,458,780.82

3. Method for Determination of Fair Value of Equity Instruments at the Grant Date

For any equity instrument granted by the Group, the fair value at the grant date is calculated and determined using the "Black Scholes Option Pricing Model" based on the market value of the Company's stock at the grant date, as well as estimated in combination with conditions and terms of stock option.

Parameters selected for the model are as follows:

Estimated share price fluctuation rate (%)	18.3-22.9
Risk-free interest rate (%)	2.7-2.9
Estimated waiting period (year)	2-5
Share price at grant date (RMB/share)	3.86

The fluctuation ratio is the historical stock price fluctuation ratio of the Company, and estimated unlocking period is a forecast according to the annual transfer rate of the shares held by the incentive object, but probably is not the actual result.

Fair value of the restricted stock on grant date is shown in the table below:

Restricted stock which can be unlocked within 1 year	3.59 yuan/ per share
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after the expiry of lock-up period	
Restricted stock which can be unlocked within 2 year after the expiry of lock-up period	3.51 yuan/ per share
Restricted stock which can be unlocked within 3 year after the expiry of lock-up period	3.36 yuan/ per share

4. Share-based Payment by Cash Settlement

Applicable Not applicable

5. Modification and Termination of Share-based Payment

None.

XII. Commitments and Contingencies

1. Important Commitments

Applicable Not applicable

Important commitments with the nature and amount on the date of balance sheet

(1) Capital Commitments

Unit: RMB 1,000

	Ending balance	Balance at the beginning of the year
Capital commitments that have been entered into but have not been recognized in the financial statements:		
Contracted but not provided	10,150,214	15,863,814
Approved by the Board but not contracted	5,563,004	2,715,314
Total	15,713,218	18,579,128

(2) Operating Lease Commitments

As of the balance sheet date, the non-cancellable operating leases signed by the Group with external parties are listed as follows:

Unit: RMB 1,000

	Ending balance	Balance at the beginning of the year
Minimum lease payment for irrevocable operating lease:		
1st year after the balance sheet date	317,395	401,927
2nd year after the balance sheet date	289,724	382,436
3rd year after the balance sheet date	267,694	351,049
Subsequent years	1,269,012	1,238,037
Total	2,143,825	2,373,449

2. Contingencies

Applicable Not applicable

XIII. Events post the Balance Sheet Date

1. Significant non-adjusting events

Applicable Not applicable

2. Profit Distribution

Applicable Not applicable

3. Sales Return

Applicable Not applicable

4. Notes to Other Events Post Balance Sheet Date

None

XIV. Other Significant Events

1. Previous Accounting Error Correction

Applicable Not applicable

2. Debt Restructuring

Applicable Not applicable

3. Asset Replacement

Applicable Not applicable

4. Annuity Plan

Applicable Not applicable

In accordance with the Reply to Trial Implementation of Enterprise Annuity System by Baosteel Group (GZFP [2008] No. 1268) issued by the State-owned Assets Supervision and Administration Commission of the State Council and the Notification on Clarifying Relevant Issues on Ratio of Enterprise Annuity Payment Made by Enterprise issued by the HR Dept. of Baosteel Group, since January 1, 2008, the Company has implemented the enterprise annuity plan. Wherein, the portions paid by enterprises shall be accrued by 4% of the base of payment made by employees in person (wage incomes in the previous year subject to capping and minimum guarantee); the portions paid by employees in person shall be paid by 1%-7% of the base of payment made by employees in person and for the account of employees in person. Since 2009, Hwabao Trust Co., Ltd., a subsidiary of Baosteel Group, has been authorized to conduct management for the aforesaid enterprises annuities.

5. Discontinued Operations

Applicable Not applicable

6. Segments

Applicable Not applicable

(1) Determination Basis and Accounting Policy of Reporting Segments

According to the internal organizational structure, management requirement and internal reporting system of the Group, the operating business is classified into six operating segments, whose operating results are regularly evaluated by the management personnel of the Group to determine the allocated resources and business performance. Six reporting segments are determined on the basis of operating segments, including the iron & steel manufacturing segment, processing and distribution segment, IT segment, e-commerce segment, chemical segment and financial segment. The day-to-day activities of Finance Co. are of a financial nature, so the operating revenue of each segment includes investment incomes of the Finance Co. These reporting segments are determined based on the business structure of the Group.

