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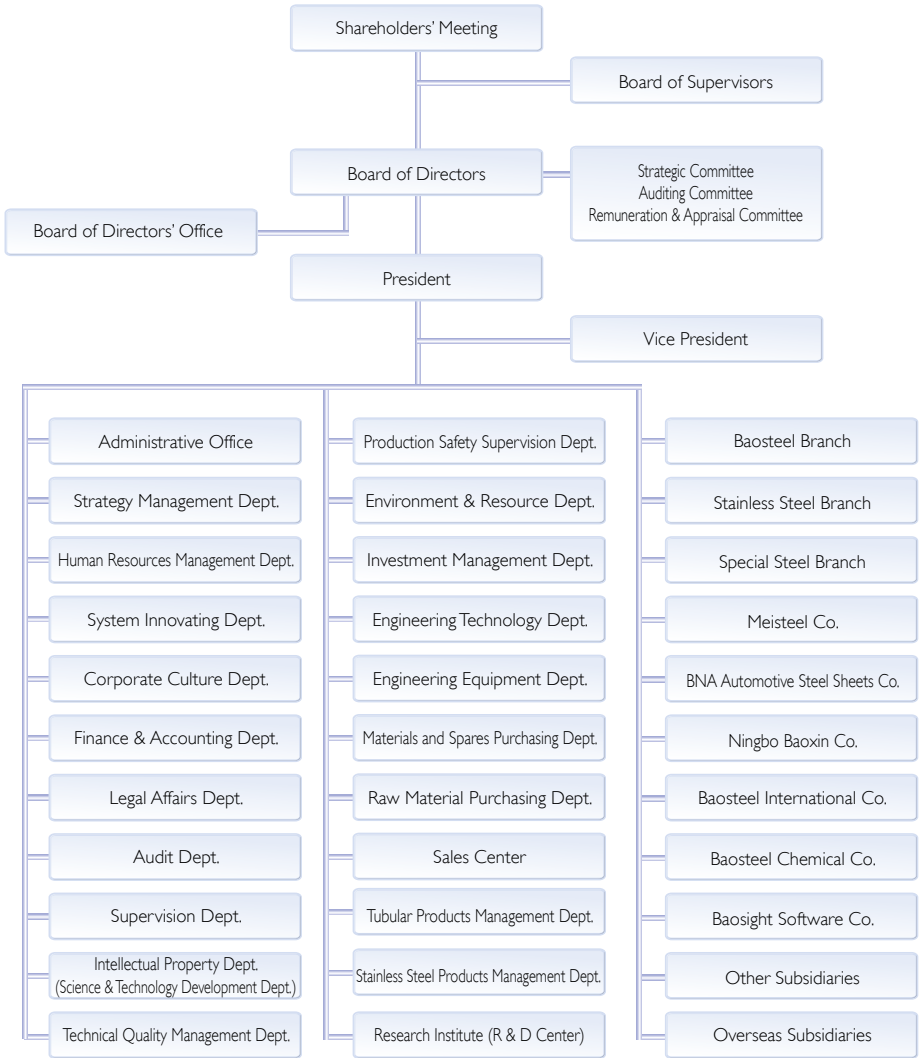
I. Overview

	Unit	2004	2005	2006	2007
Production					
Crude steel	Kiloton	11,867	18,361	21,741	23,776
Finished products and billets	Kiloton	11,644	17,948	21,352	23,008
Sales					
Finished products and billets	Kiloton	11,590	17,972	21,222	22,600
Employees					
Number	Person	15,391	38,875	38,720	40,059
Credit Rating					
Standard & Poor's		BBB+/ Stable	A-/Stable	A-/ Positive	

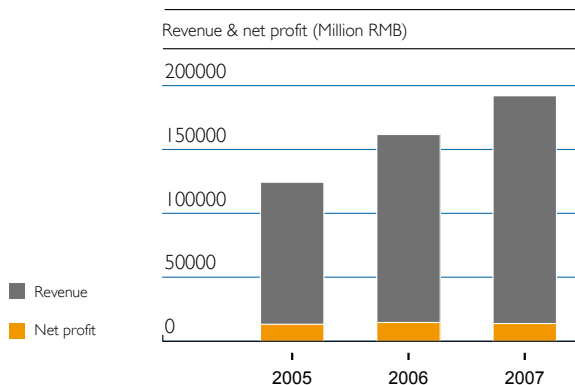
	Unit	2005	2006	2007	2007 (USD)
Income Statement					
Revenue	Million RMB/USD	124,192	162,326	191,559	26,224
Net profit	Million RMB/USD	12,691	13,601	13,423	1,838
Earnings per share	RMB/USD	0.73	0.75	0.73	0.10
Balance Sheet					
Total assets	Million RMB/USD	151,713	164,847	188,336	25,783
Total liabilities	Million RMB/USD	73,451	78,313	93,735	12,832
Shareholders' equity	Million RMB/USD	78,261	86,534	94,601	12,951
Stock Information					
Number of shares	Million	17,512	17,512	17,512	17,512
Capital stock	Million RMB/USD	17,512	17,512	17,512	2,397
Number of shareholders	Thousand	195	118	753	753
Year-end share price	RMB/USD	4.12	8.66	17.44	2.39

Note: The figures for sales of finished products and billets have been adjusted due to the change in scope of consolidation.

II. Organization Chart



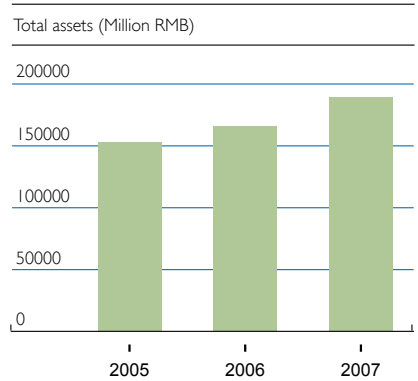
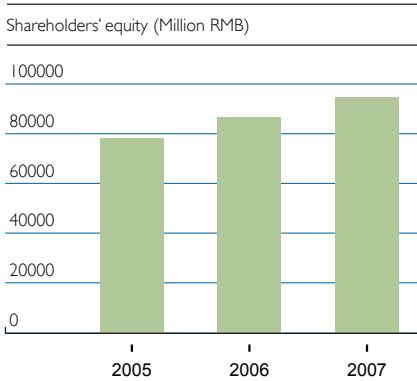
III. Financial Highlights *



Income Statement

Unit: Million RMB/USD

	2005	2006	2007	2007 (USD)
Revenue	124,192	162,326	191,559	26,224
Cost	105,431	143,657	173,608	23,767
Including: Sales tax and extra charges	712	696	1,252	171
Sales expenses	1,597	2,218	2,018	276
Administrative expenses	4,468	5,378	5,220	715
Financial expenses	851	1,018	955	131
Loss from asset devaluation	416	-545	810	111
Investment income etc.	-27	867	1,526	209
Operating profit	18,734	19,536	19,478	2,667
Non-operating income and expenses	-174	-332	-170	-23
Pre-tax profit	18,560	19,204	19,308	2,643
Income tax	5,869	5,604	5,885	806
Net profit	12,691	13,601	13,423	1,838
Net profit attributable to shareholders of the listed company	12,785	13,077	12,718	1,741



Balance Sheet

Unit: Million RMB/USD

	2005	2006	2007	2007 (USD)
Current assets	53,427	67,246	76,624	10,490
Fixed assets	73,874	76,541	81,552	11,164
Total assets	151,713	164,847	188,336	25,783
Current liabilities	53,994	66,832	75,885	10,389
Non-current liabilities	19,458	11,481	17,850	2,444
Total liabilities	73,451	78,313	93,735	12,832
Capital stock	17,512	17,512	17,512	2,397
Capital reserves	32,717	32,989	33,646	4,606
Surplus reserves	11,140	13,807	15,797	2,163
Retained earnings	12,216	17,021	21,621	2,960
Shareholders' equity	78,261	86,534	94,601	12,951
Shareholders' equity attributable to shareholders of the listed company	73,544	81,286	88,504	12,116

Note: Retroactive adjustment has been made to the financial data in accordance with the new Accounting Standards for Enterprises which was adopted by the Company since 1 January 2007.

