

Baoshan Iron & Steel Co., Ltd.

600019

2013 Semi-annual Report

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Definitions

Abbreviation	Definitions
Carbon steel	Refers to an alloy of iron and carbon in which the carbon content normally is between 0.04% and 2%, but mostly below 1.4%. This kind of steel contains no other alloying elements than iron, carbon, silicon, manganese, sulphur and phosphorus, among which the silicon content is no more than 0.4% and the manganese content no more than 0.8%.
Silicon steel	Refers to a kind of electrical steel in which the silicon content is between 0.5% and 6.5%. It is mainly used in iron cores of various motors and transformers, a magnetically soft alloy indispensable for electric, electronic and military sectors, and can be categorized into non-oriented silicon steel and oriented silicon steel, etc.
Non-oriented silicon steel	Refers to a kind of silicon steel that does not have any obvious pattern or certain orientation in crystallization arrangement, and in which the content of (Si+Al) is normally between 1.5% and 4.0%. It has a low core loss and relatively lower magnetic induction, of which the nominal thickness may be 0.35mm or 0.50mm, etc. Non-oriented silicon steel is used in motor, generator, household appliance, relay, electromagnetic switch, and so on in electric power industry.
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.
Heavy Plate TMCP	Refers to those produced with thermo-mechanical control process.
Heavy Plate DQ	Refers to those produced with direct quenching process.
GA Automotive Steel Sheet	Refers to alloyed and hot-dip galvanized steel sheet.
NO _x	Refers to nitrogen oxide, including various compounds, such as N ₂ O, NO, NO ₂ , N ₂ O ₃ , etc.

I. 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. In January 2013, the Company registered the alteration of stock equity of Baosteel Zhanjiang Iron & Steel Co., Ltd. (hereinafter referred to as “Zhanjiang Iron & Steel”), included Zhanjiang Iron & Steel in its consolidated statements, and meanwhile, restated the beginning data in the Consolidated Balance Sheet in accordance with the Accounting Standards for Business Enterprises, and did not re-state the Consolidated Income Statement or the Consolidated Statement of Cash Flow according to the materiality principle. The beginning data of the year involved herein refer to those after re-statement unless otherwise specially stated in this Semi-annual Report.

(IV) He Wenbo, Principal of the Company and Chairman of the Board; Zhu Keping, the person in charge of accounting affairs and CFO; and Li Qiqiang, Head of the Accounting Department (the person responsible for the accounting department) and Director of the Finance Department hereby guarantee that the financial statements contained in this Report are truthful, accurate and complete.

(V) Future plans, development strategies and other perspective narratives referred to in this Report shall not be deemed as substantive commitments made by the Company to investors, and the Company hereby reminds investors of investment risks.

(VI) No capital was found in the Company to be occupied by the controlling shareholder and its related parties for non-operating purposes.

(VII) No guarantee was found in the Company to be provided in manner that is against the stipulated decision-making procedures.

II. Company Profile

(I) Basic Information

Legal Chinese Name of the Company	宝山钢铁股份有限公司
Abbreviated Legal Chinese Name of the Company	宝钢股份
Legal English Name of the Company	Baoshan Iron & Steel Co., Ltd.
Abbreviated Legal English Name of the Company	Baosteel
Legal Representative of the Company	He Wenbo

(II) Contact Information

	Secretary to Board of Directors	Representative of Securities Affairs
Name	Zhu Keping	Yu Hong
Address	Secretary to Board of Directors' Office, Baosteel Administration Center, 885 Fujin Road, Baoshan District, Shanghai	Secretary to Board of Directors' Office, Baosteel Administration Center, 885 Fujin Road, Baoshan District, Shanghai
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Email	ir@baosteel.com	ir@baosteel.com

(III) Stock Profile of the Company

Stock Profile of the Company				
Class	Stock Listed at	Stock Name	Stock Code	Abbreviation of the Stock before Alternation
A Stock	Shanghai Stock Exchange	Baosteel	600019	G Baosteel

(IV) Registration Alteration during the Reporting Period

Date of Registration	June 24, 2013
Place of Registration	Shanghai
Registration No. of the Business License	310000000074519
Tax Registration No.	310113631696382
Organization Code	63169638-2
Index for Query of Registration Alteration during the Reporting Period	On May 23, Baosteel discloses the Announcement of the Company's Repurchase Results, saying that the Company's total share capital is changed to 16,471,724,924 shares; the Company finished its business registration alteration on June 24, changing the registered capital to RMB 16,471,724,924.

III. Accounting and Financial Highlights

1. Major Accounting Data

Unit: RMB Million

Major Accounting Data	Reporting Period (January to June)	Same Period Last Year	Increase or Decrease (%) over the Same Period Last Year
Business income	96,100	97,902	-1.84
Net profit attributable to shareholders of listed company	3,703	9,610	-61.47
Net profit attributable to shareholders of the listed Company less non-recurring gains and losses	3,665	2,375	54.34
Net cash flows from operating activities	6,554	9,968	-34.25

Major Accounting Data	End of the Reporting Period	End of Last Year	Increase or Decrease (%) over the End of Last Year
Net assets attributable to shareholders of listed company	108,607	110,766	-1.95
Total assets	227,325	220,876	2.92

2. Major Financial Indicators

Major Financial Indicators	Reporting Period (January to June)	Same Period Last Year	Increase or Decrease (%) over the Same Period Last Year
Basic earnings per share (Yuan/share)	0.22	0.55	-60.03
Diluted earnings per share (Yuan/share)	0.22	0.55	-60.03
Basic earnings per share net of non-recurring gains and losses (Yuan/share)	0.22	0.14	60.10
Weighted average return on equity (%)	3.35	8.73	Down 5.38 ppts
Weighted average return on equity net of non-recurring gains and losses (%)	3.31	2.23	Up 1.08 ppts

3. Non-recurring Items and Amounts

Unit: RMB Million

Non-recurring Items	Amounts from January to June 2013
Gains and losses from disposal of non-current assets	-75
Investment income from disposal of available-for-sale financial assets	9
Other net non-operating income and expenditure	129
Effect of income tax	-15
Affected amount belonging to minority shareholders	-10
In total	37

IV. Board of Directors' Report

The first half of 2013 saw a continued growth in iron and steel output, with a nationwide production of 0.39 billion tons of crude steel in the first six months, a YoY increase of 7.4%; a production of 0.52 billion tons of steel products, a YoY increase of 10.2%. The first six months of 2013 saw a continued profit slow-down in 86 large- and mid-sized steel enterprises, and experienced the first ever loss of RMB 0.68 billion in June; the actual profit accumulated in the first half of the year was RMB 2.29 billion while the average profit ratio of sales was only 0.13%, the lowest level in industrial sectors.

Faced with a meager-profit trend in the iron and steel industry, and in order to respond to the changing market requirements, the Company worked hard to strengthen itself, actively optimized the product mix, strived to improve its manufacturing capabilities, and continued to enhance cost management and control. In the first half of the year, the Company produced 11 million tons of iron, 11.41 million tons of steel, and sold 11.078 million tons of steel, realizing a total consolidated profit of RMB 5.18 billion, maintaining the best operating performance among its domestic peers.

(I) Analysis of Major Business

1. Analysis of Changes to Financial Statements

Unit: RMB Million

Item	Current Period (January to June)	Same Period Last Year	Change (%)
Operating revenue	96,100	97,902	-1.8
Operating cost	87,267	90,241	-3.3
Sales expenses	874	892	-2.0
Administrative expenses	2,904	3,893	-25.4

Financial expenses	-251	499	-150.2
Net cash flow from operating activities	6,554	9,968	-34.3
Net cash flow from investing activities	-2,319	12,737	-118.2
Net cash flow from financing activities	1,584	-18,304	-108.7
R&D expenditures	1,550	2,217	-30.1

- (1) Financial expenses decreased RMB 0.75 billion from that of the previous year mainly because of RMB appreciation and increased earnings from currency exchange
- (2) Please refer to “3 Analysis of Cash Flows” for changes of net cash flow from operating activities, net cash flow investing activities from and net cash flow from financing activities.
- (3) R&D expenditures decreased RMB 0.67 billion from that of the previous year mainly because of reduced R&D platform expenses of COREX and special steel.

2. Analysis of Profit Composition

The Company registered a total consolidated profit of RMB 5.18 billion for the first half of this year, a decrease of 58% (or RMB 7.16 billion) over the same period of 2012, mainly because that in the same period last year the Company earned RMB 9.09 billion from selling the related assets of the business units of Stainless Steel and Special Steel, and that in 2013 the gross margin from steel sold rose year on year.

3. Analysis of Cash Flows

Unit: RMB Million

Item	Current Period (January to June)		Same Period Last Year		YoY Change	
	Including Finance Co.	Excluding Finance Co.	Including Finance Co.	Excluding Finance Co.	Including Finance Co.	Excluding Finance Co.
Net cash flow from operating activities	6,554.40	8,224.68	9,967.94	8,970.38	-3,413.54	-745.70
Net cash flow from investing activities	-2,319.48	-2,371.59	12,737.22	12,893.01	-15,056.70	-15,264.60
Net cash flow from financing activities	1,583.69	1,520.79	-18,304.45	-18,185.83	19,888.14	19,706.62

Leaving out the factor of the Finance Co., the net cash inflow arising from operating activities was RMB 0.746 billion less than that of the same period last year. This decrease is caused by the following factors:

Unit: RMB Million

Item	Current Period (January to June)	Same Period Last Year	YoY Change
Net profit	3,739.74	9,711.72	-5,971.98
Add: Losses on disposal of fixed, intangible and other long-term assets and deferred income tax liabilities	63.29	-6,811.47	6,874.76
Depreciation and amortization of fixed assets	4,934.82	6,034.49	-1,099.68
Financial expenses	-221.98	486.71	-708.70
Asset depreciation reserve and other items	-186.20	-503.99	317.79
Decrease in inventory	-2,813.74	-3,373.39	559.65
Decrease of receivables from operating activities	-138.93	464.02	-602.95
Increase of payables from operating activities	2,847.68	2,962.28	-114.60
Net cash flow from operating activities	8,224.68	8,970.38	-745.70

Leaving out the factor of the Finance Co., the net cash inflow arising from investing activities was RMB 15.265 billion less than that of the same period last year. This decrease is caused by the following factors:

Unit: RMB Million

Item	Current Period (January to June)	Same Period Last Year	YoY Change
Gains from selling the related assets of the business units of Stainless Steel and Special Steel and investment income, etc.	6,283.54	19,490.75	-13,207.21

Cash paid for purchase and construction of fixed assets and for investments	8,655.13	6,597.74	2,057.39
Net cash flow from investing activities	-2,371.59	12,893.01	-15,264.60

Leaving out the factor of the Finance Co., the net cash inflow from financing activities was RMB 19.707 billion more than that of the same time last year. This increase is caused by the following factors:

Unit: RMB Million

Item	Current Period (January to June)	Same Period Last Year	YoY Change
Flow affected by the changing financing scale	7,540.76	-13,986.75	21,527.51
Cash payment for dividends and profits distribution, or interests repayment and stock repurchase	-6,117.97	-4,516.92	-1,601.05
Cash received from inward investment	98.00	317.84	-219.84
Net cash outflow from financing activities	1,520.79	-18,185.83	19,706.62

4. Analysis of Budgets and Plans Fulfilment

The total operating revenue budget for 2013 is RMB 171.5 billion, and RMB 96.3 billion was actually attained in the first half, accounting for 56% of the annual budget; the total operating cost budget is RMB 155.9 billion, and RMB 87.38 billion was actually expended, accounting for 56% of the annual budget; in the second half of the year, the Company shall spare no effort to counter difficulties and challenges, and further break down and implement all kinds of measures, with a view to maintaining the best operating performance among domestic peers.

(II) Analysis of Business by Industry, by Products or by Region

1. Principal Business by Segment

Unit: RMB Million

Segment	Operating revenue	Operating cost	Gross margin	YoY change in revenue	YoY change in cost	YoY Change in gross margin
Iron & steel manufacturing	66,297	60,213	9.2%	-17.02%	-19.66%	Up 2.99 ppts
Iron & steel sales	88,131	86,303	2.1%	-6.11%	-6.17%	Up 0.06 ppts
Others	7,645	6,538	14.5%	-1.04%	-2.62%	Up 1.39 ppts
Deduction between segments	-65,774	-65,672	0.2%	-21.07%	-21.13%	Up 0.07 ppts
Total	96,299	87,382	9.3%	-1.89%	-3.31%	Up 1.34 ppts

Note: Operating revenue of each segment includes operating income, handling charge and commission income, interest income and investment income of the Finance Co. Based on the internal organizational structure, the Company is divided into the segments of iron & steel manufacturing, iron & steel sales, and the sector of other affairs. The iron & steel manufacturing segment consists of such iron & steel manufacturing units as the Company, Meishan Iron & Steel, etc. The iron & steel sales segment consists of such trading units as Baosteel International and overseas companies, etc. The segment of other affairs consists of such units as finance, chemical industry and information, etc.

2. Operating Revenue and Cost for Major Iron and Steel Products

Unit: RMB Million

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	25,929	22,289	14.0%	-5.3%	-9.0%	Up 3.49 ppts
Hot-rolled carbon steel sheets and coils	15,999	13,635	14.8%	2.7%	-2.5%	Up 4.55 ppts
Heavy plates	2,584	2,637	-2.1%	-45.4%	-49.3%	Up 8.01 ppts
Steel tubes and	5,227	4,809	8.0%	2.7%	6.2%	Down 3.06 ppts

pipes						
Other iron and steel products	3,962	3,911	1.3%	-10.5%	-15.1%	Up 5.40 ppts
Total	53,702	47,282	12.0%	-18.0%	-22.9%	Up 5.58 ppts

Note: A considerable drop in the operating revenue and cost of heavy plates from that of the same period last year occurs mainly because that the data of the same period last year included the sales of heavy plates in the Luojing Area.

3. Principal Business by Region

In the first half of 2013, the Company exported 1.077 million tons of iron and steel products, while in the previous year the figure was 1.214 million. The regional distribution of operating revenue is as follows

Unit: RMB Million

Region	Operating revenue	Operating cost	Gross margin	YoY change in revenue	YoY change in cost	YoY Change in gross margin
Domestic market	86,894	78,380	9.8%	-1.44%	-2.99%	Up 1.44 ppts
Overseas market	9,405	9,002	4.3%	-5.86%	-6.05%	Up 0.20 ppts
Total	96,299	87,382	9.3%	-1.89%	-3.31%	Up 1.34 ppts

Note: Operating revenue of each region includes operating income, handling charge and commission income, interest income and investment income of the Finance Co.