Segments are summarized as follows:

Operating segments include the following subsidiaries

- (1) Iron & steel manufacturing subsidiaries: the Company, Meishan Steel, Lubao Steel Tube, Huangshi Coating & Galvanizing, Yantai Lubao Steel Tube, Baosteel Nantong Steel, Baoma Steel Pipe, Poly Pipe, Zhanjiang Steel and so on;
- (2) Iron & steel sales trading subsidiaries: Baosteel International, Baosteel America, Baosteel Europe, Baosteel Singapore, Howa Trading, Bao-Island Enterprises, BGM and other trading subsidiaries;
- (3) IT: Bassinet Software;
- (4) E-commerce: Ouyeel, B-chem;
- (5) Chemical: Baosteel Chemical;
- (6) Finance: Finance Co.

For the disclosure of the operating information of the Group, the revenues shall be disclosed by the regions where the customers are located; the assets shall be disclosed by the regions where assets are located.

The operating profit of each segment does not include financial costs, assets impairment losses, changes in fair value recognized in profit or loss, and investment incomes (other than the Finance Co.) incurred by each segment. The assets of each segment do not include deferred income tax assets. The liabilities of each segment do not include short-term borrowings, non-current liabilities due in one year, long-term borrowings, long-term accounts payable, bonds payable and deferred income tax liabilities.

The information contained in the segmental report shall be disclosed according to the accounting policies and measuring criterion with which each segment reports to the management. The measuring basis remains identical with the accounting and measuring basis for the compilation of the financial statements.

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

(2) Financial Information of Reporting Segments

Unit: RMB 1,000

Item (Current period)	Iron and steel manufacture	Processing and distribution	Information technology	E-commerce	Chemical	Finance	Inter-segment offset	Total
Operating revenues								
Revenues from transactions with external parties	9,503,569	55,547,417	1,154,024	10,538,568	1,249,169	178,776		78,171,523
Revenues from inter-segment transactions	38,947,347	11,337,127	562,951	1,445,013	2,318,483	68,463	54,679,384	
Total operating revenue of segments	48,450,916	66,884,544	1,716,975	11,983,581	3,567,652	247,239	54,679,384	78,171,523
Operating expenses	43,065,359	65,338,000	1,557,271	12,108,093	3,456,285	152,650	53,828,594	71,849,064
Operating profit	5,385,558	1,546,544	159,704	-124,513	111,367	94,589	850,790	6,322,459
Total assets of segments	241,269,126	54,711,767	6,423,475	6,176,203	5,308,104	15,064,613	64,368,803	264,584,485
Total liabilities of segments	46,936,655	26,356,380	2,346,517	2,940,740	1,382,221	13,208,625	32,865,158	60,305,980
Supplementary information:							0	
	5,391,616	302,089	57,305	34,999	179,087	4,627	0	5,969,723
Depreciation and amortization expenses	121,552	304,565	-22,880	1,076	-7,374	14,596	109,476	302,059
Losses on impairment recognized for the current period	7,994,109	311,698	264,185	33,495	70,477	32	0	8,673,996

Unit: RMB 1,000

Item (Same period last year)	Iron and steel manufacture	Processing and distribution	Information technology	E-commerce	Chemical	Finance	Inter-segment offset	Total
Operating revenues								
Revenues from transactions with external parties	9,845,027	61,194,179	1,031,347	7,280,135	1,416,913	238,548		81,006,149
Revenues from inter-segment transactions	41,591,779	11,613,030	577,685	426,016	2,477,646	83,418	56,769,574	

Total operating revenue of segments	51,436,806	72,807,209	1,609,032	7,706,151	3,894,559	321,966	56,769,574	81,006,149
Operating expenses	48,540,342	71,399,004	1,485,887	7,765,392	3,790,735	190,660	56,764,560	76,407,460
Operating profit	2,896,464	1,408,205	123,145	-59,241	103,824	131,306	5,014	4,598,689
Total assets of segments	213,557,552	51,829,534	6,326,394	3,970,024	4,971,435	14,258,585	62,311,333	232,602,191
Total liabilities of segments	55,758,097	24,117,298	2,323,754	1,463,254	1,205,991	12,428,100	41,091,951	56,204,543
Supplementary information:								
	4,825,316	280,358	51,333	16,423	178,310	4,021		5,355,761
Depreciation and amortization expenses	-33,964	91,218	1,110	25	-14,693	34,928	-11,880	90,504
Losses on impairment recognized for the current period	10,784,852	398,491	248,468	51,407	195,925	262	-8,240	11,687,645