Financial Indicators

	2005	2006	2007
Growth (%)			
Revenue	110.66	30.71	18.01
Net profit attributable to shareholders of the listed company	36.08	2.28	-2.75
Profitability (%)			
Return on total assets	18.18	13.02	12.00
Return on net assets (weighted)	20.80	17.13	15.22
Operating profit	15.08	12.04	10.17
EBITDA rate	24.18	20.11	17.70
Stability			
Equity/total assets (%)	48.48	49.31	46.99
Current assets/current liabilities (%)	98.95	100.62	100.97
Liabilities/net assets	1.00	0.96	1.06
EBITDA/ net interest expenses	30.31	24.26	18.86
Turnover			
Revenue/total assets	0.82	0.98	1.02
Revenue/equity	1.59	1.88	2.02
Revenue/fixed assets	1.68	2.12	2.35
Revenue/ inventory	5.01	5.20	4.90
Revenue/ receivables	26.82	29.25	30.35

IV. Long- and Medium-Term Operational Plans

Operational Environment

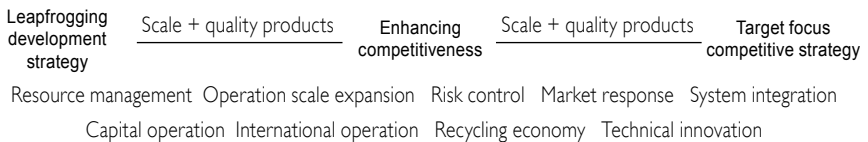
Macro-economy & Policies	<p>Under the guidance of the Government's Concept of Scientific Development, the country will continue its comprehensive, coordinative and sustainable development, promote the industry restructuring and readjustment which will mainly be led by large group enterprises, and to eliminate outdated capacity, strengthen independent innovation and promote recycling economy.</p> <p>Chinese economy is expected to maintain its steady growth of 10% in 2008 and the significant sectors of national economy will continue to enjoy a year of stable and stronger growth.</p>
Domestic Steel Industry	<p>The steel industry in the country is experiencing a transitional period from scale expansion to structural readjustment and from an extensive to an intensive economic operational pattern. Strategic consolidation, independent innovation and recycling economy gradually become the key driving forces for the sustainable development of steel industry.</p> <p>The slow progress in cross-regional consolidation and restructuring in steel industry is expected to improve in 2008. To better deal with the continuous cost rise in raw materials and fuels, further exploration and control over overseas resources will become an important strategic policy for major domestic steel makers.</p> <p>The problems of oversupply, especially in low-end products and low concentration rate are expected to improve in 2008 as more efforts are made in the implementation of new steel industry policy and macro-control policies, further enhancing the overall strength and international competitiveness of the whole industry.</p>
Global Steel Industry	<p>Global steel industry is enjoying a long-term prosperity and the sustained growth of world economy is the fundamental factor which results in rapid increase in the production and demand, while the direct force behind the growth comes from developing countries, especially the rise of the new market-economy countries and regions.</p> <p>In accordance with the shift of world economic focus, global steel production and consumption are moving towards developing countries, especially those emerging developing countries; China produced 489 million tons in 2007, accounting for 36.4% of the global steel output.</p> <p>The scale expansion and globalization of world steel industry featuring international strategic M&A has led to a new era in which giant steel makers dominate. With the progress of steel technology, competition in high-end product market becomes fiercer due to steel product mix upgrading.</p> <p>Control over upstream resources and vie for strategic customers have become an important strategy for steel makers to stand out in the competition, thus making the strategic supply chain a new focus of global steel industry.</p> <p>Sustainable development and continuous operation have become a common strategy for world steel makers, with worsening of world environment and increasing pressure from environmental protection.</p>

Corporate Vision

Core Values	With the principle of Trustworthiness, Cooperation and Innovation, aim for maximum enterprise value, and harmonious development of shareholders, customers, suppliers, employees and other stakeholders
Mission	To become a top steel manufacturer in the world and commit itself to offering premium products and services.
Strategic Target	To be the most competitive steel manufacturer in the world

Long- and Medium-term Strategy

To be the most competitive steel manufacturer in the world.



Developing into a quality steel production base

To develop strategic product series including automotive steel sheets, silicon steel, stainless steel and special alloy steel etc.

To optimize the production systems of the three varieties of premium products, namely, carbon steel, stainless steel and special steel

To further expand the 30 million tons production capacity to 50 million tons or more, maintain the leading position at home in terms of both production scale and quality

Sustained innovation and renovation

To develop a market-oriented competitive entity and achieve integrated operation of backbone steel industry and the coordinated development of related industries

To further improve the integrated system so as to strengthen the soft power of the Company

To strengthen independently developed technical innovations

To steadily carry out system innovation and 6σ lean operation and realize large-scale customization

To develop a most competitive strategic supply chain

To develop into a recycling steel enterprise

Capital operation

To acquire from the Group quality steel and related assets

To get actively involved in China's steel industry restructuring

To optimize shareholding structure

To become an internationally listed public company

V. Enterprise System Innovation

Promotion of Product Management System

The year of 2007 witnessed the introduction of product management system, with reference to experience of other successful enterprises at home and abroad, to better its performance in “cross-regional development with multiple bases and organizations”. The product management department is the medium of the production, sales and research regarding a particular product, the business unit of sales, techniques, and other activities of that product, as well as the responsibility bearer of the product competitiveness. The Company has finished the trial work of product management departments of steel tubes and stainless steel, which helped to form an initial matrix management structure between product management and functions as well as that between operating managements of the Company and its subsidiaries, with products as their threading line. As a result, the efficiency and adequacy of the management in the Company were greatly improved.

Promotion of Internal Integration

The internal integration program of the core steel business was further strengthened in 2007 to better benefit from the shared resources and techniques, to improve the overall management skills and management efficiency, and to seek greater economic return. The Company focused on promoting 43 integrated cooperation programs in seven major categories including integrated production, sales, and research, concentrated procurement, concentrated sales, technology popularization and transplanting, integrated management, management technology promotion, and informatization construction. At the same time, efforts were made to continue to improve the promoting and operating systems of the internal integration program and regulations for the work were drafted and revised. In 2007, the Company realized integration synergy of RMB 2.34 billion, completing 156% of the annual target.

Strategic Performance Management Model

In 2007, the Company promoted in full-scale the strategic performance management model and made the balanced scorecard further used in the work. As a result, the relationships between the Company's strategic plan, budget and assessment were straightened out and the performance management was linked to the annual budget and the strategic plan. The management conceptualization and operating procedure of “preparing the budget under the guidance of planning outline” and “drafting the performance management proposal on the basis of the budget” were thus established. The performance management dialogue and other models have also been designed to help the units to locate the weak links and problems in production and operation management and effective measures were taken, accordingly, to improve the performance.

Information System

Along with the promotion of internal integration and restructuring and optimizing of the business operations, the Company concentrated on the integration management system and its supporting facilities and, as a result, a major breakthrough has been achieved. The integrated sales management system and sales logistics management system were successfully networked on 20 November 2007 and integrated with the ERP systems of four overseas subsidiaries, ERP systems of eight local subsidiaries, and the MIS systems of eleven processing centers, realizing a cross-regional integrated operation network in marketing. The first phase of integrated financial management system was networked on 1 January 2008, providing a basis for integrating the multi-pattern accounting system. The procurement supply chain system has also been optimized, making it possible for an integrated procurement management for steel production units in Shanghai. The human resources management system, integrated office system, computerized resource platform for integrated operation management system, platform of supporting network, platform for internal data exchange and integration, and network supervising platform and its supporting facilities have been networked one after another.

Standard System Certifications

Ever since 2005 when Baosteel issued additional new shares, Baosteel Branch, Stainless Steel Branch, Special Steel Branch, Meishan Steel, Ningbo Baoxin Stainless Steel and other branches and subsidiaries worked out and implemented their own plans of certifications for their products in accordance with the Company's comprehensive program of "a unified plan with individual certifications". By the end of 2007, the production units of the Company have been acknowledged for meeting requirements of ISO9001, ISO14001, OHSAS18001 and ISO10012.

Products Certifications

The Company has been certified by the American Petroleum Institute (API) to use the API logo on its pipeline tube, tubing and casing tube, drill pipe and tool joint.

