

Corporation code: 600019

Corporation abbreviation: Baosteel

Baoshan Iron & Steel Co., Ltd.

Abstract of 2016 Semi-Annual Report

I. Important Notice

1.1 This is an abstract from the full text of Semi-Annual Report. To fully understand the specifics of the report, investors may visit the official website of Shanghai Stock Exchange and other websites designated by China Securities Regulatory Commission to access the full text of Semi-Annual Report.

1.2 Company Profile

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

Contact information	Secretary of Board of Directors	Representative of Securities Affairs
Name	Wu Kunzong	Yu Hong
Tel.	86-21-26647000	86-21-26647000
Fax	86-21-26646999	86-21-26646999
E-mail	ir@baosteel.com	ir@baosteel.com

II. Major Financial Data and Shareholders

2.1 Major Financial Data

Unit: RMB Million

	At the end of the reporting period	At the end of the previous year	Increase or Decrease at the end of the reporting period compared to the end of the previous year (%)
Total assets	266,265	234,123	13.73
Net asset attributable to shareholders of listed company	115,625	112,803	2.50
	The reporting period (January to	Same period last year	Increase or Decrease over the Same Period Last Year (%)

	June)		
Net cash flows from operating activities	8,277	9,407	-12.01
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
Weighted average return on equity (%)	3.03	2.76	Up 0.27 ppt
Basic earnings per share (Yuan/share)	0.21	0.19	10.53
Diluted earnings per share (Yuan/share)	0.21	0.19	10.53

2.2 Shareholding of Top 10 Shareholders

Unit: share

Total number of shareholders as of the end of reporting period (people)					300,893	
Total number of shareholders holding preferred stocks with voting right restored as of the end of reporting period (people)						
Top 10 shareholders						
Name	Shareholder nature	Ratio (%)	Number of shares held	Number of shares subject to conditional sales	Number of shares pledged or frozen	
Baosteel Group Corporation	State-owned	79.737	13,130,265,267	0	None	0
China Securities Finance Co., Ltd.	State-owned	2.701	444,813,261	0	None	0
Central Huijin Asset Management Co., Ltd	State-owned	0.742	122,230,300	0	None	0
Hong Kong Securities Clearing Company Ltd.	Unknown	0.546	89,836,856	0	None	0
ICBC Credit Suisse - ICBC - Asset Management for Specific Clients	Unknown	0.207	34,065,811	0	None	0
Ping An Annuity Insurance Company, Ltd. - Ping An Annuity Fuying Life Pension Security Entrusted Management product and Fuying Stock-type Portfolio	Unknown	0.200	32,970,563	0	None	0
Abu Dhabi Investment Authority	Unknown	0.195	32,110,140	0	None	0

Bank of China Limited - China AMC new economy flexible configured hybrid securities investment fund	Unknown	0.186	30,593,576	0	None	0
FIL Investment Management (Hong Kong) Limited - Clients' Fund	Unknown	0.183	30,093,799	0	None	0
Bank of China Limited- E fund stable yield bond securities investment fund	Unknown	0.152	24,979,857	0	None	0
Remarks on affiliation, alliance or collusion among the aforementioned shareholders	The Company is not aware of any connected relationship among other shareholders mentioned above or any parties acting in concert specified in Measures for the Administration of Acquisitions by Listed Companies.					
Shareholder holding preferred stocks with voting right restored and their shares	None					

Note: This list of top 10 shareholders in this reporting period was the same as that of top 10 circulation shareholders.

2.3 Change to Controlling Shareholder or Actual Controller

Applicable Not Applicable

III. Discussion and Analysis of Management

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.

3.1 Analysis of change in relevant items of financial statement

Unit: Million RMB

Items	Amount in the reporting period	Amount over the same period last year	Change ratio (%)
Operating revenue	77,993	80,771	-3.44

Operating cost	67,070	71,525	-6.23
Sales expense	1,016	971	4.63
Administrative expense	3,362	3,494	-3.78
Financial expense	1,157	444	160.37
Net cash flow from operating activities	8,277	9,407	-12.01
Net cash flow from investing activities	-27,125	-8,584	-215.99
Net cash flow from financing activities	22,386	3,170	606.09

- (1) 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) Reasons for changes in net cash flow from operating activities, net cash flow from investing activities and net cash flow from financing activities are detailed in the section of cash flow analysis in Semi-Annual Report.

3.2 Principal business by segments

Unit: Million RMB

Principal business by industry						
Industry	Operating revenue	Operating cost	Gross margin (%)	YoY change in revenue (%)	YoY change in cost (%)	YoY change in gross margin (%)
Steel manufacturing	48,451	39,897	17.7	-5.8	-11.6	Up 5.4 ppt.
Processing and distribution	66,885	64,489	3.6	-8.1	-8.6	Up 0.4 ppt.
Information technology	1,717	1,203	29.9	6.7	3.5	Up 2.2 ppt.
E-commerce	11,984	11,954	0.2	55.5	55.1	Up 0.2 ppt.
Chemical industry	3,568	3,335	6.5	-8.4	-8.6	Up 0.3 ppt.
Finance	247	123	50.2	-23.2	-18.3	Down 3.0 ppt.

Offset between segments	-54,679	-53,829	1.6	-3.7	-5.0	Up 1.4 ppt.
Total	78,172	67,173	14.1	-3.5	-6.3	Up 2.5 ppt.

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

3.3 Operating revenues and costs of principal iron and steel products

Unit: Million RMB

Products	Operating revenue	Operating cost	Gross margin (%)	YoY change in revenue (%)	YoY change in cost (%)	YoY change in gross margin (%)
Cold-rolled carbon steel sheets and coils	21,757	16,457	24.4	-3.6	-11.5	Up 6.7 ppt.
Hot-rolled carbon steel sheets and coils	12,134	9,747	19.7	-2.1	-5.3	Up 2.7 ppt.
Steel tubes and pipes	2,930	2,920	0.3	-22.2	-22.2	Down 0.038 ppt.
Other steel products	4,273	3,701	13.4	0.2	-10.0	Up 9.7 ppt.
Total	41,094	32,825	20.1	-4.4	-10.7	Up 5.6 ppt.

Note: Gross margin in iron and steel products has increased significantly compared to the same period last year, largely attributable to the Company's comprehensive implementation of cost-reduction scheme and continuous optimization of product structure.

IV. Relevant Matters Involving Financial Statements

- 4.1 Compared to the financial report of the previous year, there's been no change in accounting policy, accounting estimation and accounting methods of the Company during the reporting period.
- 4.2 The Company had no major accounting error correction during the reporting period.
- 4.3 The Company shall specify the change in consolidated scope of financial report compared to that in the previous year (if any).

For the scope of consolidated financial statements of this year, please refer to Note (VII) "Equity in other entities".

- 4.4 The Company's semi-annual financial report has not been audited.

Chairman: Chen Derong
Baoshan Iron & Steel Co., Ltd.
August 30, 2016