(3) Foreign Transaction Revenue by Income Source and Non-current Assets by Location

Unit: RMB 1,000

Item	Amount in the period	Amount in the same period last year
Revenues from transactions with external parties in China	68,848,402	71,423,485
Revenues from transactions with external parties outside China	9,323,121	9,582,664
Total	78,171,523	81,006,149

Unit: RMB 1,000

Item	Ending balance	Balance at the beginning of the year
Non-current assets located in China	159,558,794	162,207,582
Non-current assets located outside China	3,720,505	2,012,581
Total	163,279,299	164,220,163

Revenues from transactions with external parties include:

Unit: RMB 1,000

Item	Amount in the period	Amount in the same period last year
Investment incomes of the Finance Company	60,211	62,495

Items not included in segment-specific operating profits, assets and liabilities are presented as follows:

Segment-specific operating profits do not include:

Unit: RMB 1,000

Item	Amount in the period	Amount in the same period last year
Financial costs	1,156,767	444,272
Losses from assets impairment/(write-back)	302,059	90,505
Losses/gains on variation in fair values	47,255	-2,214
Investment incomes (other than the Finance Company)	-295,640	-368,283
Total	1,210,441	164,280

Segment-specific assets do not include:

Unit: RMB 1,000

Item	Ending balance	Balance at the beginning of the year
Deferred income tax assets	1,680,837	1,520,956

Segment-specific liabilities do not include:

Unit: RMB 1,000

Item	Ending balance	Balance at the beginning of the year
Short-term borrowings	33,610,254	27,111,032
Non-current liabilities due within one year	113,909	208,115
Other current liabilities	20,334,174	10,057,344
Long-term borrowings	11,680,751	9,111,026
Long-term payables	81,458	82,586
Bonds payable	13,964,217	8,747,374
Deferred income tax liabilities	487,989	454,702
Total	80,272,752	55,772,179

XV. Notes to Main Items of the Financial Statement of the Parent Company**1. Accounts Receivable****(1) Account Age of Accounts Receivable**

Unit: RMB

Age	Ending balance				Balance at the beginning of the year			
	Amount	Ratio (%)	Bad debt reserve	Book value	Amount	Ratio (%)	Bad debt reserve	Book value
Within 1 year	13,742,113,094.03	83	18,681,780.17	13,723,431,313.86	13,397,632,571.61	92	13,791,861.10	13,383,840,710.51
1-2 years	2,212,322,253.86	14	239,451.14	2,212,082,802.72	777,498,367.05	5	87,572.16	777,410,794.89
2-3 years	391,300,519.64	2	16,319.75	391,284,199.89	275,909,400.52	2	164,881.58	275,744,518.94
Over 3years	179,679,667.41	1	28,781,264.14	150,898,403.27	113,880,332.49	1	22,086,689.81	91,793,642.68
Total	16,525,415,534.94	100	47,718,815.20	16,477,696,719.74	14,564,920,671.67	100	36,131,004.65	14,528,789,667.02

(2) Accounts Receivable Disclosed by Category:

Unit: RMB

Category	Ending balance					Beginning balance				
	Book balance		Bad-debt provision		Book Value	Book balance		Bad-debt provision		Book Value
	Amount	Proportion (%)	Amount	Provision proportion (%)		Amount	Proportion (%)	Amount	Provision proportion (%)	
Other accounts receivable with significant single amount and individual bad debt provision	13,641,433,583.84	83	-	-	13,641,433,583.84	12,575,050,722.06	86	-	-	12,575,050,722.06
Other accounts receivable with bad debt provision according to credit risk characteristics combination	2,855,200,686.96	17	18,937,551.06	1	2,836,263,135.90	1,967,783,259.80	14	14,044,314.84	1	1,953,738,944.96
Receivables with bad-debt provisions made individually in spite of insignificant single amounts	28,781,264.14		28,781,264.14	100	-	22,086,689.81	-	22,086,689.81	100	-
Total	16,525,415,534.94	/	47,718,815.20	/	16,477,696,719.74	14,564,920,671.67	/	36,131,004.65	/	14,528,789,667.02