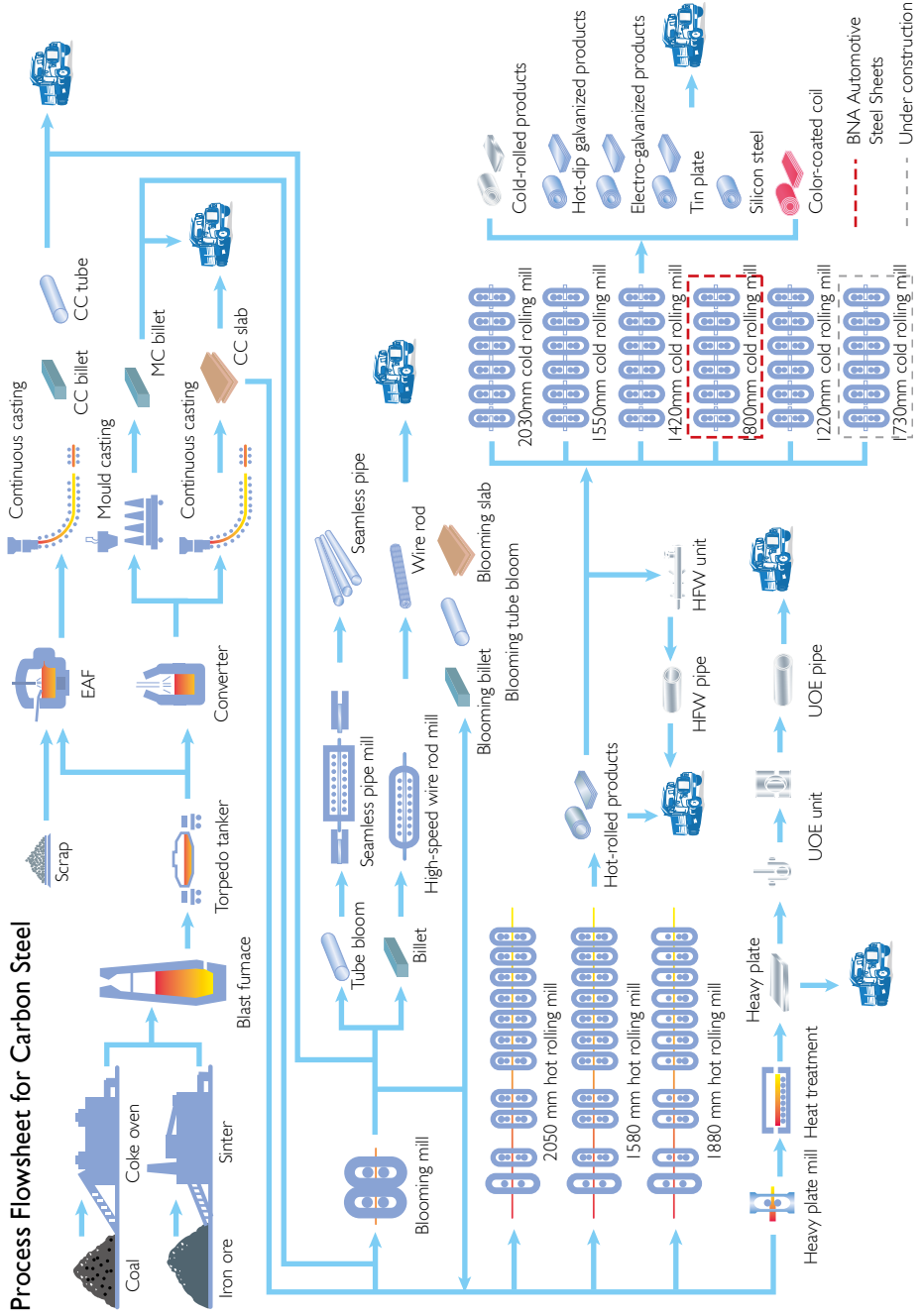
The boiler tube and structural tube of the Company have been issued by the German TUV of its CE certification (Pressure Equipment Directive 97/23/EC), AD2000-W0/TRD100 and U-mark certifications.

The construction-used heavy plate, commercial grade structural steel, cold-rolled carbon steel plate and strip has passed JIS G3136, JIS G3101 and JIS G3141 standard certifications of Japan Quality Assurance (JQA).

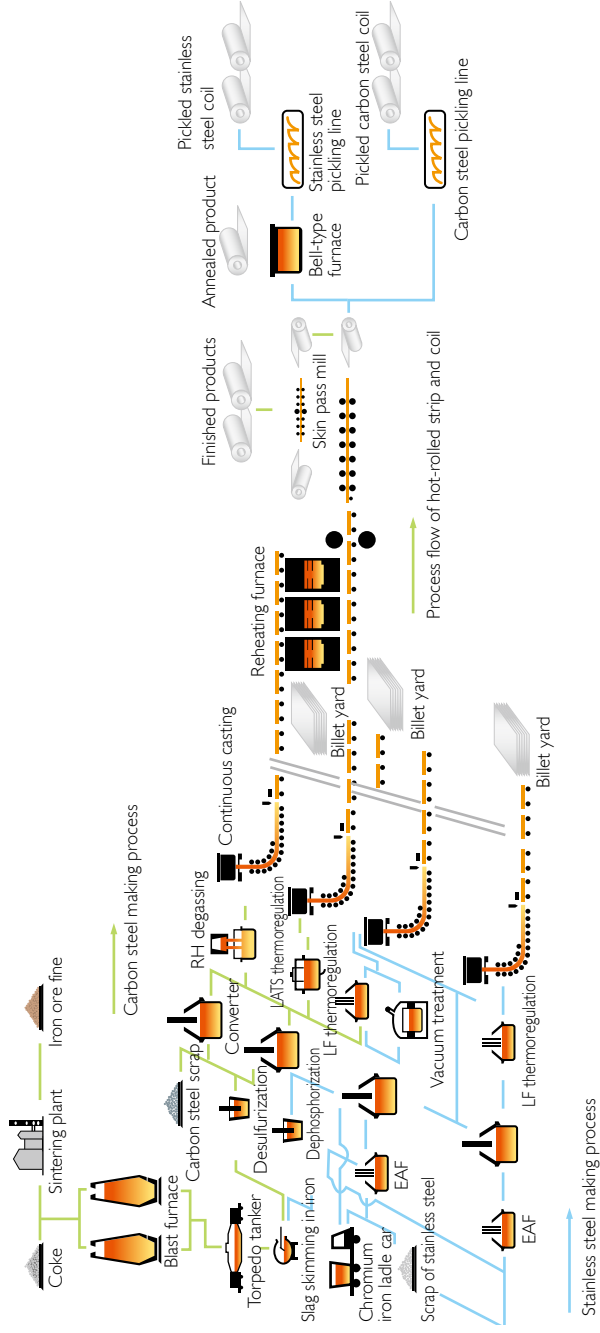
The marine steel tube of the Company was certified by six classification societies, hot-rolled ship-building plate by seven, and heavy ship-building plate by nine. The Company's Anchor chain steel bar was approved by American Bureau of Shipping (ABS), its pressure vessel plate for ship-building was certified by Lloyd's Register of Shipping (LR) and Det Norske Veritas (DNV), and its high strength pressure vessel steel plate by China Classification Society (CCS). In addition, Baosteel Branch has obtained quality assurance certifications from ABS, Bureau Veritas (BV), CCS, LR, Nippon Kaiji Kyokai (NK) and Korean Register (KR).

The Company's boiler and pressure vessel steel tube (tube bloom) and welded steel tube for petroleum and natural gas industries passed National Industrial Product Manufacturing License certification and its pressure pipe components were certified National Special Equipment Manufacturing License.