(III) Analysis of Core Competitiveness

In the reporting period, the Company further improved its sales & service system. By the end of the reporting period, it has 6 regional sales companies and 6 specialized companies, and 54 steel processing and distribution centers in China, with an annual processing capacity of 7.15 million tons; while in the overseas market, it has 4 regional sales companies, 13 sales outlets, and 2 processing centers. As a result, a sales network covering the domestic market and extending to the overseas market has been formed. All in all, the powerful sales & service system is an integral part of the Company's core competitiveness.

In the reporting period, the Company launched the world debut of QP980GI hot galvanized product after a successful mass trial production; B27R090 oriented silicon steel produced with new auxiliary inhibitor technology was successfully applied in double-million ultra-high voltage power transmission projects, while the percent of pass of the magnetic performance was greatly improved; BS900QC hot-rolled super-high strength steel product for engineering machinery was put into mass production, and passed the certification by such users as Foton LOXA and SIASUN, etc. All of these technological breakthroughs have significantly sharpened the Company's competitive edge in the corresponding fields.

In the reporting period, the follow-up project of oriented silicon steel of Baosteel was fully completed, adding a high grade production line of oriented silicon steel, which marked the Company's reaching an annual production capacity of 300,000 tons of oriented silicon steel and 1.4 million tons of non-oriented silicon steel, further enhancing its production capacity of high-end silicon steel products and its competitiveness in silicon steel products. In addition, the comprehensive reconstruction of power plants was completed, greatly improving the generator efficiency, reducing energy consumption, and lowering the emission indicators of NOx, SO₂, dust, and so on. Meanwhile, the reconstruction and expansion project of cold-rolled line of Huangshi Branch was completed, which increased the annual production capacity of common CR products by 200,000 tons, further optimizing the product mix of Huangshi Branch and improving the competitiveness of the Company's products in the midwest market.

(IV) Investment Analysis

1. Overall Equity Investment outside Baosteel

In the first half of 2013, the Company spent RMB 4.45 billion in equity investment projects, an increase of RMB 4.01 billion over the same period last year. The investments mainly included RMB 3.20 billion as the second capital subscription for the PetroChina West-East Gas Pipeline III project, and RMB 0.91 billion for capital increase in Zhanjiang Steel.

(1) Investment in Securities

Unit: RMB Million

S/N	Type	Code	Abbreviation	Initial investment	Shareholding	Book value as at end of	Ratio in total share of bond as	Gains and Losses in the
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						period	at end of period (%)	period
Gains and losses from securities sold in the period	/	/	/	/	/	/	/	0.17
Total	/	/	/	/	/	/	/	0.17

(2) Stocks held of other listed companies

Unit: RMB Million

Code	Abbreviation	Initial investment	Shareholding ratio at beginning of period (%)	Shareholding ratio at end of period (%)	Book value as at end of period	Gains and Losses in the period	Change in shareholders' equity in the period	Accounting type	Share source
000983	Xishan Coal Electricity Group	941.66	1.35	1.35	348.09	1.54	-183.96	Financial assets available for sale	Acquisition at secondary market
601699	Lu'an Environmental Energy	5.05	0.51	0.51	141.25		-87.96	Financial assets available for sale	Investment when established
600508	Shanghai Energy	5.55	0.77	0.77	54.17	2.23	-26.62	Financial assets available for sale	Investment when established
600997	Kailuan Corporation	3.51	0.38	0.38	26.56	0.56	-15.80	Financial assets available for sale	Investment when established
601001	Datong Coal Industry	2.57	0.22	0.22	20.63	-	-9.48	Financial assets available for sale	Investment when established
600000	SPD Bank	57.01	0.03	0.03	38.84	2.58	-5.77	Financial assets available for sale	Acquisition at secondary market
Total		1,015.35	/		629.54	6.90	-329.59	/	/

(3) Equities held of financial enterprises

Unit: RMB Million

Name	Initial investment	Shareholding ratio at beginning of period (%)	Shareholding ratio at end of period (%)	Book value as at end of period	Gains and Losses in the period	Change in shareholders' equity in the period	Accounting type	Share source
SPD Bank	57.01	0.03	0.03	38.84	2.58	-5.77	Financial assets available for sale	Acquisition at secondary market
Total	57.01	0.03	0.03	38.84	2.58	-5.77	/	/

2. Investment In Entrust Financial Management Products and the Derivative Products by Non-Financial Companies

(1) Entrusted Financial Management

None.

(2) Entrusted Loans

None.

(3) Other investment in financial management products and the derivative products

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								
Corporate bond	Self-generated fund	Inter bank market	545.37	Over one year	Bond	-4.64	15.22	No
Sub-total			545.37			-4.64	15.22	
Held-to-maturity investment								
Trust plan	Self-generated fund	Trust company	600.00	Over one year	Trust		14.76	No
Bank financial product	Self-generated fund	Bank	200.00	Less than one year	Financial management		0.03	No
Entrusted government securities repurchase	Self-generated fund	Inter bank market	5200.00				5.08	No
Sub-total			6000.00				19.87	
Held-for-trading financial assets								
Money fund	Self-generated fund	Fund company	55.00	Less than one year	Fund		-	No
Trust plan	Self-generated fund	Trust company	620.00	Less than one year	Trust		6.23	No
Corporate bond	Self-generated fund	Inter bank market	50.28	Less than one year	Bond	0.07	0.40	No
Sub-total			725.28			0.07	6.63	No
Total			7270.65			-4.57	41.72	
II. Investment in derivative products								
Forwards and Swaps	Self-generated fund	Bank	4080.85	Less than one year	Derivative	4.24	-14.77	No

Note:

- ① All of the above financial management businesses were carried out by the Company's subsidiary, the Finance Co., a financial subsidiary controlled by the Company. The financial management is within its business scope.
- ② The "Shares of investment" listed above consisted of the book value as at the end of the previous year and the capital investment in this reporting year, and were 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 and the swap business carried out to avoid price fluctuation risk of iron ore.

3. Use of Funds Raised
None.

4. Performance of Its Controlled Subsidiaries and Joint Stock Companies

(1) Shanghai Meishan Iron & Steel Co., Ltd.

By June 30, 2013, the Company had 77.04% shareholding of Shanghai Meishan Iron & Steel Co., Ltd. With a registered capital of RMB 7.081 billion, Meishan Steel specializes in black metal metallurgy, rolling processing and sales. By June 30, 2013, it had a total asset of RMB 35.84 billion and a net asset of RMB 11.2 billion, and achieved a net profit of RMB 9.645 million for the first half of 2013.

(2) Baosteel Zhanjiang Iron & Steel Co., Ltd.

By June 30, 2013, the Company had 75% shareholding of Baosteel Zhanjiang Iron & Steel Co., Ltd. With a registered capital of RMB 8 billion, Zhanjiang Steel specializes in black metal metallurgy, rolling processing and sales. Currently, it is under construction. By June 30, 2013, it had a total asset of RMB 13.91 billion and a net asset of RMB 8.48 billion, and reported a net profit of RMB -22.31 million for the first half of 2013.

(3) Baosteel-NSC/Arcelor Automotive Steel Sheets Co., Ltd.

By June 30, 2013, 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, 2013, BNA had a total asset of RMB 4.84 billion and a net asset of RMB 3.64 billion, and achieved a net profit of RMB 70.71 million for the first half of 2013.

(4) Yantai Lubao Steel Tubes Co., Ltd.

By June 30, 2013, the Company owned 79.82% of Yantai Lubao Steel Tubes Co., Ltd. (Lubao Steel Tubes). With a registered capital of RMB 100 million, Lubao Steel Tubes is mainly engaged in the processing and sales of seamless steel tubes. Its major products include structural seamless steel tubes, low/medium pressure boiler seamless tubes, seamless pipelines for transportation of fluids, hydraulic seamless tubes, high pressure boiler seamless tubes, seamless tubes for oil pipelines, geological drillings, oil pipelines, oxygen canisters, and so on. By June 30, 2013, Lubao Steel Tubes had a total asset of RMB 0.95 billion and a net asset of RMB 0.68 billion, and reported a net profit of RMB -58.21 million for the first half of 2013.

(5) Baosteel Huangshi Coated and Galvanized Sheet Co., Ltd.

By the end of June 30, 2013, the Company owned 58.45% of Baosteel Huangshi Coated and Galvanized Sheet Co., Ltd. (Huangshi). With a registered capital of RMB 145 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. By June 30, 2013, Huangshi had a total asset of RMB 890 million and a net asset of RMB 330 million, and achieved a net profit of RMB 5.68 million for the first half of 2013.

(6) Shanghai Baosteel International Economic & Trading Co., Ltd.

By June 30, 2013, 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, 2013, Baosteel International had a total asset of RMB 36.45 billion and a net asset of RMB 12.62 billion, and achieved operating revenue of RMB 65.55 billion, an operating profit of RMB 850 million and a net profit of RMB 710 million in 2012 for the first half of 2013.

(7) Shanghai Baosight Software Co., Ltd.

By June 30, 2013, the Company owned 55.5% of Shanghai Baosight Software Co., Ltd. (Baosight). With a registered capital of RMB 0.34 billion, Baosight is mainly engaged in the research, design, development, manufacturing and integration of computer, automation, network communication systems and software & hardware products. By June 30, 2013, Baosight had a total asset of RMB 3.61 billion and a net asset of RMB 1.58 billion, and achieved a net profit of RMB 140 million for the first half of 2013.

(8) Shanghai Baosteel Chemical Co., Ltd.

By June 30, 2013, the Company had a full shareholding of Shanghai Baosteel Chemical Co., Ltd. (Baosteel Chemical). With a registered capital of RMB 2.1 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, 2013, Baosteel Chemical had a total asset of RMB 6.3 billion and a net asset of RMB 4.47 billion, and achieved a net profit of RMB 0.33 billion for the first half of 2013.

(9) Baosteel Nantong Iron & Steel Co., Ltd.

By June 30, 2013, the Company had 95.82% of Nantong Iron & Steel. With a registered capital of RMB 621 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, 2013, Nantong Iron & Steel had a total asset of RMB 2.47 billion and a net asset of RMB 570 million, and reported a net profit of RMB -57.06 million for the first half of 2013.

(10) Baosteel Group Finance Co., Ltd.

By June 30, 2013, the Company had 62.1% of Baosteel Group Finance Co., Ltd. (Finance Co.). With a registered capital of RMB 1.1 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, 2013, Finance Co. had a total asset of RMB 10.59 billion and a net asset of RMB 1.64 billion, and achieved a net profit of RMB 77.3 million for the first half of 2013.

(11) Yantai Baosteel Tubes Co., Ltd.

By June 30, 2013, the Company owned 80% of Yantai Baosteel Tubes Co., Ltd., with the rest 20% owned by Lubao Steel Tubes. With a registered capital of RMB 2 billion, Yantai Baosteel Tubes is mainly engaged in manufacturing, processing and sales of steel tubes, matching products and by-products, while providing technical consultation, storage, shipping, importing and exporting services of steel tube rolling technology. By June 30, 2013, Yantai Baosteel Tubes had a total asset of RMB 5.21 billion and a net asset of RMB 1.02 billion, and reported a net profit of RMB -330 million for the first half of 2013.

(12) Overseas Companies

By June 30, 2013, 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. Major Non-fundraising Projects

In the first half of 2013, the Company invested RMB 3.83 billion in fixed assets.

(1) Major Projects Completed and Put into Operation

The construction of the oriented silicon steel follow-up project of directly affiliated plants and departments: it aimed to build the single stand reversing mill, the decarburizing annealing line, the high temperature rotary hearth furnace, and the hot-stretch temper mill. The project is designed to produce 200,000 tons of oriented silicon steel annually. The first phase of the project was completed in October 2011, and the second phase was completed in May 2013.

The relocation and product mix adjustment project of Lubao Steel Tubes Co., Ltd.: it aimed to build a production line for hot continuous rolling tubes and one for tube processing, and a temper recoiling line for high-pressure boiler tubes, which is designed to produce half a million tons of high-end seamless steel tube products annually, including high-grade steel, corrosion resistant pipes for oil use only, high-pressure boiler tubes. The first phase of the project, the production line for tube processing, was completed in December 2009 and the second phase, the production line for continuous tube rolling, was completed in January 2013

The project of adding a new leveler to the heavy plate plant of directly affiliated plants and departments: it was to add a leveler to the existing 5000mm wide and heavy plate mill with a view to improve the yield and to develop 10,000 tons of high-end TMCP and DQ products per year and 10,000 tons of super high-strength plate and wear plate products per year. The project was completed in January 2013.

The product mix optimization project for the precision steel tube plant affiliated to the business unit of steel tubes, pipes and bars. In response to the demand of the civil engineering of Shanghai municipality, the Company moved the Zhanghuabang Section of the precision steel tube plant to the site of the directly affiliated plants and departments, with a designed annual production capacity of 56,000 tons of seamless steel tubes for automobile, aviation, military industry and high pressure boilers. It was completed and put into use in March 2013.

(2) Continued Project

The project of adding the 6#RH refining equipment to the No.2 steel-making workshop of directly affiliated plants and departments: in order to enhance the productivity of such products as oriented steel, high grade non-oriented silicon steel and GA high grade automotive sheets, the Company is to add a new set of RH refining equipment for the No.2 steel-making workshop with an annual production capacity of 1.80 million tons, which is planned to be completed by September 2013.

(3) Newly-started Project

The comprehensive revamping project of 5# continuous caster for the steel-making workshop of directly affiliated plants and departments: in order to enhance the productivity of such products as high grade non-oriented silicon steel and oriented silicon steel, the Company is to add 300,000 tons of continuous cast slabs for silicon steel with a designed annual production capacity of 2.60 million tons, which is planned to be completed and put into use by December 2013.

(4) Zhanjiang steel project

The project is established to implement the national "Steel Industry Restructuring and Revitalization Plan", achieve steel industry strategic adjustment in Guangdong and Shanghai with new ironmaking, steelmaking, hot rolling and cold rolling production lines, designed with an annual production of hot metal of 8.23 million tons, liquid steel of 8.928 million tons, con-cast slabs of 8.749 million tons, steel of 6.89 million tons and planned to be put into operation in September 2016.