EOP accounts receivable with significant single amounts or without significant single amount but with individual bad-debt provisions

Applicable Not applicable

Unit: RMB

Accounts receivables (By unit)	Ending balance			
	Accounts receivables	Bad-debt provisions	Provision proportion (%)	Cause
Large-amount receivables	13,641,433,583.84		-	注 1
Receivables with relatively long age	28,781,264.14	28,781,264.14	100	注 2
Total	13,670,214,847.98	28,781,264.14	/	/

Unit: RMB

Accounts receivables (By unit)	Beginning balance			
	Accounts receivables	Bad-debt	Provision	Cause
Large-amount receivables	12,575,050,722.06	-	-	注 1
Receivables with relatively	22,086,689.81	22,086,689.81	100	注 2
Total	12,597,137,411.87	22,086,689.81	/	/

Note 1: There is no major problem in making collections within a year of account age, and large receivables are all from related parties. According to Company's provision policy of bad debts reserves, bad debts reserves will not be made with provision.

Note 2: Account age is long and possibility of recovery is small, so receivables with long account age beyond the related parties shall conduct the provision of bad debts reserves in full.

In the combination, receivables using account age for bad debts reserves provision:

Applicable Not applicable

Unit: RMB

Account age	Ending balance		
	Accounts receivable	Bad-debt provisions	Provision proportion (%)
Subtotal of within 1 year	2,430,368,025.80	18,681,780.17	1
1-2 years	33,118,519.53	239,451.14	1
2-3 years	366,499,770.11	16,319.75	-
3 years or more	25,214,371.52	-	-
Total	2,855,200,686.96	18,937,551.06	1

(3) Bad Debts Reserves Provisioned, Recovered or Transferred back in Current Period:

Bad debts reserves provision in the current period was 20,482,497.49 Yuan; and bad debts reserves recovered or transferred back was 8,894,686.94 Yuan.

(4) Actual Written-off Accounts Receivable in the Reporting Period

Applicable Not applicable

(5) Particulars about the accounts receivable, in this reporting period, due from the shareholders each holding shares representing 5% or more of voting rights of the Company

Unit: RMB

Name of Entity	Ending balance		Balance at the beginning of the year	
	Amount	Amount of bad-debt provision	Amount	Amount of bad-debt provision
Baosteel Group	294,607.18		1,125,650.91	-

(6) Accounts Receivable with Top Five Ending Balance Collected according to the Debtor:

On June 30, 2016, total amounts receivable of top five units was RMB 13,641,433,583.84, accounting for 83% of the total amount of receivables.

(7) Accounts Receivable under Derecognition due to the Transfer of Financial Assets:

There was no accounts receivable under derecognition due to the transfer of financial assets in the current reporting period.

(8) Amount of Assets and Liabilities Formed by Transfer of Accounts Receivable and Continuous Involvement:

There was no amount of assets and liabilities formed by transfer of accounts receivable and continuous involvement in the current reporting period.

2. Other Accounts Receivable**(1) Account Age of Other Accounts Receivable**

Unit: RMB

Age	Ending amount				Beginning amount			
	Amount	Ratio (%)	Bad debt reserve	Book value	Amount	Ratio (%)	Bad debt reserve	Book value
Within year	129,975,556.75	48	2,900,967.87	127,074,588.88	112,192,571.16	44	3,075,599.82	109,116,971.34
1-2 years	1,923,973.39	1	190,069.13	1,733,904.26	1,178,114.95	-	164,606.35	1,013,508.60
2-3 years	117,525,179.10	43	271,884.00	117,253,295.10	120,278,558.42	47	755,051.78	119,523,506.64
Over 3 years	21,125,966.01	8	4,943,154.00	16,182,812.01	23,955,910.36	9	3,723,534.36	20,232,376.00
Total	270,550,675.25	100	8,306,075.00	262,244,600.25	257,605,154.89	100	7,718,792.31	249,886,362.58

(2) Other Accounts Receivable Disclosed by Category:

Unit: RMB

Category	Ending balance					Beginning balance				
	Book balance		Bad-debt provision		Book Value	Book balance		Bad-debt provision		Book Value
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Other accounts receivable with significant single amount and individual bad debt provision	207,386,556.05	77	1,676,150.00	1	205,710,406.05	169,651,203.67	66	-	-	169,651,203.67
Other accounts receivable with bad debt provision according to credit risk characteristics combination	58,220,965.20	21	1,686,771.00	3	56,534,194.20	84,230,416.86	33	3,995,257.95	5	80,235,158.91
Receivables with bad-debt provisions made individually in spite of insignificant single amounts	4,943,154.00	2	4,943,154.00	100	-	3,723,534.36	1	3,723,534.36	100	-
Total	270,550,675.25	/	8,306,075.00	/	262,244,600.25	257,605,154.89	/	7,718,792.31	/	249,886,362.58

Other EOP accounts receivable with significant single amounts or without significant single amounts but with individual bad-debt provision:

Applicable Not applicable

Unit: RMB

Accounts receivables (By unit)	Ending balance			
	Other accounts receivables	Bad debt provision	Provision proportion (%)	Cause
Other large-amount receivables	207,386,556.05	1,676,150.00	1	Note 1
Other receivables with bad debt fully provisioned	4,943,154.00	4,943,154.00	100	
Total	212,329,710.05	6,619,304.00	/	/

Unit: RMB

Accounts receivables (By unit)	Beginning balance			
	Other accounts receivables	Bad debt provision	Provision proportion (%)	Cause
Other large-amount receivables	169,651,203.67	-	-	Note

Other receivables with bad debt fully provisioned	3,723,534.36	3,723,534.36		
Total	173,374,738.03	3,723,534.36	-	

Note 1: Such large-amount other accounts receivable were advances for projects, electricity charge deposit, etc., which were with low recovery risk. And the bad debt has not been provisioned against receivables from related parties across the Group. Therefore, other accounts receivable of the Company had a book value balance of RMB 207,386,556.05 (December 31, 2015: RMB 69,651,203.67), with bad debt reserves of RMB 1,676,150.00 provisioned.

In combination, other receivables using account age for bad debt reserves provision:

Applicable Not applicable

Unit: RMB

Account age	Ending balance		
	Other accounts receivable	Bad-debt reserve	Provision proportion (%)
Subtotal of within 1 year	48,872,016.80	1,224,817.87	3
1-2 years	1,923,973.39	190,069.13	10
2-3 years	5,474,539.00	271,884.00	5
Over 3 years	1,950,436.01	-	-
Total	58,220,965.20	1,686,771.00	3

Unit: RMB

Account age	Beginning balance		
	Other accounts receivable	Bad-debt reserve	Provision proportion (%)
Within 1 year	80,252,717.78	3,075,599.82	4
1-2 years	749,780.76	164,606.35	22
2-3 years	3,227,918.32	755,051.78	23
Total	84,230,416.86	3,995,257.95	5

(3) Bad Debts Reserves Provisioned, Recovered or Transferred back in Current Period:

Bad debts reserves provision in the current period was 1,109,049.54Yuan; and bad debts reserves recovered or transferred back was 521,766.85 Yuan.

(4) Other Actual Written-off Account Receivable in the Reporting Period

Applicable Not applicable

(5) Particulars about the accounts receivable, in this reporting period, due from the shareholders each holding shares representing 5% or more of voting rights of the Company

Unit: RMB

Entity Name	Ending balance		Balance at the beginning of the year	
	Amount	Bad-debt provisions	Amount	Bad-debt provisions
Baosteel Group	-	-	5,959,916.60	-

(6) Other Receivables with Top Five Ending Balance Collected according to the Debtor:

Applicable Not applicable

On June 30, 2016, total amount of top five units of amounts receivable of the Company was RMB 207,386,556.05, accounting for 77% of the total amount of receivables.