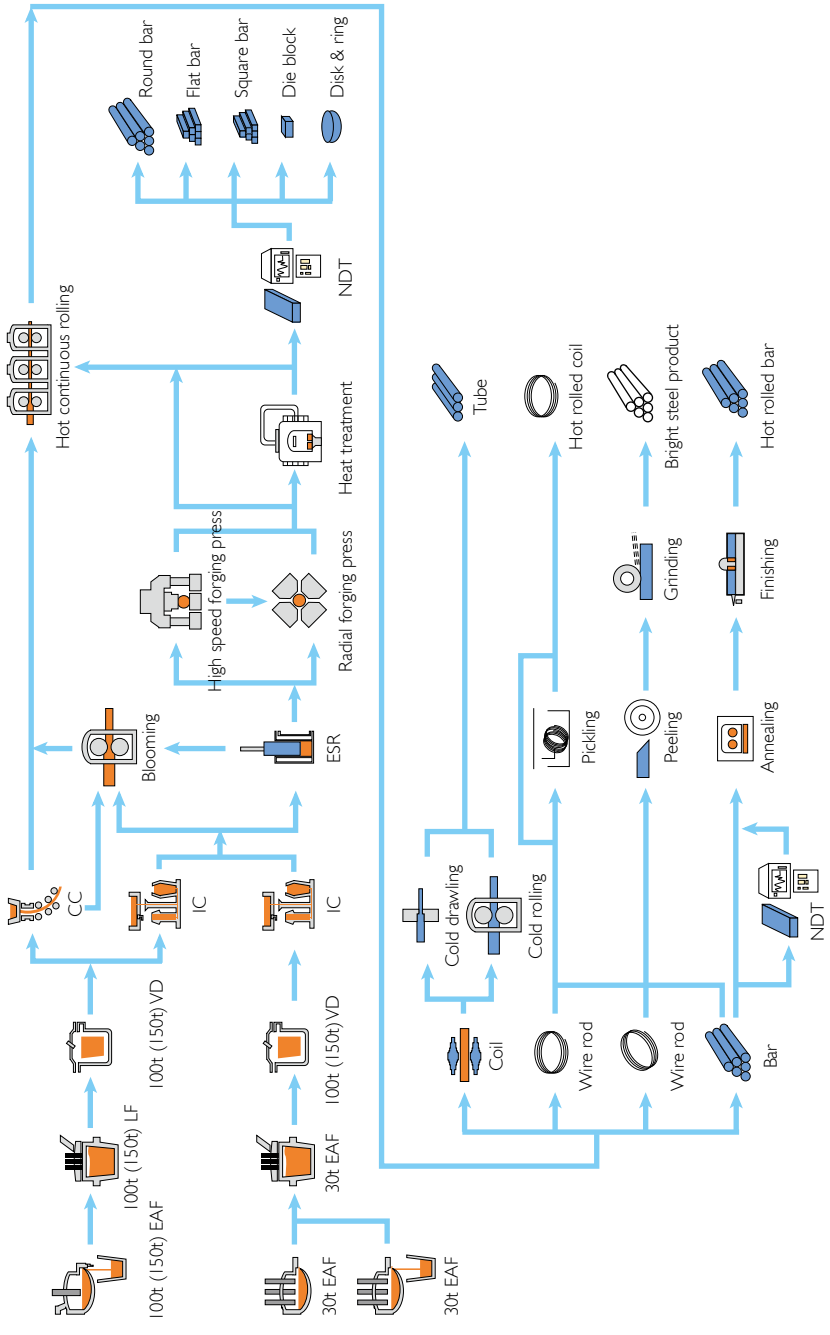
Main Process Flowsheets
Process Flowsheet for Carbon Steel



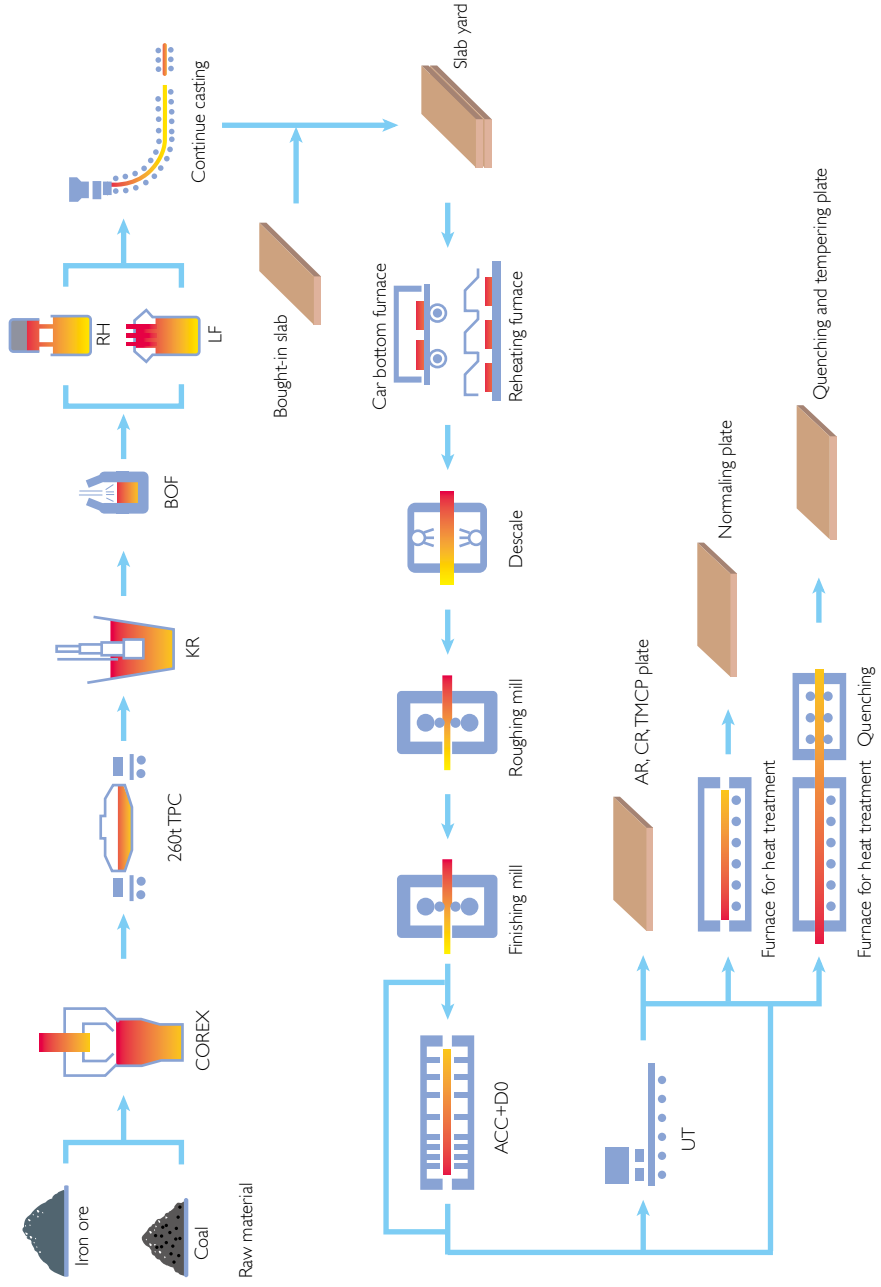
Process Flowsheet for Stainless Steel

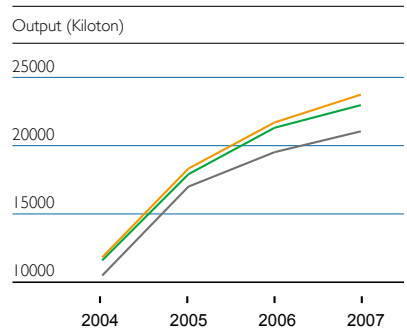


Process Flowsheet for Special Steel



Process Flowsheet for Medium and Heavy Plates in Luojing Project





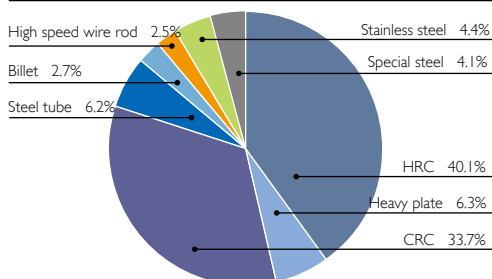
Output

Unit: kiloton

	2004	2005	2006	2007
Pig iron	10,532	17,041	19,565	21,089
Crude steel	11,867	18,361	21,741	23,776
Finished products and billets				
Carbon steel	11,644	16,910	19,372	21,068
HRC	2,696	4,986	6,333	8,460
Heavy plate	-	396	1,155	1,420
Pickled coil	844	746	735	739
CRC	3,210	3,701	3,948	3,832
Hot-dip galvanized	607	850	1,257	1,328
Electro-galvanized	493	501	492	470
Color-coated	495	670	671	608
Tin plate	537	608	597	576
Chrome-coated	-	-	-	10
Silicon steel	536	692	872	907
Steel tube	1,066	1,073	1,205	1,389
Billet	578	2,111	1,512	634
High speed wire rod	582	576	595	585
Rebar	-	-	-	112
Stainless steel	-	517	1,108	1,018
HRC	-	279	609	553
CRC	-	214	424	449
Special steel	-	520	872	922
Total	11,644	17,948	21,352	23,008