(V) Business results

Benefited from the sale of related assets and return on equity of stainless steel and special steel business units, net profit of the Company reached RMB 10.837 billion from January to September 2012. It is expected that the cumulative net profit of the Company from January to September 2013 will drop by more than 50% compared with the same period of last year.

(VI) Profit distribution plan or capital reserve capitalization plan

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 2004 annual shareholders' meeting passed "Motion on Cash Dividend Policy of Baoshan Iron & Steel Co., Ltd", which stipulates that the annual cash dividend distributed shall be not less than 40% of net profit of the year.

According to the resolution of the 2012 annual shareholders' meeting held on April 26, 2013, the 2012 annual profit distribution plan: Given the expected operating conditions and capital requirements of the Company in 2013, the Company intends to distribute dividends to shareholders recorded in the register on the registration date as recognized in the dividend announcement: Distribute cash dividends totaled RMB 2.2784 billion (including tax). The Board of Directors published the dividend distribution announcement in "China Securities News", "Shanghai Securities News" and "Securities Times" on June 7, 2013, and confirmed June 17, 2013 as the dividend distribution record date, June 18, 2013 as the ex-dividend date, and June 24, 2013 as the dividend payment date. The distribution targets include all shareholders of the Company registered by China Securities Depository and Clearing Corporation Limited Shanghai Branch after the Shanghai Stock Exchange closed trading on the afternoon of June 17, 2013.

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.

V. Significant Events

(I) Corporate Governance

Since established and listed at the stock exchange in 2000, the Company has endeavored to build a world-class multi-national enterprise and a public company in the international market, and to create and execute, by means of standardizing its management and regulating its operation, a thorough and comprehensive corporate governance system, which features operational transparency in information disclosure, interactive relationship with investors, and strict and effective internal auditing and monitoring system, risk-controlling systems, sound credit and transparency in management, in strict compliance with the Company Law, the Securities Law, as well as relevant rules and regulations issued by China Securities Regulatory Commission and the Rules Governing the Listing of Stocks on Shanghai Stock Exchange. Meanwhile, persistent efforts have been made to further improve the work efficiency of the Board of Directors through keeping abreast with domestic and international progress in corporate governance while focusing on creativity and innovation, so as to create a strategy-driven corporate governance model with Baosteel's characteristics as well as industrial and Chinese characteristics

(II) Material Lawsuits and Arbitrations

There were no material lawsuits and arbitrations in the reporting period.

(III) Bankruptcy and Restructuring

No bankruptcies and re-structuring were experienced in the reporting period.

(IV) Assets Trading and Enterprise Merger

There were no material assets trading and enterprise merger in the reporting period.

(V) Fulfillment of Stock Ownership Incentive

None.

(VI) Significant Related Party Transactions

1. Day-to-day Related Party Transactions

(1) Purchase and Sales of Products and Purchase of Services

The major related parties of the Company are 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:

Unit: RMB Million

Related parties	Transactions	Pricing policy	Amount
Baosteel Stainless Steel Co., Ltd.	Raw materials, auxiliary materials, rgy, etc.	Market price	1,721
Baosteel Development Co., Ltd.	Steel & iron products, auxiliary materials, etc.	Market price	1,263
Baosteel Metal Co., Ltd.	Steel & iron products, energy, etc.	Market price	761
Baosteel Special Materials Co., Ltd.	Raw materials, auxiliary materials, energy, etc.	Market price	1,054
Baosteel Group Shanghai Meishan Co., Ltd.	Steel & iron products, energy and auxiliary materials, energy	Market price	976
Baosteel Resources (International) Co., Ltd.	Raw materials	Market price	1,038
Subtotal of product sales			6,813
Baosteel Stainless Steel Co., Ltd.	Steel & iron products, etc.	Market price or negotiated price	6,991
Baosteel Special Materials Co., Ltd.	Steel & iron products, etc.	Negotiated price or market price	3,265
Ningbo Baoxin Stainless Steel Co., Ltd.	Steel & iron products.	Market price	3,216
Ningbo Steel Co., Ltd.	Steel & iron products	Market price	914
Baosteel Development Co., Ltd.	Steel & iron products, auxiliary materials, energy, etc.	Market price	624
Baosteel Group Xinjiang Bayi Iron & Steel Co., Ltd.	Steel & iron products, etc.	Market price	644
Baosteel Resources Co., Ltd.	Raw materials, etc.	Market price	2,929
Subtotal of products purchased			18,583
Baosteel Development Co., Ltd.	Comprehensive logistics, engineering, transportation, examination and maintenance, etc.	Negotiated price	832
Subtotal of services received			832

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

The product sales above accounted for 7.1% of the Company's operating revenue in the reporting period; while the purchase of products and services accounted for 21.3% and 1.0% respectively of the Company's operating cost in the reporting period.

All 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 6.04 billion to Baosteel Group's controlled subsidiaries, with a loan balance of RMB 2.07 billion and a total interest income of RMB 60 million. At the same time, it absorbed deposits from Baosteel Group and its controlled subsidiaries, retaining a balance held on deposit of RMB 6.77 billion and paying a total interest of RMB 100 million at the end of the period.

In the reporting period, Baosteel Desheng Stainless Steel Co., Ltd., a controlled subsidiary of Baosteel Group, entrusted Finance Co. with government securities repurchase and other financial management business, where Finance Co. was entrusted to manage a total of RMB 600 million and was paid RMB 26,000 for such service.

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. And the day-to-day related party transactions between the Company and the related parties will continue.

2. Transfer of Assets or Equity

None.

3. Related External Investments with Related Parties

None.

4. Credit and debt with related parties

The Company completed transfer of related assets of the subordinate stainless steel and 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 shareholders' meeting. At the end of June 2013, the long-term receivable balance was RMB 18 billion, RMB 10.4 billion due from Shanghai Baosteel Stainless Steel Co., Ltd with corresponding installment interest income of RMB 310 million; and RMB 7.6 billion receivable from Baosteel Special Steel Co., Ltd., with installment interest income of RMB 230 million.

(VII) Significant contracts and implementation

1. Material transactions, custody, contract or lease matters

There have been no material transactions, trusteeship, contracting, leasing and other matters during the reporting period.

2. Significant guarantee

Given the increasingly competitive domestic and international steel markets and to take full advantage of market opportunities and support domestic and international sales offices of the Company to participate in domestic supply tenders under the coordination of the Company, the Company provided two joint liability performance bonds to wholly owned subsidiary Howa Trading Co., Ltd., in which the first bond amount is US\$ 257 million, effective for no more than 50 months from 19 March 2010 onwards; the second bond amount is US\$ 3.6 million, effective from September 30, 2011 to January 5, 2015. The Company also provided a joint liability performance guarantee of US \$ 250 million to the wholly owned subsidiary Baosteel Europe GmbH for a period from 30 August 2012 to 30 August 2017. The total amount of the bond performances amounted to US\$ 543 million, representing 3.1% of the Company's closing net assets. The performance guarantees have been approved by the Board of Directors in accordance with relevant provisions.

As far as the Company is concerned, the above guarantee doesn't pose any substantial increase of risks. Therefore, it is fundamentally different from ordinary guarantees.

3. Other significant contracts

None.

(VIII) Commitments of the Company or shareholders holding more than 5%

1. Commitments related with the initial public offering

Baosteel Group Corporation made two commitments upon establishment:

(1) Baosteel Group commits that the related transactions with the Company will be carried out in accordance with relevant laws, administrative regulations and provisions of relevant regulatory authorities and will not damage the legitimate interests of the Company or non-controlling shareholders.

(2) Baosteel Group commits that it will not directly participate in any competing business or activity, or directly holds equity in competitive business, activity or entity. However, the Group may hold shares of the Company and continue to manage and develop the existing business (including business that has or may have competing business with the Company). Baosteel Group commits that when Baosteel Group or its subsidiaries intend to carry out possibly competing new business, investment and research, the Company shall have the priority development right and the priority acquisition right of the project.

The above commitments are valid in the following cases: A. The Company is listed in Hong Kong Exchanges and Clearing Limited and stock exchange in China; B. Baosteel Group holds no less than 30 % of the issued shares of the Company.

In addition, Baosteel Group further made the following commitments to the Company on June 13, 2001 and September 6, 2002 that after the Company's acquisition of part of the Phase III project assets and the remaining assets of Baosteel Group, the above two undertakings are still valid.

These commitments may be referred to in "China Securities News", "Shanghai Securities News", "Securities Times" on June 21, 2001 and September 12, 2002 and the Shanghai Stock Exchange website <http://www.sse.com.cn>.

2. Commitments associated with refinancing

Baosteel Group made the commitments in the additional issuance prospectus:

- (1) For assets and business held by the Group and possibly competing with the Company, the Company has the right to acquire from the Group at an appropriate time.
- (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.
- (3) Baosteel Group is committed to helping dealing with the relevant property certificates for buildings and lands after the Company completed the mergers and acquisitions.

These commitments may be found on Shanghai Stock Exchange Web site <http://www.sse.com.cn> of April 2005.

3. Other commitments

Baosteel Group's commitment to land in Luojing:

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 Assets), which the Company intended to purchase. Luojing Assets cover 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, the unpaid land transfer expense and the Pudong Steel's initial expenses as on the asset-assessing day (30 September 2007), RMB2.8 billion as preliminarily estimated, shall be paid by the Company. Baosteel Group promises:

(1) If the Company acquires Luojing assets, Baosteel Group and/or Pudong Iron and Steel will actively cooperate with the Company to complete Luojing land transfer procedures, and give appropriate assistance in accordance with the reasonable requirements of the Company.

(2) If the total cost above exceeds RMB 2.8 billion actually, the excessive part shall be borne by Baosteel Group and / or Pudong Iron and Steel, which shall make timely and full payment to the Company and / or the relevant government authorities (as the case) .

The aforementioned commitments may be found in "China Securities News", "Shanghai Securities News", "Securities Times" and the Shanghai Stock Exchange website <http://www.sse.com.cn> on December 12, 2007.

Baosteel Group commitment to the Desheng Nickel project:

Baosteel Group sent "Consultation Letter on the Desheng Nickel Project" and " Commitment Letter On the Desheng Nickel Project" to the Company on December 16, 2010 and consulted if the Company is willing to invest in the project. The Company agreed that Baosteel Group invest in the Desheng Nickel project, but retained the acquisition right of the project in future. Baosteel Group is committed that when the Company requests takeover in future, it will consider the asset assessment price of independent rating agencies and comply with the relevant laws, regulations and other normative documents to transfer its equity in Desheng Nickel project at a reasonable price to the Company.

These commitments shall be valid in the following cases : (a) The Company is listed on the stock exchange, and (b) Baosteel Group holds no less than 30% of the Company's issued shares.

The aforementioned commitments may be found in "China Securities News", "Shanghai Securities News", "Securities Times" and the Shanghai Stock Exchange website <http://www.sse.com.cn> on December 23, 2010.

During the reporting period , Baosteel Group and the Company haven't violated any of the above commitments.

(IX) Punishment and rectification of listed Company and its directors, supervisors senior management, shareholders, actual controller

During the reporting period, the Company and its directors, supervisors, senior management, shareholders and actual controller haven't been inspected, penalized, reprimanded by China Securities Regulatory Commission or publicly condemned by other administrative departments or stock exchanges.

(X)Information Disclosure Index

Items	Newspaper Name and Layout	Published Date	Published Internet Website and Searching Route
Announcement about buyback progress of Baosteel Ltd.	"China Securities News", "Shanghai Securities News", "Securities Times"	January 5, 2013	http://www.sse.com.cn
Performance Express in 2012 of Baosteel Ltd.	"China Securities News", "Shanghai Securities News",	January 10, 2013	http://www.sse.com.cn

	“Securities Times”		
Resolution announcement of the fifth meeting of the fifth board of directors of Baosteel Ltd.	“China Securities News”, “Shanghai Securities News”, “Securities Times”	January 29, 2013	http://www.sse.com.cn
Resolution announcement of the fourth meeting of the fifth board of supervisors of Baosteel Ltd.	“China Securities News”, “Shanghai Securities News”, “Securities Times”	January 29, 2013	http://www.sse.com.cn
Announcement about buyback progress of Baosteel Ltd.	“China Securities News”, “Shanghai Securities News”, “Securities Times”	February 6, 2013	http://www.sse.com.cn
Announcement about buyback progress of Baosteel Ltd.	“China Securities News”, “Shanghai Securities News”, “Securities Times”	March 4, 2013	http://www.sse.com.cn
Announcement about the change of staff supervisors of Baosteel Ltd.	“China Securities News”, “Shanghai Securities News”, “Securities Times”	March 19, 2013	http://www.sse.com.cn
Announcement about the online orientation of the performance in 2012 of Baosteel Ltd.	“China Securities News”, “Shanghai Securities News”, “Securities Times”	March 27, 2013	http://www.sse.com.cn
Resolution announcement of the sixth meeting of the fifth board of directors of Baosteel Ltd.	“China Securities News”, “Shanghai Securities News”, “Securities Times”	March 30, 2013	http://www.sse.com.cn
Announcement about the daily connected transaction in 2013 of Baosteel Ltd.	“China Securities News”, “Shanghai Securities News”, “Securities Times”	March 30, 2013	http://www.sse.com.cn
Announcement about the holding of the stockholders’ meeting in 2012 of Baosteel Ltd.	“China Securities News”, “Shanghai Securities News”, “Securities Times”	March 30, 2013	http://www.sse.com.cn
Resolution announcement of the fifth meeting of the fifth board of supervisors of Baosteel Ltd.	“China Securities News”, “Shanghai Securities News”, “Securities Times”	March 30, 2013	http://www.sse.com.cn
Announcement about the modification of the company’s articles of association of Baosteel Ltd.	“China Securities News”, “Shanghai Securities News”, “Securities Times”	March 30, 2013	http://www.sse.com.cn
Announcement about buyback progress of Baosteel Ltd.	“China Securities News”, “Shanghai Securities News”, “Securities Times”	April 2, 2013	http://www.sse.com.cn
Announcement about buyback progress of Baosteel Ltd.	“China Securities News”, “Shanghai Securities News”, “Securities Times”	April 15, 2013	http://www.sse.com.cn
Announcement about the online orientation of the performance in the first quarter of 2012 of Baosteel Ltd.	“China Securities News”, “Shanghai Securities News”, “Securities Times”	April 23, 2013	http://www.sse.com.cn
Resolution announcement of the seventh meeting of the fifth board of directors of Baosteel Ltd.	“China Securities News”, “Shanghai Securities News”, “Securities Times”	April 26, 2013	http://www.sse.com.cn
Resolution announcement of the sixth meeting of the fifth board of supervisors of Baosteel Ltd.	“China Securities News”, “Shanghai Securities News”, “Securities Times”	April 26, 2013	http://www.sse.com.cn
Resolution announcement of stockholders’ meeting in 2012 of Baosteel Ltd.	“China Securities News”, “Shanghai Securities News”, “Securities Times”	April 26, 2013	http://www.sse.com.cn
Announcement about buyback progress of Baosteel Ltd.	“China Securities News”, “Shanghai Securities News”, “Securities Times”	May 6, 2013	http://www.sse.com.cn
Announcement about buyback progress of Baosteel Ltd.	“China Securities News”, “Shanghai Securities News”, “Securities Times”	May 17, 2013	http://www.sse.com.cn
Announcement about buyback result and equity change of Baosteel Ltd.	“China Securities News”, “Shanghai Securities News”, “Securities Times”	May 23, 2013	http://www.sse.com.cn