3. Long-term Equity Investment

Applicable Not applicable

Unit: RMB

Item	Ending balance			Beginning balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Investment in subsidiaries	44,266,491,430.84	948,520,310.51	43,317,971,120.33	43,972,938,406.84	-	43,972,938,406.84
Investment in JV and associated enterprises	2,359,114,240.16	-	2,359,114,240.16	2,281,674,647.40	-	2,281,674,647.40
Total	46,625,605,671.00	948,520,310.51	45,677,085,360.49	46,254,613,054.24	-	46,254,613,054.24

(1) Investment in Subsidiaries

√Applicable □Not applicable

Unit: RMB

Investee	Beginning balance	Current adds	Current cuts	Ending balance	Current provision for impairment	Ending balance of reserves for impairment
Lubao Steel Tube	872,484,905.16			872,484,905.16		
Huangshi Coating & Galvanizing	175,658,477.39			175,658,477.39		
Baosteel International	6,013,886,552.67			6,013,886,552.67		
Meishan Steel	8,938,982,988.14			8,938,982,988.14		
Bassinet Software	1,291,314,360.40			1,291,314,360.40		
Baosteel America	187,562,180.98			187,562,180.98		
Howa Trading	221,975,780.12			221,975,780.12		
Baosteel Europe	328,631,981.58			328,631,981.58		
Baosteel Singapore	154,883,364.09			154,883,364.09		
Bao-Trans Enterprises	370,550,495.27			370,550,495.27		
Baosteel Chemical	3,006,227,819.74			3,006,227,819.74		
Finance Co.	754,570,003.65			754,570,003.65		
Zhanjiang Steel	17,262,206,889.41			17,262,206,889.41		
Yantai Lubao Steel Tube	3,200,000,000.00			3,200,000,000.00		
Baosteel Nantong Steel	948,520,310.51			948,520,310.51	948,520,310.51	948,520,310.51
Baoma Steel Pipe	36,673,650.00			36,673,650.00		
Baosteel Brazil Trading (Note 1)	728,647.73			728,647.73		
Ouyeel Commerce Co., Ltd (Note 2)	208,080,000.00			208,080,000.00		
Ouyeel Finance (Note 3)		293,553,024.00		293,553,024.00		
Total	43,972,938,406.84	293,553,024.00		44,266,491,430.84	948,520,310.51	948,520,310.51

Note 1: The Company indirectly held 73.04% of stock equity of Baosteel Brazil, which accordingly was considered as a subsidiary and accounted in long term equity investment as per cost method.

Note 2: 8.67% of stock equity is directly held by the Company and 42.33% of stock equity is held by Baosteel International, a wholly-owned subsidiary of the Company.

Therefore, the Company has indirectly and directly held 51% stock equity of Ouyeel Commerce, which accordingly was considered as a subsidiary to the Company and accounted in long term equity investment as per cost method.

Note 3: Ouyeel Commerce held 34% stock equity of Ouyeel Finance. Therefore, the Company has indirectly and directly held 54.91% stock equity of Ouyeel Finance, which accordingly was considered as a subsidiary to the Company and accounted in long term equity investment as per cost method.

(2) Investment in JV and Associated Enterprises

√Applicable □Not applicable

Unit: RMB

Investor	Beginning balance	Current change								Ending balance	Ending balance of impairment reserve
		Added investment	Reduced investment	Investment gains and losses confirmed under the Equity Method	Other comprehensive income adjustment	Other equity change	Cash dividend or profit declared to issue	Provision for depreciation reserve	Others		
I.JV											
BNA	1,709,806,023.00			61,146,741.51		1,469,371.25				1,772,422,135.76	-
Bao-Island	571,868,624.40			2,705,529.60	12,117,950.40					586,692,104.40	-
Subtotal	2,281,674,647.40			63,852,271.11	12,117,950.40	1,469,371.25				2,359,114,240.16	-
II.associated Enterprises											
Total	2,281,674,647.40			63,852,271.11	12,117,950.40	1,469,371.25				2,359,114,240.16	-

4. Operating Revenues and Operating Costs

Unit: RMB

Item	Amount in the period		Amount in last period	
	Revenues	Costs	Revenues	Costs
Main operating revenues	43,635,442,094.92	35,641,695,134.28	46,153,469,127.53	40,241,416,896.77
Other operating revenues	155,089,410.50	122,542,141.23	126,841,239.43	276,480,276.94
Total	43,790,531,505.42	35,764,237,275.51	46,280,310,366.96	40,517,897,173.71

5. Investment Income

√Applicable □Not applicable

Unit: RMB Yuan

Item	Amount in the period	Amount in last period
Long-term equity investment incomes calculated using the cost method	80,442,935.49	54,568,841.13
Long-term equity investment incomes calculated using the equity method	63,852,271.11	46,987,962.65
Incomes from held-to-maturity investments	94,243,960.98	67,247,564.47
Incomes/(losses) from disposal of derivative financial instruments	-73,809,000.00	-76,736,435.55
Incomes from financial assets available-for-sale		54,682,861.82
Total	164,730,167.58	146,750,794.52

Note: Losses from above derivative financial instruments are mainly investment losses from forward exchange transactions and ore swap transactions.