VII. Sales

Sales in 2007



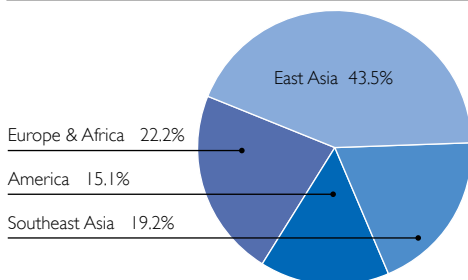
Unit: kiloton

	2004	2005	2006	2007
Carbon steel	11,590	17,051	19,393	20,935
HRC	2,741	5,979	7,071	9,170
Heavy plate	-	357	1,109	1,444
CRC	6,606	7,002	7,855	7,704
Steel tube	1,080	1,077	1,211	1,417
Billet	583	2,061	1,554	612
High speed wire rod	579	575	593	588
Stainless steel	-	596	1,151	1,011
HRC	-	217	647	559
CRC	-	379	429	436
Special steel	-	521	878	934
Total	11,590	18,168	21,422	22,880

Notes: 1. HRC includes pickled coil, CRC comprises full hard rolled coil, commercial grade CRC and further processing CRC products.

2. The 2005, 2006, and 2007 figures in the table include the 1.21 million, 1.79 million and 1.81 million tons of CRC products that BNA sold in the respective years, the 0.99million, 1.59million and 1.53 million tons of HRC products the Company sold to BNA in the three respective years are excluded.

Export breakdown by region in 2007



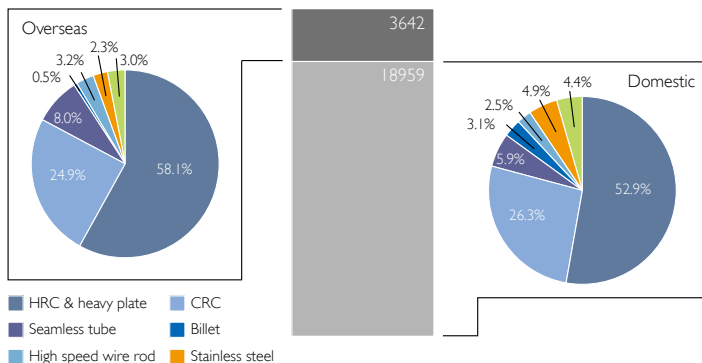
Market Share of Major Products

	2004	2005	2006	2007
Cold-rolled auto sheet	47%	52%	52%	50%
Home appliance sheet	35%	35%	37%	37%
Pipeline steel	27%	30%	29%	35%
Non-oriented silicon steel	14%	15%	18%	17%
High-pressure alloy boiler tube	22%	34%	19%	23%
Industrial-used plate (stainless)	-	10%	41%	27%
Special metallurgic products	-	-	14%	16%

Breakdown by Region

	2004	2005	2006	2007
Domestic	10,021	15,981	18,237	18,958
Overseas	1,568	1,991	2,985	3,642
East Asia	628	956	1,224	1,566
Southeast Asia	345	358	507	692
America	204	219	478	546
Europe & Africa	392	458	776	801
Total	11,590	17,972	21,222	22,600

Unit: kiloton



Domestic Sales Breakdown by Product

Unit: kiloton

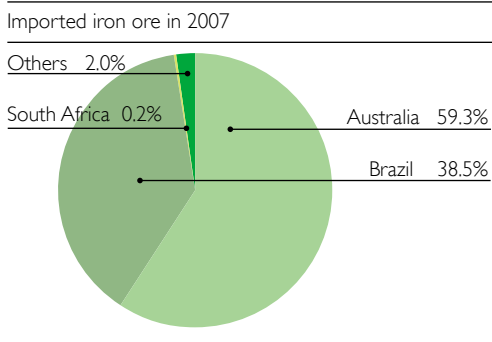
	2004	2005	2006	2007
Carbon steel	10,022	14,885	16,393	17,209
HRC & heavy plate	2,032	6,473	8,370	10,029
CRC	6,017	5,069	5,031	4,988
Steel tube	936	957	996	1,127
Billet	536	1,921	1,534	595
High-speed wire rod	499	465	462	470
Stainless steel	-	606	1,077	926
Special steel	-	491	767	824
Total	10,022	15,981	18,237	18,959

Overseas Sales Breakdown by Product

Unit: kiloton

	2004	2005	2006	2007
Carbon steel	1,568	1,946	2,800	3,446
HRC & heavy plate	709	853	1,400	2,115
CRC	589	723	1,034	906
Steel tube	144	120	215	290
Billet	47	140	20	17
High-speed wire rod	80	110	131	118
Stainless steel	-	15	74	85
Special steel	-	30	111	110
Total	1,568	1,991	2,985	3,642

VIII. Raw Material Procurement



Unit: Kiloton

	2004	2005	2006	2007
Imported raw materials				
Iron ore	18,270	30,230	30,605	32,732
Coal	1,130	1,050	570	792
Carbon steel scrap (including pig iron)	190	110	38	-
Stainless steel scrap	-	-	104	119
Nickel	-	26	38	21

Raw materials purchased at home

Iron ore	310	500	462	345
Coal	11,190	14,670	16,196	16,303
Carbon steel scrap (including pig iron)	1,490	2,770	2,948	3,582
Stainless steel scrap	-	24	200	135
Nickel	-	13	36	30
Limestone	2,330	5,900	4,040	4,275
Ferroalloy	110	150	315	366

Unit: Kiloton

	2004	2005	2006	2007
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Imported raw materials

Iron ore

Australia	11,810	17,780	19,863	19,408
Brazil	5,180	11,770	10,384	12,606
India	450	210	132	-
South Africa	60	400	226	69
Others	770	70	-	648
Total	18,270	30,230	30,605	32,732

Coal

Australia	370	580	270	521
New Zealand	120	170	113	60
Vietnam	200	90	33	-
Canada	350	210	137	211
Others	90	-	17	-
Total	1,130	1,050	570	792

Note: The above table does not contain the raw materials purchasing volume of Nantong Steel from January to September 2007, whose 92.5% of the equity was acquired by the Company on 1 October 2007.

IX. Investments

Unit: Million RMB/USD

Project	2004	2005	2006	2007	2007 (USD)
Baoshan Iron & Steel Co., Ltd.	15,794	13,889	18,241	22,536	3,085
Including: Carbon steel	9,508	9,971	15,588	17,868	2,446
Infrastructure	7,069	7,257	13,700	15,332	2,099
Technical revamping	2,438	2,714	1,888	2,306	316
Stainless Steel	4,905	2,725	1,001	1,699	233
Infrastructure	4,806	2,615	870	1,311	179
Technical revamping	100	110	131	370	51
Special Steel	1,079	683	1,043	1,511	207
Infrastructure	486	284	812	1,250	171
Technical revamping	593	399	231	251	34
Other businesses	303	510	452	1,458	200
Infrastructure	-	419	265	1,213	166
Technical revamping	303	90	187	186	25

X. Research and Development

R&D Investment

	Unit	2004	2005	2006	2007
R&D investment	Million RMB	579.6	867.9	1,385.3	2007.6
R&D expenditure/revenue	%	1	0.81	0.9	1.05

R&D Organization and R&D Personnel

R& D Center: 1311

Including: Research Staff 820; Technical Staff 410; Administrative Staff 83

Intellectual Property Rights at Home

Invention patents	Practical new-pattern patents	Software copyright
59	365	36

Scientific and Technological Achievements

Year	Total	Major Achievements
2004	99	Toughening and controlling of ultra-fine grain structure of ferrite/pearlite plain low carbon steel
		Research on the formation and prevention of defects on continuous casting slab
2005	103	Variety development and technology research of wire for steel cord of tyre
		Research of variety, production and application of Baosteel high-grade automotive sheet
		Baosteel agile manufacturing system by customer driving
2006	126	Optimization of pass and groove series of stretch reducer
		New techniques of metal inspection and automatic iron picking
		Research on the Baosteel BRP Techniques
2007	134	Developing and integrating of automatic system for modern stainless steel enterprises
		A new safe and environment-friendly technique for steel slag granulation
		A new technique for production process of hot-dip galvanizing unit
		Theory and practice on prolonging the life of Baosteel No.2 Furnace