	“Securities Times”		
Announcement about the implementation of profit distribution scheme in 2012 of Baosteel Ltd.	“China Securities News”, “Shanghai Securities News”, “Securities Times”	June 7, 2013	http://www.sse.com.cn
Announcement about the payment of interest of “Baosteel Ltd. debt” in 2008” in 2013 of Baosteel Ltd.	“China Securities News”, “Shanghai Securities News”, “Securities Times”	June 14, 2013	http://www.sse.com.cn
Resolution announcement of the eighth meeting of the fifth board of directors of Baosteel Ltd.	“China Securities News”, “Shanghai Securities News”, “Securities Times”	June 14, 2013	http://www.sse.com.cn
Resolution announcement of the seventh meeting of the fifth board of supervisors of Baosteel Ltd.	“China Securities News”, “Shanghai Securities News”, “Securities Times”	June 15, 2013	http://www.sse.com.cn

VI. Changes in Share Capital and Information on Major Shareholders

(I) Changes in share capital

1. List of changes in share capital

Unit: share

	Pre-movement		Increase/decrease (+/-)					Post-movement	
	Quantity	Proportion	New issue	Bonus issue	Provide nt fund Conversion	Others	Subtotal	Quantity	Proportion
I. Shares subject to conditional sales									
II. Shares not subject to conditional sales									
1. RMB ordinary shares	17,122,048,088	100				-650,323,164	-650,323,164	16,471,724,924	100
2. Domestic listed international investment shares									
3. Overseas listed international investment shares									
4. Others									
III. Total Shares	17,122,048,088	100				-650,323,164	-650,323,164	16,471,724,924	100

2. Description on changes in share capital

The Company in the 2nd 2012 Temporary Meeting of Shareholders on September 17, 2012 reviewed and approved the **Motion on Share Buyback by Way of Centralized Bidding** and disclosed Buyback Report of Baoshan Iron and Steel (hereinafter referred to as Buyback Report) on September 21, 2012. The Buyback Report states that the Company will buyback its shares at the price no more than RMB 5.00 per share spending at maximum of RMB 5 billion within 12 months starting from the day on which the share buyback motion is reviewed and approved by Meeting of Shareholders.

The Company made its first buyback on September 21, 2012, canceled 390 million of shares bought back on December 20, 2012 and completed the change in Business Registration on December 31, reducing the total number of shares from 17,512,048,088 to 17,122,048,088. On May 21, 2013, the buyback motion was completed. The Company during this period bought 1,040,323,164 shares back, namely 650,323,164 shares if canceled shares were deducted therefrom. The Company canceled these 650,323,164 shares on May 23, 2013 and completed the Business Registration on June 24.

(II) Convertible bonds

1. Issue of convertible bonds

Approved by China Securities Regulatory Commission (CSRC) in the document [2008] 739, the Company issued, on June 20, 2008, RMB 10 billion convertible bonds with attached warrants with par value of RMB 100 per bond and a duration of six years. The coupon rate was 0.80%. On June 30, 2008, the convertible bond with warrants was separated into 100,000,000 corporate bonds (a worth of RMB 10 billion) and 1,600,000,000 stock warrants.

Approved by Shanghai Stock Exchange in the document [2008] 81, a total of RMB 10 billion of corporate bonds

after separation were listed in Shanghai Stock Exchange on July 4, 2008. The bond was abbreviated as “08 Baosteel Bond” with the code of “126016”. The duration is from July 4, 2008 to June 19, 2014 and they will be repaid in the five trading days after the maturity date (June 19, 2014).

Approved by Shanghai Stock Exchange in the document [2008]11, a total of 1,600,000,000 stock warrants after separation were listed in Shanghai Stock Exchange on July 4, 2008. The stock warrant was abbreviated as “Baosteel CWB1” with the code “580024”. The duration was from July 4, 2008 to July 3, 2010 and the exercising period was the trading days from June 28, 2010 to July 3, 2010, during which the warrants were to cease trading.

As at the market close on July 2, 2010, the exercise schedule for “Baosteel CWB1” was ended with 113,785 stock warrants exercised, resulting in an increase of 48,088 shares of the Company, and a total capital of RMB 567,438.40 raised. The raised capital has been used as stated in the prospectus. On July 7, 2010, the “Baosteel CWB1” stock warrants were delisted in Shanghai Stock Exchange.

2. Information on convertible bond holders and the guarantors in reporting period

Number of convertible bond holders at end of year	8,194	
Guarantor of convertible bonds	Baosteel Group Corporation	
Information about Top 10 holders of convertible bonds:		
Names of holders of convertible bonds	Ending amount of bonds held	Proportion (%)
China Pacific Life Insurance Co., Ltd.	1,690,577,000	16.91
New China Life Insurance Company Limited	1,449,378,000	14.49
305 Combination of National Social Security Fund	499,158,000	4.99
Daton Security Co., Ltd.	409,281,000	4.09
New China Life Insurance Company Limited - universal - Deyi Financial bond and fund account	384,108,000	3.84
China Petroleum Finance Co., Ltd.	383,936,000	3.84
China Petroleum Finance Co., Ltd.	377,073,000	3.77
China Everbright Bank Co.,Ltd. - ICBCCS guaranteed hybrid securities investment fund	336,603,000	3.37
China Pacific Insurance Co., Ltd.	250,961,000	2.51
China Reinsurance (Group) Corporation	200,958,000	2.01

3. Changes of the Convertible Bond Price

Unit: RMB

Date of adjustment	Price after adjustment	Disclosing time	Disclosing media	Notes
June 15, 2009	12.16	June 15, 2009	“China Securities News”, “Shanghai Securities News”, “Securities Times” and website of Shanghai Stock Exchange: http://www.sse.com.cn	Stock dividend distribution
May 24, 2010	11.80	May 24, 2010	“China Securities News”, “Shanghai Securities News”, “Securities Times” and website of Shanghai Stock Exchange: http://www.sse.com.cn	Stock dividend distribution
Latest conversion price at end of the reporting period		Warrant exercise period expired		

(III) Information on shareholders

1. Number of shareholders and information on shareholdings

Unit: share

Number of shareholders at end of reporting period				508,263			
Shareholding of top 10 shareholders							
Shareholder names	Sharehol	Proportion	Amount	Increase and	Number	of	Number of

	ders Property			decrease within reporting period	floating shares with trading limited conditions	shares pledged or frozen
Baosteel Group Corporation	State-ow ned	79.71	13,128,825,267	0	0	N/A
Qianxing Investment and Trade Co., Ltd. in Zhangjiaguang Free Trade Zone	Others	0.39	63,419,861	9,176,161	0	N/A
Industrial and Commercial Bank of China Limited - 50 Transactional open index securities investment fund of Shanghai Stock Exchange	Others	0.31	51,413,670	-1,250,000	0	N/A
Hongguang Trade Co., Ltd. in Ningbo Free Trade Zone	Others	0.24	39,554,594	-7,358,180	0	N/A
Rixiang Trade Co., Ltd. in Zhangjiaguang Free Trade Zone	Others	0.21	34,762,176	-20,821,102	0	N/A
International Finance - Standard Chartered—GOVERNMENT OF SINGAPORE INVESTMENT CORPORATION PTE LTD	Others	0.19	31,188,284	-4,395,100	0	N/A
CSOP Asset Management - CSOP FTSE China A50ETF	Others	0.18	30,343,764	-10,710,100	0	N/A
Bank of China Limited - SZSE 300 Transactional open index securities investment fund of Shanghai Stock Exchange and Shenzhen Stock Exchange	Others	0.18	30,000,550	0	0	N/A
First State Investment Management (UK) Limited - First State A Share Fund in China	Others	0.14	22,637,293	3,989,561	0	N/A
Industrial and Commercial Bank of China Limited - 300 Transactional open index securities investment fund in Huaxia, Shanghai and Shenzhen Stock Exchanges	Others	0.13	21,200,161	0	0	N/A

Information on top 10 shareholders of floating shares without trading limited conditions

Shareholder names	Number of shares held	Category and quantity
Baosteel Group Corporation	13,128,825,267	RMB ordinary shares
Qianxing Investment and Trade Co., Ltd. in Zhangjiaguang Free Trade Zone	63,419,861	RMB ordinary shares
Industrial and Commercial Bank of China Limited - 50 Transactional open index securities investment fund of Shanghai Stock Exchange	51,413,670	RMB ordinary shares
Hongguang Trade Co., Ltd. in Ningbo Free Trade Zone	39,554,594	RMB ordinary shares
Rixiang Trade Co., Ltd. in Zhangjiaguang Free Trade Zone	34,762,176	RMB ordinary shares
International Finance - Standard Chartered—GOVERNMENT OF	31,188,284	RMB ordinary shares

SINGAPORE INVESTMENT CORPORATION PTE LTD		
CSOP Asset Management - CSOP FTSE China A50ETF	30,343,764	RMB ordinary shares
Bank of China Limited - SZSE 300 Transactional open index securities investment fund of Shanghai Stock Exchange and Shenzhen Stock Exchange	30,000,550	RMB ordinary shares
First State Investment Management (UK) Limited - First State A Share Fund in China	22,637,293	RMB ordinary shares
Industrial and Commercial Bank of China Limited - 300 Transactional open index securities investment fund in Huaxia, Shanghai and Shenzhen Stock Exchanges	21,200,161	RMB ordinary shares
Description on associated relationship or concerted action of above shareholders	<p>According to the prospectus of medium term note announced by Jiangsu Shagang Group Co. Ltd. (hereinafter referred to as Shagang Group) in May and November, 2011, the Shagang Group, Qianxing Investment and Trade Co., Ltd. in Zhangjiaguang Free Trade Zone and Hongguang Trade Co., Ltd. in Ningbo Free Trade Zone have the same shareholders. The actual controllers of Rixiang Trade Co., Ltd. in Zhangjiaguang Free Trade Zone are the main shareholders of Shagang Group.</p> <p>The Company does not know whether above shareholders have any associated relationship or take concerted actions prescribed in Acquisition Management Method of Listed Companies.</p>	

2. Status of Controlling Shareholders and Actual Controllers

The controlling shareholders and actual controllers of the Company remained unchanged during the reporting period.

VII. Directors, Supervisors, and Senior Executives**(I) Shareholding status of the directors, supervisors, and senior executives**

Unit: Share

Name	Title	Shares held at the beginning of the year	Increase of shares in the reporting period	Decrease of shares in the reporting period	Shares held at the end of the reporting period	Reason for the changes
Ma Guoqiang	Director, President	150,000	24,000		174,000	Transaction at the secondary market
Zhu Junsheng	Director	70,800	30,000		100,800	Transaction at the secondary market
Zhou Jianfeng	Vice President	60,000	25,000		85,000	Transaction at the secondary market
Wang Jing	Vice President	76,000	25,000		101,000	Transaction at the secondary market
Feng Taiguo	Vice President	51,000	18,300		69,300	Transaction at the secondary market
Chu Shuangjie	Vice President	70,000	20,000		90,000	Transaction at the secondary market
Zhu Kebing	Secretary to Board of Directors, Chief Financial Officer	0	10,000		10,000	Transaction at the secondary market

(II) Change of directors, supervisors, and senior executives

Name	Title	Status	Reason	Date
He Meifen	Employee supervisor	Elected	Elected	March 2013
Zhang Pijun	Employee supervisor	Leaving	Resigned	March 2013
Xia Taiwei	Independent director	Recruited	Newly recruited	April 2013
Ma Guoqiang	Director, President	Leaving	Resigned	July 2013
Dai Zhihao	Director, President	Recruited	Newly recruited	July 2013
Hou Angui	Vice President	Recruited	Newly recruited	July 2013

VIII. Financial report

Consolidated balance sheet

June 30th, 2013

Name of enterprise:

Baoshan Iron & Steel Co., Ltd.

Unit: Yuan Currency: RMB Audit types: unaudited

Item	Annotation	June 30 th , 2013	December 31 st , 2012	
			Adjusted	Unadjusted
Current assets:				
Monetary fund	(V)1	14,279,797,850.96	8,851,124,979.28	8,840,469,097.21
Held-for-trading financial assets	(V)2	188,981,895.06	89,577,809.31	89,577,809.31
Notes receivable	(V)3	9,368,198,240.60	12,411,303,185.31	12,411,303,185.31
Accounts receivable	(V)4	10,784,514,111.93	8,551,131,045.38	8,542,193,127.62
Advance payment	(V)5	4,736,150,906.89	3,716,337,443.68	3,716,337,443.68
Interest receivable	(V)6	251,263,809.45	948,484,949.13	948,484,949.13
Dividend receivable	(V)7	-	33,639,886.82	33,639,886.82
Other receivables	(V)8	1,640,462,807.49	1,387,110,820.63	1,127,915,016.72
Redemptory Monetary Capital for Sale		500,000,000.00	-	
Inventory	(V)9	31,470,452,364.90	28,872,423,689.21	28,790,882,932.79
Non-current assets due within one year	(V)10	4,711,143,830.00	4,880,000,000.00	4,880,000,000.00
Total current assets		77,930,965,817.28	69,741,133,808.75	69,380,803,448.59
Non-current assets:				
Disbursement of loans and advances	(V)11	2,642,074,976.82	2,763,019,609.19	2,763,019,609.19
Available-for-sale financial assets	(V)12	1,061,519,522.76	1,467,832,301.93	1,467,832,301.93
Long-term receivables	(V)13	15,029,164,250.00	19,535,939,000.00	18,035,939,000.00
Long-term equity investment	(V)14、15	13,653,944,696.40	10,539,022,615.18	9,118,968,766.28
Real estate for investment	(V)16	471,038,081.77	477,471,234.63	477,471,234.63
Fixed assets	(V)17	82,146,691,788.24	79,451,375,744.49	79,440,015,016.44
Construction in progress	(V)18	12,555,552,420.92	15,383,749,970.37	9,966,930,139.34
Materials for construction of fixed assets	(V)19	108,216,980.30	111,190,366.94	111,190,366.94
Intangible assets	(V)20	6,769,212,550.75	6,759,050,173.46	6,152,529,015.20
Long-term deferred and prepaid	(V)21	900,240,267.10	906,159,533.22	906,159,533.22
Deferred income tax assets	(V)22	2,196,885,979.80	2,035,286,047.54	2,026,536,047.54
Other non-current assets	(V)24	11,859,609,831.84	11,704,612,832.56	14,509,906,520.94
Total non-current assets		149,394,151,346.7	151,134,709,429.51	144,976,497,551.65
Total assets		227,325,117,163.9	220,875,843,238.26	214,357,301,000.24

Consolidated balance sheet (Continued)

June 30th, 2013

Name of enterprise

Baoshan Iron & Steel Co., Ltd.