6. Bank Lines of Credit

Up to June 30, 2016, the bank lines of credit not used had amounted to RMB 67.338 billion. In the opinion of the management of the Company, in view of the cash flows arising from the bank lines of credit and operating activities, the Company will have sufficient funds in the next year to pay various current liabilities at maturity.

7. Supplements to Cash Flow statement

Unit: RMB

Supplementary data	Amount in the period	Amount last year
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	1,703,296,531.08	2,476,312,714.79
Add: Provision for impairment losses of assets	2,539,576,428.19	-74,343,047.05
Depreciation of fixed assets and investment property	3,354,653,962.21	3,484,365,643.31
Amortization of intangible assets	41,084,183.00	41,072,239.68
Amortization of long-term deferred expenses	12,978,540.22	12,978,541.92
Losses (gains) on disposal of fixed, intangible and other long-term assets	196,689,299.36	307,906,302.94
Losses (gains) on the changes in fair value	57,873,954.55	17,901,082.57
Financial expenses	573,539,387.72	-106,492,476.19
Investment losses	-164,730,167.58	-146,750,794.52
Increase in deferred tax assets	-635,160,377.66	92,240,073.05
Increase in deferred tax liabilities	33,061,924.29	-1,525,550.54
Decrease in inventory	49,177,885.36	1,920,197,286.97
Decrease (increase) in receivables from operating activities	-3,801,220,287.83	-3,153,286,123.70
Increase (decrease) in payables for operating activities	327,008,155.99	1,157,192,553.05
Net cash flow from operating activities	4,287,829,418.90	6,027,768,446.28
2. Net changes in cash and cash equivalents:		
EOP balance of cash and cash equivalents	7,586,762,617.66	7,534,528,629.40
Less: Balance of cash and cash equivalents at the beginning of the year	2,609,809,152.05	6,283,129,815.02
Net decrease of cash and cash equivalents	4,976,953,465.61	1,251,398,814.38

XVI. Supplements**1. List of Non-current Profits and Losses**

Unit: RMB Million

Item	Amount	Notes
Profits and losses on disposal of non-current assets	-208	
Government subsidies recognized in profits or losses of current period (excluding government subsidies closely related to corporate operations, or granted on a quota or quantitative basis in accordance with the uniform criteria of the government)	114	
Profits and losses from changes in fair value of held-for-trading financial assets and held-for-trading financial liabilities, as well as investment revenue from disposal of held-for-trading financial assets and held-for-trading financial liabilities, available-for-sale financial assets, in addition to the effective hedging operations related to the normal operating business of the Company	110	
Other non-operating revenue and expenses except above items	4	
Other non-operating incomes and expenditures than various items mentioned above	-280	
Effect of income tax	69	
Effect of minority interests	-22	
Total	-213	

Note: Since the principal business scope of Finance Co. and Ouyeel Commerce included financial instrument investment, the investment income of relevant financing products has not been included in non-current gains and losses.

2. Return on Net Assets and EPS

The following calculation table of return on net assets and EPS is prepared based on relevant regulations of *No. 9 Preparation and Report Rules for IPO Companies' Information Disclosure-Calculation and Disclosure of Return on Net Assets and Earning Per Share* (Revised in 2010) promulgated by China Securities Regulatory Commission.

Profits in the reporting period	Weighted average return on net assets (%)	EPS	
		Basic EPS	Diluted EPS
Net profits attributable to ordinary shareholders of the Company	3.03	0.21	0.21
Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	3.21	0.22	0.22

3. Accounting Data Difference between Accounting Standards Inside and Outside China

Applicable Not applicable

Section XI. Reference Documents Dictionary

Reference Documents Dictionary	Financial statement bearing the signature and seal of legal representative, person responsible for accounting work and person in charge of accounting department
	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: August 30, 2016

Revision

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