XI. Human Resources Management

Employees

	Unit	2004	2005	2006	2007
Number of employees at year-end	Person	15,391	38,875	38,720	40,059
Steel industry	Person	15,391	32,207	32,351	33,450
Production staff	Person	10,876	21,990	21,878	22,207
Technical staff	Person	3,292	7,381	7,482	8,066
Administrative Staff	Person	1,223	2,836	2,991	3,177
Other industries	Person	-	6,668	6,369	6,609
Baosteel (excluding subsidiaries)	Person	15,391	27,168	27,024	25,464
Sales revenue per capita	Million RMB	3.7	4.1	4.1	4.9
Output per capita	Ton	773	772	674	723

Note: Output per capita = crude steel output/[(employees of steel industry at beginning of the year + employees of steel industry at year-end)/2]

XII. Environmental Protection and Energy Saving

Aiming at “a world-class green steel manufacturing enterprise” and focusing on reducing pollution discharges, in 2007 the Company promoted up-to-date management skills and techniques in an active manner; strengthened the operation system for environmental protection, and improved its assessment system for environmental performance and incentive assessing method. As a result, great progress was made in reducing wastes and emissions, and the indexes in the annual plan for environmental protection were fully realized.

As the projects of recycling of waste water and flue gas desulfurization progressed, the expected reductions of SO₂ and COD emissions, two major pollutants controlled by the Country, met the national standards. The new centralized treatment and recycling project of Special Steel Branch and the Xipaikou treatment and recycling project of Meishan Steel contributed greatly to the reduction of the COD emission. As the new coke plant waste water treatment project of Meishan Chemical and waste water recycling system of Stainless Steel Branch to be put into operation in 2008, the COD emission is expected to be reduced greatly. While the flue gas desulfurization project for No.2 Generator Set in Baosteel Branch has started to work, a similar project for its No.1 Generator Set has already been constructed. The flue gas desulfurization projects for No.3 Sinter in Meishan Steel, No.1 Sinter in Stainless Steel and No.3 Sinter in Baosteel Branch started in 2007 and are expected to be finished in 2008.

The first-phase project of the Automatic Monitoring System for Environment Pollution is basically finished, making it possible for online monitoring, on the internal network of the Company, of the emissions of waste gases and water in Baosteel Branch, Stainless Steel Branch and Special Steel Branch, environment pollution, and some of the environment management information of the Company.

All the Baosteel steel-making branches and subsidiaries have also established their own environmental pollutant controlling systems and they have been approved one after another to meet the standards of the ISO14001 in the external auditing. In 2007, all the branches and subsidiaries followed these standards to implement certification auditing.

On 14 May 2007, the Company donated RMB 50 million to China Environmental Protection Foundation, which is used to commend outstanding figures and organizations in the area of environmental protection in the country. The donating ceremony was held in the People's Hall and the first “China Baosteel Environment Prize” was granted in the same place on 2 July 2007.

Main Technical and Economic Indexes for Environmental Protection

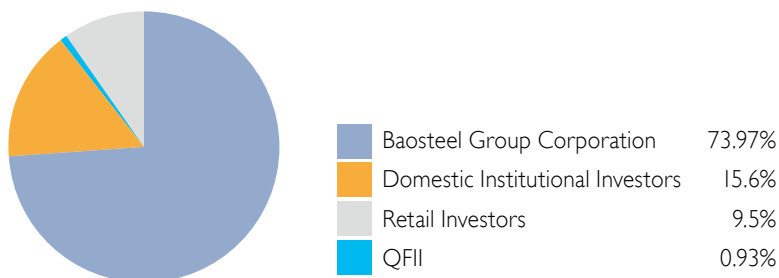
Index	Unit	2004	2005	2006	2007
Overall energy consumption per ton of steel	Kgce/t-s	675.0	749.4	734.1	718.57
Fresh water consumption per ton of steel	M ³	4.08	7.12	6.0	5.08
Dust emission per ton of steel	Kg/t-s	0.86	1.14	0.90	0.75
SO ₂ emission per ton of steel	Kg/t-s	2.09	2.37	1.99	1.58
Waste water emission per ton of steel	t/t-s	1.08	3.65	2.79	1.56
COD emission per ton of steel	Kg/t-s	0.04	0.25	0.15	0.078
Overall utilization ratio of solid wastes	%	98.31	98.11	98.32	98.48

XIII. Shareholders and Shareholdings

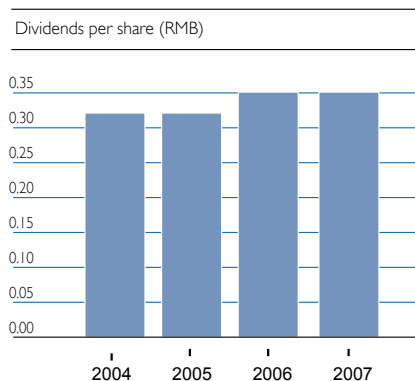
As at 31 December 2007, Baosteel's shareholders totaled 753,074, and the top 10 shareholders and their shareholdings are as follows:

No.	Name of shareholder	Year-end shareholdings (Unit: share)	Percentage (%)
1	Baosteel Group Corporation	12,953,517,441	73.97
2	E-Fund 50 Index Investment Fund	103,999,907	0.59
3	Chinalife Insurance Company Ltd.	88,505,000	0.51
4	Chinalife Insurance (Group) Company Ltd.	82,174,213	0.47
5	Invesco Great Wall Blue Chip Investment Fund	74,119,068	0.42
6	E-Fund Stable Growth Fund	71,499,886	0.41
7	Harvest Stable Open Stock Fund	70,826,003	0.40
8	China Post & Capital Stock Fund of Central and Growth Investment	67,870,789	0.39
9	Industrial Trend Mixed Stock Investment Fund	66,200,000	0.38
10	BOC International Investment Stock Fund of Stable Growth	65,615,754	0.37

Shareholding Structure Diagram



XIV. Dividends



	Unit	2004	2005	2006	2007	2007 (USD)
Net profit*	Million RMB/USD	9,507	13,048	13,408	9,948	1,362
Dividend per share	RMB/USD	0.32	0.32	0.35	0.35	0.05
Dividend/net profit	%	59	43	46	62	62
Dividend yield*	%	5.33	7.77	4.04	2.01	2.01

Notes: 1. Non-consolidated

2. Dividend yield = Dividend per share/year-end stock price.

* The 2004 Annual General Shareholders' Meeting approved the Proposal on Cash Dividends Policy of Baoshan Iron & Steel Co., Ltd that yearly distribution of cash dividend shall be no less than 40% of the net profit of the year.

XV. Credit Rating

Region	Organization	Rating	Date
International	Standard & Poor's Ratings Services	BBB+/Stable	December 2004
	Standard & Poor's Ratings Services	BBB+/Stable	December 2005
	Standard & Poor's Ratings Services	A-/Stable	December 2006
	Standard & Poor's Ratings Services	A-/Positive	October 2007

XVI: Corporate Milestones

December 1977	Baosteel project headquarters was set up; Shanghai Baoshan Iron & Steel General Plant was founded.
December 1978	The construction commencement ceremony for Baosteel project was held.
September 1985	No.1 Blast Furnace was ignited.
June 1991	No.2 Blast Furnace was ignited.
July 1993	Renamed "Baoshan Iron & Steel (Group) Corporation"
September 1994	No.3 Blast Furnace was ignited.
November 1998	Baoshan Iron & Steel (Group) Corporation merged with the former Shanghai Metallurgical Holding Group Corporation and the former Shanghai Meishan Group Co., Ltd. to set up Shanghai Baosteel Group Corporation.
February 2000	Baoshan Iron & Steel Co., Ltd. was established.
November 2000	RMB 1.877 billion common shares were issued.
December 2000	Listed at Shanghai Stock Exchange (Code: 600019)
June 2001	Purchased the third-phase project assets of Shanghai Baosteel Group Corporation; capacity reached 11 million tons.
December 2002	The opening ceremonies for Wide and Heavy Plate Mill Project and 1800 Cold Rolling Strip Steel Project were held.
April 2004	Baosteel-NSC Arcelor Automotive Steel Sheets Co., Ltd. was established.
April 2005	Baosteel's projects on the list of its Tenth Five-Year Plan were put into operation. Issued 5 billion new shares and acquired from Shanghai Baosteel Group Corporation part of its assets and successfully integrated its steel industry.
August 2005	Baosteel's SGM approved the proposal for non-tradable shares reform and the reform had been completed.
December 2006	No.2 furnace was ignited after the on-the-spot overhaul.
December 2007	Baosteel's SGM approved the proposal on acquisition of Luoqing Project and its related assets and issuing 10 billion convertible bonds.