Unit: Yuan Currency: RMB Audit types: unaudited

Item	Annotation	June 30 th , 2013	December 31 st , 2012	
			Adjusted	Unadjusted
Current liabilities:				
Short-term borrowings	(V)25	37,609,031,981.59	31,647,325,209.64	28,964,525,209.64
Deposits from customers and interbank	(V)26	7,257,051,146.68	8,071,462,806.92	8,071,462,806.92
Borrowing funds	(V)27	-	600,000,000.00	600,000,000.00
Held-for-trading financial liabilities	(V)28	-	20,789,685.96	20,789,685.96
Notes payable	(V)29	3,238,957,937.21	3,494,680,215.46	3,255,540,509.18
Accounts payable	(V)30	21,623,320,092.72	18,658,642,474.67	18,655,403,230.17
Advance receipts	(V)31	10,179,794,206.11	11,194,906,638.62	11,194,900,927.62
Financial assets sold for repurchase		300,919,277.66	437,705,880.63	437,705,880.63
Employee salary payable	(V)32	2,001,554,734.94	1,567,218,556.73	1,565,024,385.52
Tax payable	(V)33	1,657,152,983.84	1,093,465,271.31	1,238,213,835.07
Interest payable	(V)34	158,742,834.19	179,700,527.43	177,928,027.43
Dividend payable	(V)35	50,553,860.73	22,155,313.83	22,155,313.83
Other payables	(V)36	2,002,944,781.29	1,879,933,167.71	681,525,421.62
Non-current liabilities due within one	(V)37	15,459,430,657.83	4,502,840,000.00	4,402,850,000.00
Other current liabilities	(V)38	2,321,945,000.02	1,017,012,500.06	2,938,659,947.30
Total current liabilities		103,861,399,494.81	84,387,838,248.97	82,226,685,180.89
Non-current liabilities:				
Long-term borrowings	(V)39	1,055,913,578.18	2,731,689,992.42	2,731,689,992.42
Bond payable	(V)40	496,783,114.92	9,835,739,000.07	9,835,739,000.07
Long-term payables	(V)41	1,750,000,000.00	1,750,000,000.00	250,000,000.00
Special payables	(V)42	693,439,413.58	688,993,701.54	688,993,701.54
Deferred income tax liabilities	(V)22	303,454,740.68	320,632,524.32	320,632,524.32
Other non-current liabilities	(V)43	1,252,535,238.65	1,201,329,376.35	961,802,609.24
Total non-current liabilities		5,552,126,086.01	16,528,384,594.70	14,788,857,827.59
Total liabilities		109,413,525,580.82	100,916,222,843.67	97,015,543,008.48
Shareholders' equity:				
Share capital	(V)44	16,471,724,924.00	17,122,048,088.00	17,122,048,088.00
Capital reserve	(V)45	33,125,470,839.77	36,008,969,346.05	35,892,221,131.19
Less: treasury stock	(V)46	-	115,785,165.80	115,785,165.80
Special reserve	(V)47	24,860,898.42	17,894,916.86	17,894,916.86
Surplus reserve	(V)48	23,229,714,608.04	23,229,714,608.04	23,229,714,608.04
Undistributed profit	(V)49	36,227,368,557.35	34,802,934,026.47	35,540,808,913.80
Translation reserve		(472,618,437.89)	(299,633,775.37)	(299,633,775.37)
Total shareholders' equity attributable to parent company		108,606,521,389.69	110,766,142,044.25	111,387,268,716.72
Minority equity		9,305,070,193.47	9,193,478,350.34	5,954,489,275.04
Total shareholders' equity		117,911,591,583.16	119,959,620,394.59	117,341,757,991.76
Total liabilities and shareholders' equity		227,325,117,163.98	220,875,843,238.26	214,357,301,000.24

Annotation is a constituent part of the financial statement.

The financial statement from page 25 to 114 is signed by the following person in charge:

Legal representative: He Wenbo Person in charge of accounting work: Zhu Keping

Chief accountant: Li qiqiang

The company's balance sheet

June 30th, 2013

Name of enterprise

Baoshan Iron & Steel Co., Ltd.

Unit: Yuan Currency: RMB Audit types: unaudited

Item	Annotation	30 th Jun. 2013	31 st Dec. 2013
Current assets:			
Monetary fund		8,392,800,867.92	2,036,143,946.73
Notes receivable		12,588,581,322.69	13,473,619,237.43
Accounts receivable	(XI)1	10,275,595,427.38	8,987,172,230.07
Advance payment		2,267,693,458.41	1,557,782,054.86
Interest receivable		239,671,232.88	938,024,383.57
Other receivables	(XI)2	188,509,038.06	315,767,588.48
Inventory		17,127,920,577.15	15,942,719,003.25
Non-current assets due within one year		4,500,000,000.00	4,500,000,000.00
Other current assets		500,000,000.00	1,565,650,761.38
Total current assets		56,080,771,924.49	49,316,879,205.77
Non-current assets:			
Long-term receivables		13,500,000,000.00	18,000,000,000.00
Long-term equity investment	(XI)3、4	39,061,878,712.71	30,281,311,482.70
Fixed assets		47,151,243,158.84	46,760,734,784.44
Construction in progress		3,440,629,171.71	4,260,158,720.45
Materials for construction of fixed assets		95,464,558.44	22,874,297.42
Intangible assets		1,513,731,650.91	1,531,135,771.95
Long-term deferred and prepaid expenses		1,567,785.34	1,624,452.28
Deferred income tax assets		801,604,266.57	885,652,585.80
Other non-current assets		9,297,135,251.58	14,442,110,959.05
Total non-current assets		114,863,254,556.10	116,185,603,054.09
Total assets		170,944,026,480.59	165,502,482,259.86

The company's balance sheet (Continued)

June 30th, 2013

Name of enterprise

Baoshan Iron & Steel Co., Ltd.

Unit: Yuan

Currency: RMB

Audit types: unaudited

Item	Annotation	30 th Jun. 2013	31 st Dec. 2013
Current liabilities:			
Short-term borrowings		13,697,227,699.00	9,851,212,641.66
Held-for-trading financial liabilities		-	20,789,685.96
Notes payable		120,910,822.00	40,124,006.24
Accounts payable		24,814,069,589.17	19,832,191,712.82
Advance receipts		8,633,306,967.45	10,553,642,205.32
Employee salary payable		1,457,660,676.11	1,067,189,892.33
Tax payable		2,502,670,618.01	2,322,523,438.08
Interest payable		49,871,052.13	66,764,924.11
Other payables		328,364,887.46	159,471,119.07
Non-current liabilities due within one year		14,808,330,657.83	4,399,850,000.00
Other current liabilities		1,389,618,569.92	1,921,647,447.24
Total current liabilities		67,802,031,539.08	50,235,407,072.83
Non-current liabilities:			
Long-term borrowings		308,935,000.00	628,550,000.00
Bond payable		-	9,339,778,162.83
Special payables		605,828,330.76	627,409,321.54
Deferred income tax liabilities		298,006,027.57	298,006,027.57
Other non-current liabilities		638,216,952.87	586,978,435.75
Total non-current liabilities		1,850,986,311.20	11,480,721,947.69
Total liabilities		69,653,017,850.28	61,716,129,020.52
Shareholders' equity:			
Share capital		16,471,724,924.00	17,122,048,088.00
Capital reserve		32,738,749,569.30	35,894,640,824.12
Less: treasury stock		-	115,785,165.80
Surplus reserve		23,229,714,608.04	23,229,714,608.04
Special reserve		4,745,728.18	-
Undistributed profit		28,846,073,800.79	27,655,734,884.98
Total shareholders' equity		101,291,008,630.31	103,786,353,239.34
Total liabilities and shareholders' equity		170,944,026,480.59	165,502,482,259.86

Consolidated income statement

Jan-Jun 2013

Name of enterprise

Baoshan Iron & Steel Co., Ltd.

Unit: Yuan

Currency: RMB

Audit types: unaudited

Item	Annotation	Jan-Jun 2013	Jan-Jun 2012
I 、 Gross revenue		96,259,417,102.86	98,100,643,194.97
Among them: Operating revenue	(V)50	96,099,589,258.59	97,901,730,101.87
Interest revenue		157,733,546.52	195,163,359.08
Fee and commission income		2,094,297.75	3,749,734.02
II、 Total operating costs		91,448,285,921.12	95,824,679,359.92
Among them: operating costs	(V)50	87,266,743,460.92	90,241,193,885.70
Interest expenditure		115,137,445.77	134,117,293.07
Service charge and commission fee		317,976.52	278,796.45
Business tax and surcharges	(V)51	256,637,867.28	134,488,839.09
Selling expenses		874,147,016.25	892,354,520.24
Administrative expenses		2,903,558,082.63	3,893,258,192.27
Financial expenses	(V)52	(250,887,943.98)	499,495,875.29
Devaluation lost of assets	(V)53	282,632,015.73	29,491,957.81
Add: Gains on the changes in the fair value (loss expressed with “-”)	(V)54	26,156,213.39	34,276,720.87
Investment income (loss expressed with “-”)	(V)55	291,380,814.62	407,383,915.06
Investment income (loss expressed with “-”)		51,503,147.22	108,590,304.45
III. Operating profits (loss expressed with “-”)		5,128,668,209.75	2,717,624,470.98
Add: Non-operating revenue	(V)56	186,503,047.61	10,226,896,441.53
Less: Non-operating expenses	(V)57	137,160,663.98	610,284,454.87
Include: Disposal loss on non-current liability		85,892,494.46	569,663,169.84
IV. Total profit (loss expressed with “-”)		5,178,010,593.38	12,334,236,457.64
Less:income tax expense	(V)58	1,364,232,563.99	2,648,984,756.25
V . Net income (loss expressed with “-”)		3,813,778,029.39	9,685,251,701.39
Net profit attribute to the owner of parent company		3,702,803,522.33	9,610,011,834.48
Minority interests		110,974,507.06	75,239,866.91
VI. Earnings per share:			
(I) Basic EPS	(V)59	0.22	0.55
VII. Other comprehensive Income (loss expressed with “-”)	(V)60	(517,992,176.47)	10,632,037.69
VIII. Total comprehensive Income		3,295,785,852.92	9,695,883,739.08
Total comprehensive income attributable to owner of the parent company		3,188,317,576.78	9,618,395,077.56
Total comprehensive income attributable to minority shareholder		107,468,276.14	77,488,661.52

Income statement of the company

Jan-Jun 2013

Name of enterprise

Baoshan Iron & Steel Co., Ltd.

Unit: Yuan Currency: RMB Audit types:

unaudited

Item	Annotation	Jan-Jun 2013	Jan-Jun 2012
I. Operating revenue	(XI)5	59,130,497,876.54	71,038,781,743.59
Less: operating costs	(XI)5	53,366,019,342.79	65,917,184,244.25
Business tax and surcharges		163,366,329.57	55,211,183.56
Selling expenses		302,694,291.37	332,736,977.13
Management expenses		2,015,736,056.67	2,973,160,529.96
Financial expenses		(762,365,505.20)	108,712,587.32
Assets Impairment loss		(372,480,974.14)	(66,119,232.16)
Add: Gains from changes in fair value (loss expressed with“-”)		20,789,685.96	27,629,945.97
Investment income (loss expressed with“-”)	(XI)6	74,452,611.95	167,076,110.83
Include: Income from Joint Venture		35,982,919.31	59,072,871.00
II. Operating profits (loss expressed with“-”)		4,512,770,633.39	1,912,601,510.33
Add: Non-operating income		52,392,212.26	10,154,623,025.10
Less: Non-business expenditure		95,393,710.97	579,951,990.25
Include: Disposal loss on non-current liability		73,252,032.11	555,401,552.45
III. Total profit (loss expressed with“-”)		4,469,769,134.68	11,487,272,545.18
Less: Income tax expense		1,001,061,227.42	2,469,085,648.23
IV. Net profit (net loss expressed with“-”)		3,468,707,907.26	9,018,186,896.95
V. Other comprehensive income		(6,305,423.71)	1,931,853.45
VI. Total comprehensive income		3,462,402,483.55	9,020,118,750.40

Consolidated cash flow statement

June 30th, 2013

Name of enterprise

Baoshan Iron & Steel Co., Ltd.