XVII. Corporate Culture

Focusing on the corporate culture, which rests on "strict standards, learning and innovation, and striving to be the best" and "trustworthiness and coordination", the Company managed in 2007 to promote integrated coordination effect, providing cultural support for the production, operation, management and development, in accordance with the working guidance and basic procedure of "internalizing in nature, solidifying in system, externalizing in form and realizing in action". The Company also promoted the integration in public relations, further improved its management in brand promotion, public relations and publicity, and established the updated network that linked the Company and the public, thus enhancing the influence of its brand and its popularity as part of the soft power of the Company and providing support to the strategic development in terms of public opinion and social identification.

XVIII. Corporate Citizenship

Donations

Baosteel holds the belief that an enterprise should always have a strong sense of social responsibility in the cause to build up a harmonious society. The Company remained committed to their social responsibilities while striving for rapid growth and huge economic benefits. In 2007, the total donation amounted to RMB 59.69 million, including RMB 50 million of China Baosteel Environment Fund, RMB 8.15 million of poverty relieving fund, RMB1.13 million of donation funds and RMB 0.41 million of grants in aid.

Honors and Awards

February	<p>Awarded "Enterprise of Trustworthiness in China" by China Enterprise Confederation and China Entrepreneurs Association.</p> <p>"A New technique of metal inspection and automatic iron picking" by Han Mingming, a Baosteel technical expert, was awarded the second prize of National Science & Technology Progress Award at the Annual National Conference of Science and Technology of China in 2006. Han Mingming was among the two workers cited at the conference.</p>
March	<p>Baosteel Branch was selected by Ecological Society of China as one of the "Model Base of Ecological Enterprise".</p>
April	<p>Selected as one of the "Model Units of Quality Culture" at the first Quality Culture Forum sponsored by China Association for Quality.</p>
August	<p>Acknowledged as one of "Best Large Companies", "Best Executives", "Best Communicators" and "Best Disclosures" for the year 2006 at the third Conference of Investor Relations sponsored by China Securities News and College of Engineering Management, Nanjing University and ranked among the "Top 100 in Investor Relations Management, 2006".</p> <p>Baosteel Branch and Huangshi Co. were chosen as the "Harmonious Enterprises of China" in the selection of enterprises with best labor relations and harmonious industrial parks by the Ministry of Labor and Social Security, All China Federation of Trade Union, China Enterprise Confederation and China Entrepreneurs Association.</p>
September	<p>"Baosteel" seamless steel tube for boilers and quality hot-rolled carbon wire rod were found among China Top Brands.</p>
October	<p>"Establishing the Best Baosteel Equipment Management Model: Foreknowledge Maintenance-dominated Equipment Management Innovation and Practice" was awarded first prize by China Iron and Steel Association and second prize in the selection of "National Achievements in Management Innovation".</p>
December	<p>Awarded as one of the "National Enterprises for Customers' Satisfaction in 2007" at the 2007 National Working Conference of Customers and Promotion Conference of Customers' Satisfaction Project.</p> <p>Awarded "National Enterprise in 6 Sigma Promotion", the fourth year in a run for the Company to win the title.</p> <p>Baosteel's Stainless Steel Project was awarded Gold Medal of National Quality Project by the Assessing Committee of China Project Quality Award.</p> <p>Baosteel Special Steel Branch was cited by the government for its contribution to the first "Lunar Orbiter Project" and was honored to receive the commemorative board of "First Image of Lunar Surface Obtained by China's Lunar Orbiter Project".</p>

XIX: Directors, Supervisors and Senior Management

Board of Directors

Position	Name	Position in BOD's Special Committees
Chairman	Xu Lejiang	Chairman of Strategic Committee
Vice Chairman	Ouyang Yingpeng	Member of Strategic Committee
Director; President	Fu Zhongzhe	Member of Strategic Committee
Director; Vice President	Li Haiping	Member of Strategic Committee
Director	He Wenbo	Member of Auditing Committee
	Wu Yaowen	Member of Strategic Committee
		Member of Remuneration and Appraisal Committee
Independent Director	Laura Cha	Chairwoman of Remuneration and Appraisal Committee
	Buck Pei	Chairman of Auditing Committee
	Katherine Tsang	Member of Remuneration and Appraisal Committee
	Sun Haiming	Member of Auditing Committee
	Edward C. Tse	Member of Strategic Committee
Member of Remuneration and Appraisal Committee		

Board of Supervisors

Chairwoman	Li Li
Supervisor	Zhou Zhuping
	Zhou Guiquan
Employee supervisor	Liu An
	Han Guojun

Other Senior Management

President	Fu Zhongzhe
	Li Haiping
Vice President	Zhao Zhouli
	Cui Jian
	Zhu Junsheng
Financial Controller	Chen Ying
Secretary to the BOD	Chen Shouqun
	Li Yongxiang
Assistant to President	Xie Wei
	Lou Dingbo
	Wang Li

XX: Subsidiaries

Domestic Subsidiaries

Shanghai Meishan Iron & Steel Co., Ltd.

Incorporation date: 26 June 2001
Principal operation: smelting, mangling, processing and sales of ferrous metals
Shareholding percentage: 74.01%
Registered capital: RMB6.26 billion
Capacity: 2.85 million tons
Sales volume in 2007: 3.28 million tons
Staff: 4818

Yantai Lubao Steel Tube Co., Ltd.

Incorporation date: 3 June 1992
Principal operation: production and sales of seamless steel tubes
Shareholding percentage: 79.82%
Registered capital: RMB 0.1 billion
Capacity: 0.3 million tons
Sales volume in 2007: 0.31 million tons
Staff: 402

Baosteel Huangshi Coated Sheet Co., Ltd.

Incorporation date: 11 December 1992
Principal operation: production and sales of cold rolled coils, aluminum galvanized steel sheets, color-coated steel sheets and related galvanized steel products
Shareholding percentage: 39.37%
Registered capital: USD 8 million
Capacity: 0.15 million tons
Sales volume in 2007: 0.15 million tons
Staff: 255

Ningbo Baoxin Stainless Steel Co., Ltd.

Incorporation date: 25 March 1996
Principal operation: production and processing of stainless plates and related technical consultation and services
Shareholding percentage: 54%
Registered capital: RMB 2.85 billion
Capacity: 0.6 million tons
Sales volume in 2007: 0.43 million tons
Staff: 930

Baosteel Nantong Iron & Steel Co., Ltd.

Incorporation date: 28 December 1994
Principal operation: production and sales of wire rod, round steel, section steel, semi-finished steel products, and other steel wares.
Shareholding percentage: 92.5%
Registered capital: RMB 0.346 billion
Capacity: 1 million tons
Sales volume in 2007: 0.925 million tons
Staff: 808

BNA Automotive Steel Sheet Co., Ltd.

Incorporation date: 30 July 2004
Principal operation: production and sales of cold-rolled coils, hot dip galvanized sheets and zinc electro-galvanized sheets used on autos and auto parts and related businesses
Shareholding percentage: 50%
Registered capital: RMB 3 billion
Capacity: 1.7 million tons
Sales volume in 2007: 1.82 million tons
Staff: 622

Shanghai Baosteel International Economic & Trading Co., Ltd.