Unit: Yuan Currency: RMB Audit types:

unaudited

Item	Annotation	Jan-Jun 2013	Jan-Jun 2012
I. Cash flow from operating activities:			
Cash received from the sale of goods or rendering of services		110,789,635,039.32	113,473,770,972.82
Net increase in borrowing funds		-	720,000,000.00
Net decrease in loans and advances to customers		96,273,842.64	-
Net decrease in deposits with central bank and other financial institutions		-	269,085,327.50
Cash received from interest, handling charges and commission received		157,016,751.77	196,659,801.62
Net increase of financial assets sold for repurchase			748,567,054.18
Tax refunds		100,252,886.99	162,880,963.22
Cash received from other operating activities	(V)61(1)	394,068,857.20	1,131,964,799.78
Subtotal of cash inflow from operating activities		111,537,247,377.92	116,702,928,919.12
Cash paid for goods and services		93,906,337,796.12	98,185,366,891.52
Net increase in loans and advances to customers		-	94,780,497.00
Net increase in deposits with central bank and other financial institutions		189,220,346.92	-
Customer's deposit and net decrease of deposit taking of interbank		810,972,208.77	692,806,435.22
Net decrease in funds borrowed from other financial institutions		600,000,000.00	
Cash paid to interests, commission and brokerage		102,778,811.37	80,292,928.78
Cash paid to and for employees		4,093,787,625.61	4,091,117,871.25
Cash paid for taxes and surcharges		3,904,764,741.96	1,672,114,799.64
Net decrease of financial assets sold for repurchase		136,786,602.97	-
Cash paid for other operating activities	(V)61(2)	1,238,200,155.83	1,918,506,525.62
Subtotal of cash outflow from operating activities		104,982,848,289.55	106,734,985,949.03
Net cash flow from operating activities		6,554,399,088.37	9,967,942,970.09
II. Cash flow from investing activities:			
Cash received from withdrawal of investments		1,377,731,504.54	1,274,603,003.67
Cash received from investment income		293,351,991.00	516,123,589.14
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		94,363,709.72	18,509,211,736.67
Net cash received from disposal of subsidiaries and other business units		-	173,048,286.59
Other cash received concerning investing activities	(V)61(3)	5,813,459,067.68	273,762,833.86
Subtotal of cash inflow from investing activities		7,578,906,272.94	20,746,749,449.93
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		5,419,233,367.97	6,547,908,443.89
Cash paid for investments		4,451,372,028.78	1,479,118,405.09
Net cash paid for the acquisition of subsidiaries and other business entities		-	(17,557,703.60)
Cash paid for other investing activities	(V)61(4)	27,777,025.40	58,149.92
Subtotal of cash outflow from investing activities		9,898,382,422.15	8,009,527,295.30
Net cash flow from investing activities		(2,319,476,149.21)	12,737,222,154.63
III. Cash flow from financing activities:			
Cash received from accepting investments		98,000,512.06	317,837,753.99
Including: Cash received from subsidiary company absorbed investment of minority shareholders' equity		98,000,512.06	317,837,753.99
Cash received from borrowings		42,200,413,080.39	34,793,481,388.54
Cash received from bond issue		1,792,800,000.00	993,500,000.00
Subtotal of cash outflow from financing activities		44,091,213,592.45	36,104,819,142.53

Cash repayments of amounts borrowed		36,470,003,173.51	49,932,003,901.43
Cash paid for dividend and profit distribution or interest payment		2,954,047,640.86	4,477,263,842.33
Including: Dividend and profit paid to minority shareholders by subsidiary		68,659,465.65	96,227,505.23
Cash paid to repurchase corporate stock		3,083,474,132.00	-
Subtotal of cash outflow from financing activities		42,507,524,946.37	54,409,267,743.76
Net cash flow from financing activities		1,583,688,646.08	(18,304,448,601.23)
IV. Foreign exchange rate fluctuation consequences on cash and cash equivalents		(79,159,060.48)	(91,020,875.66)
V. Net increase (decrease) in cash and cash equivalents		5,739,452,524.76	4,309,695,647.83
Add: cash and cash equivalents at the beginning of this period		7,632,107,621.86	13,180,223,388.65
VI. Cash and cash equivalents at the end of this period		13,371,560,146.62	17,489,919,036.48

The company's cash flow statement

Jan-Jun 2013

Name of enterprise

Baoshan Iron & Steel Co., Ltd.

Unit: Yuan Currency: RMB Audit types: unaudited

Item	Annotation	Jan-Jun 2013	Jan-Jun 2012
I . Cash flow from operating activities:			
Cash received from the sale of goods or rendering of services		66,243,404,359.77	78,699,614,481.88
Cash received from other operating activities		206,842,265.53	560,708,049.87
Subtotal of cash inflow from operating activities		66,450,246,625.30	79,260,322,531.75
Cash paid for goods and services		53,450,476,921.73	70,474,259,232.80
Cash paid to and for employees		2,465,584,394.21	2,578,908,813.36
Cash paid for taxes and surcharges		2,622,534,186.66	273,096,960.51
Cash paid for other operating activities		588,414,849.37	393,207,556.63
Subtotal of cash outflow from operating activities		59,127,010,351.97	73,719,472,563.30
Net cash flow from operating activities	(XI)8	7,323,236,273.33	5,540,849,968.45
II. Cash flow from investing activities:			
Cash received from withdrawal of investments		5,200,000,000.00	2,815,379,161.34
Cash received from investment income		62,411,893.35	125,333,199.95
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		62,695,452.93	18,504,498,420.59
Other cash received concerning investing activities		5,814,817,052.99	264,186,404.66
Subtotal of cash inflow from investing activities		11,139,924,399.27	21,709,397,186.54
Cash paid for purchase and construction of fixed assets, intangible assets and other. long-term assets		2,485,226,157.05	2,939,386,597.97
Cash paid for investments		9,864,836,958.00	2,731,682,945.00
Cash paid for other investing activities		27,777,025.40	58,149.92
Subtotal of cash outflow from investing activities		12,377,840,140.45	5,671,127,692.89
Net cash flow from investing activities		(1,237,915,741.18)	16,038,269,493.65
III. Cash flow from financing activities:			
Cash received from borrowings		18,594,367,399.40	12,311,235,176.33
Cash received from other financing activities		1,135,058,864.51	2,921,075,566.17
Subtotal of cash inflow from financing activities		19,729,426,263.91	15,232,310,742.50
Cash repayments of amounts borrowed		13,913,253,057.86	29,673,999,164.45
Cash paid for dividend and profit distribution or interest payment		2,484,071,140.86	4,061,592,529.48
Cash paid to repurchase corporate stock		3,083,474,132.00	-
Subtotal of cash outflow from financing activities		19,480,798,330.72	33,735,591,693.93
Net cash flow from financing activities		248,627,933.19	(18,503,280,951.43)
IV. Foreign exchange rate fluctuation consequences on cash and cash equivalents		22,708,455.85	(65,233,606.67)
V . Net increase(decrease) in cash and cash equivalents		6,356,656,921.19	3,010,604,904.00
Add: cash and cash equivalents at the beginning of this period		2,036,143,946.73	8,826,002,497.24
VI. Cash and cash equivalents at the end of this period		8,392,800,867.92	11,836,607,401.24

Consolidated statement of changes in shareholders' equity

Jan-Jun 2013

Name of enterprise

Baoshan Iron & Steel Co., Ltd.

Unit: Yuan Currency: RMB Audit types: unaudited

Item	Jan-Jun 2013										
	Attributable to the parent company shareholders' rights and interests									minority equity	Total Shareholder's Equity
	capital	Capital reserve	Less: Treasury share	special reserves	Surplus reserves	Generic Risk Reserve	Undistributed profit	Differences arising on translation of financial statements denominated in foreign currencies	Subtotal		
I、Balance by the end of previous year	17,122,048,088.00	35,892,221,131.19	(115,785,165.80)	17,894,916.86	23,229,714,608.04	-	35,540,808,913.80	(299,633,775.37)	111,387,268,716.72	5,954,489,275.04	117,341,757,991.76
Add: enterprise merger under the same control	-	116,748,214.86	-	-	-	-	(737,874,887.33)	-	(621,126,672.47)	3,238,989,075.30	2,617,862,402.83
II、Beginning balance of current period	17,122,048,088.00	36,008,969,346.05	(115,785,165.80)	17,894,916.86	23,229,714,608.04	-	34,802,934,026.47	(299,633,775.37)	110,766,142,044.25	9,193,478,350.34	119,959,620,394.59
III、The amount of changes in current period	(650,323,164.00)	(2,883,498,506.28)	115,785,165.80	6,965,981.56	-	-	1,424,434,530.88	(172,984,662.52)	(2,159,620,654.56)	111,591,843.13	(2,048,028,811.43)
(I) Net profit	-	-	-	-	-	-	3,702,803,522.33	-	3,702,803,522.33	110,974,507.06	3,813,778,029.39
(II) Other comprehensive income	-	(341,501,283.03)	-	-	-	-	-	(172,984,662.52)	(514,485,945.55)	(3,506,230.92)	(517,992,176.47)
Subtotal of (I) and (II)	-	(341,501,283.03)	-	-	-	-	3,702,803,522.33	(172,984,662.52)	3,188,317,576.78	107,468,276.14	3,295,785,852.92
(III) Shareholders's contributions and reduction in capital	-	6,938,910.55	(3,083,474,132.00)	-	-	-	-	-	(3,076,535,221.45)	127,272,806.30	(2,949,262,415.15)
1. Capital contribution from owners	-	-	-	-	-	-	-	-	-	-	-
2. Capital contribution from minority interests in subsidiaries	-	-	-	-	-	-	-	-	-	98,000,000.00	98,000,000.00
3. Others	-	6,938,910.55	(3,083,474,132.00)	-	-	-	-	-	(3,076,535,221.45)	29,272,806.30	(3,047,262,415.15)
(IV) Profit distribution	-	-	-	-	-	-	(2,278,368,991.45)	-	(2,278,368,991.45)	(124,830,603.86)	(2,403,199,595.31)
1. Transfer to surplus reserve	-	-	-	-	-	-	-	-	-	-	-
2. Distribution to shareholders	-	-	-	-	-	-	(2,278,368,991.45)	-	(2,278,368,991.45)	-	(2,278,368,991.45)
3. Dividends of minority shareholder	-	-	-	-	-	-	-	-	-	(124,830,603.86)	(124,830,603.86)
(V) Transfers within owners' equity	(650,323,164.00)	(2,548,936,133.80)	3,199,259,297.80	-	-	-	-	-	-	-	-
1. Others	(650,323,164.00)	(2,548,936,133.80)	3,199,259,297.80	-	-	-	-	-	-	-	-
(VI) Special reserves	-	-	-	6,965,981.56	-	-	-	-	6,965,981.56	1,681,364.55	8,647,346.11
1. Transfer to special reserve in the year	-	-	-	115,788,692.43	-	-	-	-	115,788,692.43	2,059,887.47	117,848,579.90
2. Amount utilized in the year	-	-	-	(108,822,710.87)	-	-	-	-	(108,822,710.87)	(378,522.92)	(109,201,233.79)
IV. Ending balance of current period	16,471,724,924.00	33,125,470,839.77	-	24,860,898.42	23,229,714,608.04	-	36,227,368,557.35	(472,618,437.89)	108,606,521,389.69	9,305,070,193.47	117,911,591,583.16

Consolidated statement of changes in shareholders' equity (Continued)

2012

Name of enterprise

Baoshan Iron & Steel Co., Ltd.

Unit: Yuan Currency: RMB Audit types: unaudited

Item	2012										
	Attributable to the parent company shareholders' rights and interests									minority equity	Total Shareholder's Equity
	capital	Capital reserve	Less: Treasury share	special reserves	Surplus reserves	Generic Risk Reserve	Undistributed profit	Differences arising on translation of financial statements denominated in foreign currencies	Subtotal		
I. Beginning balance of this year	17,512,048,088.00	37,330,639,029.54	-	11,788,986.69	21,132,255,172.18	-	30,754,305,445.21	(245,545,838.69)	106,495,490,882.93	6,974,505,417.34	113,469,996,300.27
II. Amount changes of this year	(390,000,000.00)	(1,438,417,898.35)	(115,785,165.80)	6,105,930.17	2,097,459,435.86	-	4,786,503,468.59	(54,087,936.68)	4,891,777,833.79	(1,020,016,142.30)	3,871,761,691.49
(I) Net profit	-	-	-	-	-	-	10,386,372,522.05	-	10,386,372,522.05	46,583,146.78	10,432,955,668.83
(II) Other comprehensive income	-	(16,455,482.36)	-	-	-	-	-	(54,087,936.68)	(70,543,419.04)	3,659,197.70	(66,884,221.34)
Subtotal of (I) and (II)	-	(16,455,482.36)	-	-	-	-	10,386,372,522.05	(54,087,936.68)	10,315,829,103.01	50,242,344.48	10,366,071,447.49
(III) Shareholders' contributions and reduction in capital	-	(11,221,713.79)	(1,916,525,868.00)	-	-	-	-	-	(1,927,747,581.79)	(875,260,926.96)	(2,803,008,508.75)
1. Capital contribution from owners	-	-	-	-	-	-	-	-	-	-	-
2. Capital contribution from minority interests in subsidiaries	-	-	-	-	-	-	-	-	-	359,470,173.87	359,470,173.87
3. Purchase of shares from minority interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	(11,221,713.79)	(1,916,525,868.00)	-	-	-	-	-	(1,927,747,581.79)	(1,234,731,100.83)	(3,162,478,682.62)
(IV) Profit distribution	-	-	-	-	2,097,459,435.86	-	(5,599,869,053.46)	-	(3,502,409,617.60)	(195,106,029.81)	(3,697,515,647.41)
1. Transfer to surplus reserve	-	-	-	-	2,097,459,435.86	-	(2,097,459,435.86)	-	-	-	-
2. Distribution to shareholders	-	-	-	-	-	-	(3,502,409,617.60)	-	(3,502,409,617.60)	-	(3,502,409,617.60)
3. Dividends of minority shareholder	-	-	-	-	-	-	-	-	-	(195,106,029.81)	(195,106,029.81)
(V) Transfers within owners' equity	(390,000,000.00)	(1,410,740,702.20)	1,800,740,702.20	-	-	-	-	-	-	-	-
1. Others	(390,000,000.00)	(1,410,740,702.20)	1,800,740,702.20	-	-	-	-	-	-	-	-
(VI) Special reserves	-	-	-	6,105,930.17	-	-	-	-	6,105,930.17	108,469.99	6,214,400.16
1. Transfer to special reserve in the year	-	-	-	166,742,174.93	-	-	-	-	166,742,174.93	8,134,643.93	174,876,818.86
2. Amount utilized in the year	-	-	-	(160,636,244.76)	-	-	-	-	(160,636,244.76)	(8,026,173.94)	(168,662,418.70)
III. Ending balance of this year	17,122,048,088.00	35,892,221,131.19	(115,785,165.80)	17,894,916.86	23,229,714,608.04	-	35,540,808,913.80	(299,633,775.37)	111,387,268,716.72	5,954,489,275.04	117,341,757,991.76

The company statement of changes in shareholders' equity

Jan-Jun 2013

Name of enterprise

Baoshan Iron & Steel Co., Ltd

Unit: Yuan Currency: RMB Audit types: unaudited

Item	Jan-Jun 2013							
	capital	Capital reserve	Less: Treasury share	special reserves	Surplus reserves	Generic Risk Reserve	Undistributed profit	Total Shareholder's Equity
I 、 Beginning balance of this period	17,122,048,088.00	35,894,640,824.12	(115,785,165.80)	-	23,229,714,608.04	-	27,655,734,884.98	103,786,353,239.34
II、 Amount changes of this period	(650,323,164.00)	(3,155,891,254.82)	115,785,165.80	4,745,728.18	-	-	1,190,338,915.81	(2,495,344,609.03)
(一) Net profit	-	-	-	-	-	-	3,468,707,907.26	3,468,707,907.26
(II) Other comprehensive income (Loss)	-	(6,305,423.71)	-	-	-	-	-	(6,305,423.71)
Subtotal of (I) and (II)	-	(6,305,423.71)	-	-	-	-	3,468,707,907.26	3,462,402,483.55
(III) Shareholders's contributions and reduction in capital	-	(600,649,697.31)	(3,083,474,132.00)	-	-	-	-	(3,684,123,829.31)
1. Capital contribution from owners	-	-	-	-	-	-	-	-
2. Business combination involving enterprises under common control	-	(621,126,672.47)	-	-	-	-	-	(621,126,672.47)
3. Others	-	20,476,975.16	(3,083,474,132.00)	-	-	-	-	(3,062,997,156.84)
(IV) Profit distribution	-	-	-	-	-	-	(2,278,368,991.45)	(2,278,368,991.45)
1. Transfer to surplus reserve	-	-	-	-	-	-	-	-
2. Distribution to shareholders	-	-	-	-	-	-	(2,278,368,991.45)	(2,278,368,991.45)
(V) Transfers within owners' equity	(650,323,164.00)	(2,548,936,133.80)	3,199,259,297.80	-	-	-	-	-
1. Others	(650,323,164.00)	(2,548,936,133.80)	3,199,259,297.80	-	-	-	-	-
(VI) Special reserves	-	-	-	4,745,728.18	-	-	-	4,745,728.18
1. Transfer to special reserve in the year	-	-	-	86,450,305.04	-	-	-	86,450,305.04
2. Amount utilized in the year	-	-	-	(81,704,576.86)	-	-	-	(81,704,576.86)
III、 Ending balance of current period	16,471,724,924.00	32,738,749,569.30	-	4,745,728.18	23,229,714,608.04	-	28,846,073,800.79	101,291,008,630.31

The company statement of changes in shareholders' equity (Continued)

2012

Name of enterprise

Baoshan Iron & Steel Co., Ltd.

Unit: Yuan Currency: RMB Audit types: unaudited

Item	2012							
	capital	Capital reserve	Less: Treasury share	special reserves	Surplus reserves	Generic Risk Reserve	Undistributed profit	Total Shareholder's Equity
I . Beginning balance of this year	17,512,048,088.00	37,207,402,138.54	-	-	21,132,255,172.18	-	22,768,306,759.11	98,620,012,157.83
II. Amount changes of this year	(390,000,000.00)	(1,312,761,314.42)	(115,785,165.80)	-	2,097,459,435.86	-	4,887,428,125.87	5,166,341,081.51
(I) Net profit	-	-	-	-	-	-	10,487,297,179.33	10,487,297,179.33
(II) Other Comprehensive Income (Loss)	-	(92,180.29)	-	-	-	-	-	(92,180.29)
Subtotal of (I) and (II)	-	(92,180.29)	-	-	-	-	10,487,297,179.33	10,487,204,999.04
(III) Shareholders' contributions and reduction in capital	-	98,071,568.07	(1,916,525,868.00)	-	-	-	-	(1,818,454,299.93)
1. Capital contribution from owners	-	-	-	-	-	-	-	-
2. Others	-	98,071,568.07	(1,916,525,868.00)	-	-	-	-	(1,818,454,299.93)
(IV) Profit distribution	-	-	-	-	2,097,459,435.86	-	(5,599,869,053.46)	(3,502,409,617.60)
1. Transfer to surplus reserve	-	-	-	-	2,097,459,435.86	-	(2,097,459,435.86)	-
2. Distribution to shareholders	-	-	-	-	-	-	(3,502,409,617.60)	(3,502,409,617.60)
(V) Transfers within owners' equity	(390,000,000.00)	(1,410,740,702.20)	1,800,740,702.20	-	-	-	-	-
1. Others	(390,000,000.00)	(1,410,740,702.20)	1,800,740,702.20	-	-	-	-	-
(VI) Special reserves	-	-	-	-	-	-	-	-
1. Transfer to special reserve in the year	-	-	-	105,699,301.51	-	-	-	105,699,301.51
2. Amount utilized in the year	-	-	-	(105,699,301.51)	-	-	-	(105,699,301.51)
III. Balance by the end of this year	17,122,048,088.00	35,894,640,824.12	(115,785,165.80)	-	23,229,714,608.04	-	27,655,734,884.98	103,786,353,239.34

(I) 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"). With approval of the State Economic and Trade Commission of China by the GJMQG [1999] No. 1266 document the Company is founded solely by the Shanghai Baosteel Group Co., Ltd. (originally called "Shanghai Baosteel Group Corporation" and hereinafter referred to as "Baosteel Group"), and was officially registered in Shanghai on February 3, 2000, with the registration number of 310000000074519.

The Company took over related businesses, assets and liabilities from Baosteel Group by means of issuing 10,635,000,000 ordinary shares to Baosteel Group with a par value of RMB 1.00 each on the date of establishment.

The Company issued 1,877,000,000 ordinary shares (A shares) to the general public with a par value of RMB1 each and an offer price of RMB4.18 by means of on-line stock exchange listing coupled with off-line rationed subscription, from 6 to 24 November 2000, in compliance with the approval document No. [2000] 140, issued by the China Securities Regulatory Commission (the "CSRC").

Following the approval by the CSRC, as provided in the approval document No. [2005]15, during 21 to 26 of April 2005, the Company issued five billion shares with a par value of RMB1.00 each and an offer price of RMB5.12 per share, including three billion state-owned shares to Shanghai Baosteel Group Corporation and two billion to the general public, with the latter on a combinatory basis of preferential claiming, pro-rata and online and off-line bidding inquiry.

Approved by the CSRC (No. 739 document in 2008), the Company issued RMB10 billion convertible loan notes featuring the separation between liability and conversion option components on 20 June 2008. In this issuance, the original circulating shareholders for unlimited sale (of shares) conditions were given the priority for placing, and the rest of the notes were sold to institutional investors through price inquiry and to online applicants. The notes were issued based on the face value, which was RMB100.00 per stock. The dividend was paid once a year and the principal was returned once and for all when the time expired. The annual contract interest rate was 0.8%. The purchaser of the note was able to obtain 16 copies of stock purchase components issued by the issuer, the duration of the component was 24 months from the day when it was listed, and the exercising period was the last 5 trading days of the duration. The exercise proportion was 2:1 and the initial exercise price was RMB12.50 per stock. The liability and conversion option components were listed and traded on Shanghai Stock Exchange on 4 July 2008. The exercise price was then adjusted to RMB11.80 per stock due to dividend. The exercising period was from 28 June to 3 July 2010. A total of 113,785 components were successfully exercised before the stock market closed on 2 July 2010, the last effective exercise date for "Baosteel CWB1", increasing 48,088 shares of the Company.

According to "The Board's Resolution on the motion of repurchase shares of the company by centralized bidding", "The creditors' notice about repurchase shares of Baoshan Iron & Steel Co., Ltd.", "The 2012 second Resolution of extraordinary shareholders meeting of Baoshan Iron & Steel Co., Ltd." and the Company's revised articles of association, the Company repurchased A-shares on Shanghai Stock Exchange by centralized bidding with price no more than RMB5 per share and amount no more than RMB5 billion in total. The first repurchase began on 21 September 2012, and the Company has repurchased 414,055,508 shares by the end of 2012. According to the resolution and the Company's revised articles of association, the Company applied for reduction of share capital RMB0.39 billion and finished all procedures with China Securities Depository and Clearing Corporation Limited., Shanghai Branch on 20 December 2012. The Company renewed all commercial registration in December 2012, and the updated registered share capital is RMB17,122,048,088.00 as at 31 December 2012.

During the reporting period, 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 of RMB 650,323,164, and completed the cancellation of 650,323,164 shares with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited (CSDC) on 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.

By the end of the reporting period, out of the RMB 16,471,724,924 ordinary shares without sales restriction of the Company, Baosteel Group had held 13,128,825,267 shares with a shareholding ratio of 79.71%.

The business scope of the Company: iron and steel smelting and processing, power generation, coal, industrial gas production, port terminals, warehouse storage, transportation and other business relating to steels, technology development, technology transfer, technology service, technical management consultation service, automobile maintenance, operation of export business of self-made products and technologies, operation of import business of raw/auxiliary materials, instruments, mechanical equipments, 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), operation of imported materials processing, processing and assembly with supplied materials and parts or compensation trade. The Company is mainly engaged in the manufacture and sales of steel products, as well as sales and service of by-products arising from the production and sales of steels.

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.

(II) Main Accounting Policies and Accounting Estimates of the Company

1. Preparation basis of Financial Statements

The Group implements the Accounting Standards for Business Enterprises ("ASBE") promulgated by the Ministry of Finance on February 15, 2006 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 2010).

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.

2. 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 and consolidated financial position as of June 30, 2013, and the Company's and consolidated results of operations and cash flows during January~June, 2013.

3. Accounting period

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

4. 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.

5. 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.

5.1 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 at the current period.

5.2 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 acquire. The intermediary costs for audit, legal services, and evaluation and other related overhead costs shall be recorded into the profits and losses at the current period. 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 acquiree held before the acquisition date. The equity of the acquiree held before the acquisition date shall be re-measure in light of their fair values on the acquisition date. The difference between the fair value and its carrying value shall be recorded into the current investment income; The equity of the acquiree held before the acquisition date which involves the other comprehensive incomes, shall be transferred into the current investment income on the acquisition date in conjunction with the other related comprehensive incomes.

(II) Main Accounting Policies and Accounting Estimates of the Company -Continued

5、Accounting treatment methods concerning business combination involving enterprises under common control and not under common control -Continued

5.2 Business combination not involving enterprises under common control-Continued

The identifiable assets, liabilities and contingent liabilities which meet the recognition conditions and are obtained by the acquirer from the acquiree 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 acquiree as business reputation and conduct initial measurement on a cost basis. The acquirer shall treat the balance between the combination costs and the fair value of various identifiable net assets it obtains from the acquire, and it shall reexamine the measurement of the fair values of the identifiable assets, liabilities and contingent liabilities it obtains from the acquiree 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.

6. Preparation Method of Consolidated Financial Statements

The scope of consolidated financial statements is determined on the basis of control. Control is the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its operating activities.

As for the subsidiaries disposed of by the Group, the operating results and cash flow before the disposition date (the date when the control rights are deprived of) have been included in the consolidated profit statement and the Consolidated Statement of Cash Flow where appropriate.

Where a subsidiary has been acquired through a business combination not involving enterprises under common control, the subsidiaries operating results and cash flows after the acquisition date are appropriately included in the consolidated income statement and the consolidated cash flow statement, and no adjustments are made to the opening balance and comparative figures of the consolidated financial statements.

A subsidiary has been acquired through a business combination involving enterprises, as if the subsidiary and the finally controlled party have been incorporated into the consolidation scope of the Group no matter whether the business combination occurs at any time point of the reporting period. Where a subsidiary has been acquired through a business combination involving enterprise under common control, the subsidiaries' operating results and cash flows from the beginning of the reporting period to the combination date are appropriately included in the consolidated income statement and the consolidated cash flow statement. Major accounting policies and accounting periods adopted by the subsidiary (ies) are defined according to the standardized accounting policies and accounting periods established by the Company.

All significant intra-group accounts and transactions between the Company and its subsidiaries or between subsidiaries are eliminated on consolidation.

The portion of a subsidiaries equity that is not attributable to the parent is treated as minority interest and presented as "minority interest" in the consolidated balance sheet within owner's equity. The portion of net profits or losses of subsidiaries for the period attributable to minority interest is presented in the consolidated income statement below the "net profit" line item as "minority interest".

When the amount of loss attributable to the minority shareholders of a subsidiary exceeds the minority shareholders portion of the opening balance of owners' equity of the subsidiary, the excess amount is still

allocated against minority interest.

Changes in a parents 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 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.

When an entity loses control of a subsidiary resulting from the disposal of part of the investment or other reasons, the investment retained in the former subsidiary is re-measure at its fair value at the date when control is lost. The difference between the sum of the consideration received from the disposal of the investment and the fair value of the investment retained in the former subsidiary, and the shares of the net assets calculated according to former proportion of the ownership interest is recognized in the investment income at the date when control is lost. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to investment income when the control is lost.

7. Cash and cash equivalents

Cash comprises cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(II) Main Accounting Policies and Accounting Estimates of the Company -Continued

8. Translation of transactions denominated in foreign currencies

8.1 Foreign currency transaction

On initial recognition, foreign currency transactions are translated by applying the spot exchange rate at the dates of the transactions.

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 in capital reserve.

Where the Consolidated Financial Statements involve overseas businesses, the exchange differences resulting from fluctuation in exchange rates will be listed into "foreign currency translation differences" 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.

8.2 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 except for retained earnings 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 opening balance of retained earnings is the translated closing balance of the previous year's retained earnings; the closing balance of retained earnings is calculated and presented on the basis of each translated income statement and profit distribution item. The difference between the translated assets and the aggregate of liabilities and shareholders' equity items is separately presented as the exchange differences arising on translation of financial statements denominated in foreign currencies under the shareholders' equity in the balance sheet.

Cash flows arising from a transaction in foreign currency and the cash flows of a foreign subsidiary are translated at the average exchange rate in the period of the cash flows. The effect of exchange rate changes on cash and cash equivalents is regarded as a reconciling item and presented separately in the cash flow statement as "effect of exchange rate changes on cash and cash equivalents".

The opening balances and the comparative figures of previous year are presented at the translated amounts in the previous year's financial statements.