Incorporation date: 13 June 1985
Principal operation: directly engaged in and act as agency in the exportation of commodities and technologies that have obtained state approval and the importation of steel materials and scraps and also in raw material processing and compensation trades (processing raw material on clients' demands or with given samples and assembling parts for clients)
Shareholding percentage: 100%
Registered capital: RMB 2.25 billion
Staff: 3,066

Shanghai Baosight Software Co., Ltd.

Incorporation date: 14 June 2001
Principal operation: research, designing, development, manufacturing and integration of computer software and hardware, automation as well as network communication products
Shareholding percentage: 55.5%
Registered capital: RMB 0.26 billion
Staff: 1,881

Baosteel Group Finance Co., Ltd.

Incorporation date: October 1992
Principal operation: deposit and loan services for member companies and internal settling services
Shareholding percentage: 62.10%
Registered capital: RMB 0.5 billion
Staff: 44

Overseas Subsidiaries

Name	Incorporation date	Capital stock (RMB million)	Shareholding percentage	Principal operation
Baosteel America Inc.	1996	8	100%	Trading businesses and agency
HOWA Trading Co., Ltd.	1993	68	100%	Trading businesses and agency
Baosteel Singapore Pte Ltd.	1997	8	100%	Trading businesses and agency
Bao-Trans Enterprise Ltd.	1992	1	100%	Marine cargo transportation
Baosteel Trading Europe GMBH	1993	20	100%	Import and export business
Baosteel Do Brasil LTDA.	1995	5	100%	Wholesale business
Bao-Island Enterprise Ltd.	1992	4	50%	Marine cargo transportation

Domestic Dealers

Shanghai Baosteel Steel Trading Co., Ltd.

Address: 12/F, No. 370, Pudian Rd., Pudong District, Shanghai
Zip Code: 200120
Tel: 021-50509696
Fax: 021-68404618

Guangzhou Baosteel Southern Trading Co., Ltd.

Address: 8/F, China Everbright Bank Tower, No. 689, North Tianhe Rd., Guangzhou, Guangdong
Zip Code: 510630
Tel: 020-38730020
Fax: 020-38730037

Tianjin Baosteel Northern Trading Co., Ltd.

Address: CBD Business District, Processing Area of Logistics, Air Harbour, Tianjin
Zip Code: 300308
Tel: 022-84905800
Fax: 022-84905789

Chengdu Baosteel Western Trading Co., Ltd.

Address: 5/F, Building No.4, Garden of High-tech Incubation, South Expansion of Tianfu Rd., Chengdu, Sichuan
Zip Code: 610041
Tel: 028-85335388
Fax: 028-85335696

Wuhan Baosteel Central-China Trading Co., Ltd.

Address: No. 1888, Meizi Rd., Economic and Technical Development Area, Wuhan, Hubei
Zip Code: 430056
Tel: 027-84298800
Fax: 027-84298224

Shanghai Baosteel Commerce & Trading Co., Ltd.

Address: 7/F, Anderson Plaza, No. 1211 Mudanjiang Rd., Baoshan District, Shanghai
Zip Code: 201900
Tel: 021-56121212
Fax: 021-56126584

Shanghai Baosteel Pudong International Trading Co., Ltd.

Address: 6&7/Fs, No.1943, Baoyang Rd., Baoshan District, Shanghai
Zip Code: 201900
Tel: 021-36014655
Fax: 021-51266533

Shanghai Baosteel Baoshan Steel Trading Co., Ltd.

Address: 8&9/Fs, No.1943, Baoyang Rd., Baoshan District, Shanghai
Zip Code: 201900
Tel: 021-36014688
Fax: 021-51266500



Overseas Subsidiaries

Howa Trading Co., Ltd.

Address: Howa Building, 15 Banchi, Ichiban-Cho,
Chiyoda-Ku, Tokyo 102-0082, Japan
Tel: 81-3-3237 9121
Fax: 81-3-3237 9203

Bao-Trans Enterprise Ltd.

Address: 29/F, Office Tower, Convention Plaza, 1
Harbour Road, Wanchai, Hong Kong
Tel: 852-2528 5766
Fax: 852-2529 5117

Bao-Island Enterprise Ltd.

Address: 29/F, Harbour Centre, 25 Harbour Road,
Wanchai, Hong Kong
Tel: 852-2833 3223
Fax: 852-2827 0001

Baosteel Singapore Pte Ltd.

Address: 7 Temasek Boulevard, Suntec Tower One,
#40-02/03, Singapore 038987
Tel: 65-6333 6818
Fax: 65-6333 6819

Baosteel America Inc.

Address: Continental Plaza 1, 1/F 401 Hackensack Ave.,
Hackensack, NJ 07601, USA
Tel: 1-201-457 1144
Fax: 1-201-457 0909

Baovale Mineracao S.A.

Address: Rua Lauro Muller 116, Sala 3103 CEP 22299-900,
Rio De Janeiro RJ Brasil
Tel: 55-21-2531 1363
Fax: 55-21-2531 0298

Baosteel Do Brasil LTDA

Address: Rua Lauro Muller 116, Sala 3103 CEP 22299-900,
Rio De Janeiro RJ Brasil
Tel: 55-21-2531 1363
Fax: 55-21-2531 0298

Baosteel Trading Europe GMBH

Address: 1 Nonnenstieg Avenue, Hamburg, Germany
Tel: 49-40-4199 4101
Fax: 49-40-4199 4120

Appendix I: China Economic Indicators

Domestic Economic Indicators

	Unit	2004	2005	2006	2007
GDP	Trillion RMB	15.99	18.39	21.19	24.95
GDP growth rate	%	10.1	10.4	11.6	11.9
Export	USD 100 million	5,933	7,620	9,691	12,180
Import	USD 100 million	5,612	6,600	7,916	9,558
Unemployment rate	%	4.2	4.2	4.1	4.0
Consumer price index	100 for previous year	103.9	101.8	101.5	104.8
Investment in fixed assets	Trillion RMB	7.05	8.88	10.99	13.72
	%	26.6	26.0	24.0	24.8

Steel Production

	Unit	2004	2005	2006	2007
Pig iron	Million ton	252	330	404	469
Crude steel	Million ton	273	349	419	489
Steel product	Million ton	297	371	467	565
Long product	Million ton	130	156	192	227
Flat product	Million ton	105	143	195	241
Tubular product	Million ton	22	26	35	42
Section steel	Million ton	32	37	36	45
Others	Million ton	8	8	9	10

Apparent Steel Consumption

	Unit	2004	2005	2006	2007
Crude steel	Million ton	271	347	384	434
Consumption per capita	Kilogram	229	266	295	332
Steel product	Million ton	312	376	443	519
Long product	Million ton	127	151	182	211
Flat product	Million ton	124	157	190	226
Tubular product	Million ton	21	24	30	34
Section steel	Million ton	32	37	34	39
Others	Million ton	7	7	7	8

Steel Export & Import

	Unit	2004	2005	2006	2007
Export	Million ton	14.23	20.52	43.01	62.65
Long product	Million ton	4.47	6.09	11.07	16.25
Flat product	Million ton	5.78	8.45	20.37	28.32
Tubular product	Million ton	2.08	3.51	6.41	9.34
Section steel	Million ton	0.60	0.95	2.92	5.91
Others	Million ton	1.30	1.52	2.24	2.83
Import	Million ton	29.30	25.82	18.51	16.87
Long product	Million ton	1.38	1.09	1.12	1.06
Flat product	Million ton	25.10	22.43	15.53	14.29
Tubular product	Million ton	1.32	1.09	0.97	0.77
Section steel	Million ton	0.98	0.79	0.50	0.42
Others	Million ton	0.52	0.42	0.39	0.33

Global Steel Production

	Unit	2004	2005	2006	2007
North America	Million ton	133	126	131	132
USA	Million ton	99	93	98	97
EU (27 countries)	Million ton	194	187	207	210
Asia	Million ton	485	574	658	734
Japan	Million ton	113	112	116	120
Korea	Million ton	48	48	48	51
Russia	Million ton	66	66	71	72
Total	Million ton	1,057	1,117	1,230	1,322

Sources: National Bureau of Statistics and China Iron and Steel Association

Appendix : IR Information

About Baosteel's Shares

The total number of shares as at 31 December 2007 was 17.512 billion. Baosteel is listed at Shanghai Stock Exchange with the stock code 600019.

Contact Us

Board of Directors' Office

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BAOSTEEL

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