9. Financial instruments

The Group shall recognize a financial asset or a financial liability when the Group becomes a party to the contractual provisions of the financial instrument. 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 initial recognition amounts.

9.1 Determination of fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms length transaction. If there is an active market for a financial asset or financial liability, the quoted price in the active market is used to establish the fair value of the financial instrument by the Group. Quoted prices from an active market are prices that are readily and regularly available from an exchange, dealer, broker, industry group or pricing service agency etc., and represent prices of actual market transactions on an arms length basis. If no active market exists for a financial instrument, the Group establishes fair value by using a valuation technique, which includes using recent market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

(II) Main Accounting Policies and Accounting Estimates of the Company -Continued

9. Financial instruments-Continued

9.2 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, an enterprise shall estimate future cash flows considering all contractual terms of the financial asset or financial liability (including prepayment, call and similar options). The calculation of the effective interest rate shall include 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.

9.3 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 way purchase or sales of financial assets are recognized and derecognized on a settlement date basis.

9.3.1 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 obviously 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.

Financial assets at held for trading 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.

9.3.2 Held-to-maturity investment

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.

The investments held until their maturity is 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.

(II) Main Accounting Policies and Accounting Estimates of the Company -Continued

9. Financial instruments -Continued

9.3 Classification, recognition and measurement of financial assets -Continued

9.3.3 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.

9.3.4 AFS financial assets

AFS financial assets are those non-derivative financial assets that are designated as available-for-sale, or the financial assets other than the financial assets at FVTPL, (2) loans and receivables, and (3) 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 resulted 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 and recorded into the capital reserves, and recognized 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 assets that is linked to and must be settled by delivery of such unquoted equity instruments, which shall be measured at cost.

9.4 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 evidence that a financial asset is impaired includes evidence arising 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 lender, for economic or legal reasons relating to the borrowers financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- (4) It becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- (5) The disappearance of an active market for that financial asset because of 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: - Adverse changes in the payment status of borrowers in the group; - National or local economic conditions that correlate with defaults on the assets in the group;
- (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 below its cost;
- (9) Other objective evidence indicating there is an impairment of a financial asset.

(II) Main Accounting Policies and Accounting Estimates of the Company -Continued

9. Financial instruments -Continued

9.4 Impairment of financial assets -Continued

- Impairment of financial assets carried at amortized cost

If financial assets carried at amortized cost are 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 amount of reduction shall be recognized as an impairment loss in profit or loss. If, subsequent to the recognition of an impairment loss on a financial asset carried 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 (such as an improvement in the debtors credit rating), 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.

An impairment test shall be made on the financial assets with significant single amounts. With regard to the financial assets with insignificant single amounts, an independent 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 independent 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

Where an AFS financial asset is impaired, the accumulative losses arising from the decrease of the fair values which has been originally included in the capital reserves 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 measured on the basis of post-amortization costs is recognized as having suffered from any impairment loss, if there is any 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 (e.g., the credit rating of the debtor has been elevated, etc.), the impairment-related losses as originally recognized shall be reversed and be recorded into the profits and losses of the current period. If, in a subsequent period after recognition of impairment loss, there is any objective evidence proving that the value of the said financial asset has been restored has been related objectively to an event occurring after the impairment was recognized, the previously recognized impairment losses are reversed. The reversal of impairment losses of AFS equity instruments is recognized in equity and capital surplus, 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.

9.5 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 assets.

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.

(II) Main Accounting Policies and Accounting Estimates of the Company -Continued

9. Financial instruments -Continued

9.6 Classification, recognition and measurement of financial liabilities

The Group recognizes a contractual obligation with substantial terms and financial liability or equity instrument recognized according to their definition as financial liability or equity instrument.

On initial recognition, financial liabilities are classified as either financial liabilities at fair value through

profit or loss (FVTPL) or other financial liabilities. The Group does not hold financial liabilities at fair value through profit or loss (FVTPL) at present.

9.6.1 Financial liabilities at FVTPL

Financial liabilities 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 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; 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 obviously reduce the discrepancies in the recognition or measurement of relevant gains or losses arising from the different basis of measurement of the financial liabilities 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 liabilities and financial liabilities will be managed and evaluated on the basis of their fair values and be reported to the key management personnel.

Financial liabilities at held for trading 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.

9.6.2 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 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.

9.7 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 the period.

9.8 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.

(II) Main Accounting Policies and Accounting Estimates of the Company -Continued

9. Financial instruments -Continued

9.9 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.

9.10 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The consideration received from issuing equity instruments, net of transaction costs, is added to shareholder's equity.

All types of distributions made by the Group to holders of equity instruments (excluding stock dividends) are deducted from shareholder's equity. The Group does not recognize changes in the fair value of equity instruments.

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).

9.11 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.

10. Accounts receivable

10.1 Individually significant receivables with recognizing bad debt provision individually.

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 recognizing bad debt provision individually.	An impairment test shall be independently made on the accounts receivable with significant single amounts. The financial assets 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.

(II) Main Accounting Policies and Accounting Estimates of the Company -Continued

10. Accounts receivable-continued

10.2 Receivables for which bad debt provision is collectively assessed on a portfolio basis

Account receivables with single amount insignificant and the account receivables which have not been impaired during the single test in spite of significant amount	<p>The Group makes the accounts receivable classified into several age groups by taking the age as the credit risk characteristics. On the basis of the actual loss ratio of the age group of the accounts receivable with the credit risk characteristics same as or similar to that of previous years, the proportion of the bad-debt provisions of each age group in the current year shall be determined in light of the present situations, whereby the bad-debt provisions of each age group in the current year which shall be made for the accounts receivable shall be calculated.</p> <p>No bad-debt provisions shall be made for the account receivables with single amount significant or insignificant, which can be recovered in the short term without credit risk.</p>
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Combination of Bad-debt Provisions Made using the Aging Analysis Method.

Age	Percentage of Provisions for Bad Debts of Receivables (%)	Percentage of Provisions for Bad Debts other Receivables (%)
1 year or less (including 1 year)	5	5
1-2 years (including 2 years)	30	30
2-3 years (including 3 years)	60	60
3 years or more	100	100

10.3 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-debts provisions

11. Inventories

11.1 Classification of inventories

The Inventories are mainly classified as raw materials, goods 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.

11.2 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.

11.3 Recognition of the net realizable value and measurement of provision for decline in value of inventories

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 reserves 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.

11.4 Stock count system of inventories

The perpetual inventory system is adopted for stock count.

(II) Main Accounting Policies and Accounting Estimates of the Company -Continued

11. Inventories -Continued

11.5 Amortization methods of low-value consumables and wrap pages

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

12. Long-term equity investments

12.1 Recognition of investment cost

For a long-term equity investment acquired through a business combination involving enterprises under common control, the share of the book value of the shareholder's equity of the combined party shall be taken as the investment cost on the combination date; for a long-term equity investment acquired through business combination not involving enterprises under common control, the combination cost shall be taken as the investment cost of the long-term equity investment. for a long-term equity investment acquired through business combination not involving enterprises under common control through several transactions, the long-term equity investment cost shall be the sum of the book value of the equity investment of the acquiree held prior to the acquisition date and the investment cost newly added on the acquisition date. The long-term equity investment acquired through means other than a business combination is initially measured at its cost.

12.2 Subsequent measurement and recognition of profit and loss

12.2.1 Long-term equity investment accounted for using the cost method

Where the Group does not have joint control or significant influence over the invested, the long-term equity investment is not quoted in an active market and its fair value cannot be reliably measured, a long-term equity investment shall be accounted for using the cost method. Besides, in the Financial Statements of the Company, the long-term equity investment of a subsidiary shall be accounted for using the cost method. A subsidiary means the invested over which the Group can exercise control.

For the accounting using the cost method, a long-term equity investment shall be measured at initial investment cost. The current investment incomes other than the payment actually made for the acquisition of investment or the cash dividends or profits declared but not distributed as contained in the consideration shall be recognized depending on the cash dividends or profits distributed as declared by the invested.

12.2.2 A long-term equity investment accounted for using the equity method

Long-term equity investments in associated enterprises and in joint ventures shall be accounted for using

the equity method. The associated enterprise means the invested over which the Group has joint control and significant influence; the joint venture means invested over which the Group and the other investors exercise joint control.

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.

Under the equity method, investment income or loss represents the investor's attributable or sharable share of the net profits or losses made by the invested for the current period. The Group recognizes its share of the investee's net profits or losses based on the fair values of the invested individual separately identifiable assets at the acquisition date, after making appropriate adjustments thereto in conformity with the accounting policies and accounting periods of the Group. For the unrealized profit or loss between the Group and an associate or joint venture, the part belongs to the Group, calculated with ratio of shares held by the Group, should be offset. Accordingly, the Group recognizes investment income. But if the unrealized loss is related with an impairment of the assets transferred between the Group and the invested, the loss cannot be offset. For any changes in shareholders' equity other than net profits or losses in the invested, the Group adjusts the book value of the long-term equity investment and includes the corresponding adjustment in other comprehensive income of capital reserve.

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 in substance 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.

For a long-term equity investment in an associate or joint venture held prior to first-time implementation on January 1, 2007 of new CASs, if an equity investment debit balance associated with the investment exists, the amount amortized on a straight-line basis during the remaining period shall be included in profit or loss for the current period.

(II) Main Accounting Policies and Accounting Estimates of the Company -Continued**12. Long--term equity investment -Continued****12.2 - Subsequent measurement and recognition of profit and loss-Continued****12.2.3 Disposal of a long-term equity investment**

On disposal of a long term equity investment, the difference between the proceeds actually received and the book value shall be recognized in profit or loss for the current period. For a long-term equity investment accounted for using the equity method, any changes in the included in the shareholder's owners equity of the investing enterprise, shall be transferred to profit or loss for the current period on a pro- rata basis according to the proportion disposed of.

12.3 Criteria for recognition of joint control or significant influence over an invested

"Control" is the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its operating activities. "Joint control" is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control. "Significant influence" is the power to participate in the financial and operating policy decisions of the invested but can not exercise control or joint control over those policies. When determining whether the Group is able to exercise control or significant influence over an invested, the effect of potential voting rights of the invested (for example, warrants and convertible debts) held by the investor and other parties that are currently exercisable or convertible is considered.

12.4 Method of impairment provision of long-term investment

The Group assesses at each balance sheet date whether there is any indication that long-term equity investments may be impaired. If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If the recoverable amount of an asset is less than its book value, the difference is recognized as an impairment loss and charged to profit or loss for the current period.

Once an impairment loss on long-term equity investment is recognized, it is not reversed in a subsequent period

13. Investment property

Investment property means a property held to earn rentals or for capital appreciation or both, comprising a land use right 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 is 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 land use right.

The Group assesses at each balance sheet date whether there is any indication that investment properties may be impaired. If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, an enterprise shall determine the recoverable amount of the asset group to which the assets belongs to. If the recoverable amount of an asset or an asset group is less than its book value, the difference is recognized as an impairment loss and charged to profit or loss for the current period

Once an impairment loss on investment properties is recognized, it is not reversed in a subsequent period.

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.

(II) Main Accounting Policies and Accounting Estimates of the Company -Continued**14. Fixed assets****14.1 Recognition of fixed assets**

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 recognised in profit or loss in the period in which they are incurred.

14.2 Depreciation method of various fixed assets

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	Depreciable Life (Years)	Residual Value (%)	Annual Depreciation (%)
Houses and buildings	15-35 4	2.7-6.4	
Machinery equipment	7-15 4	6.4-13.7	
Transportation facilities	5-10 4	9.6-19.2	
Office facilities and other facilities	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.

14.3 Impairment test method and bad-debt impairment provision method of fixed assets

The Group assesses at each balance sheet date whether there is any indication that fixed assets may be impaired. If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group to which the asset belongs. If the recoverable amount of an asset or an asset group is less than its book value, the difference is recognized as an impairment loss and charged to profit or loss for the current period.

Once any impairment loss on fixed assets is recognized, it is not reversed in a subsequent period.

14.4 Other description

The Group shall review the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least at each financial year-end. 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.

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.

(II) Main Accounting Policies and Accounting Estimates of the Company -Continued**15. 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 relegated expenses. Construction in progress is not subject to depreciation.

The Group assesses at each balance sheet date whether there is any indication that construction in progress may be impaired. If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group to which the asset belongs. If the recoverable amount of an asset and asset group is less than its book value, the difference is recognized as an impairment loss and charged to profit or loss for the current period.

Once any loss of asset impairment is recognized, it is not reversed in a subsequent period.

16. Borrowing costs

Borrowing costs include the costs for amortization of interest on borrowings, of discounts or of premium, and auxiliary costs, as well as currency translation difference arising from the foreign currency loans, etc. For borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, capitalization of such borrowing costs can commence only when all of the following conditions are satisfied: (1) expenditures for the asset are being incurred; (2) borrowing costs are being 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 commenced. Capitalization of such borrowing costs ceases when the qualifying assets being acquired, constructed or produced become ready for their intended use or sale. Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally and when the interruption is for a continuous period of more than 3 months, until the acquisition, construction or production is resumed. The amount of other borrowing costs incurred is recognized as an expense in the period in which they are 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.

During the period of capitalization, the foreign currency translation differences of special borrowings shall be capitalized; the foreign currency translation differences of special borrowings shall be recorded into the profits and losses of the current period.

The term "assets eligible for capitalization" shall refer to the fixed assets, investment real estate, inventories and other assets, of which the acquisition and construction or production may take quite a long time to get ready for its intended use or for sale.

17. Intangible assets**17.1 Intangible assets**

Intangible assets include the right to use the land, software and etc.

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

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

(II) Main Accounting Policies and Accounting Estimates of the Company -Continued

17. Intangible assets -Continued

17.2 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 on the development phase shall be recognized as an intangible asset only when they meet the following conditions simultaneously. Expenditures on the development phase failed to meet the criteria mentioned below shall be recognized in profit or loss for the period in which it is incurred:

- (1) The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (2) The intention to complete the intangible asset and use or sell it;
- (3) The existence of a market for the output of the intangible asset or the intangible as set itself;
- (4) The availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset;
- (5) Its ability to measure reliably the expenditure attributable to the intangible asset during its development phase.

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

17.3 Impairment test method and bad-debt impairment provision method of intangible assets

The Group assesses at each balance sheet date whether there is any indication that intangible assets with a definite service life may be impaired. If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, an enterprise shall determine the recoverable amount of the asset group to which the assets belongs to. If the recoverable amount of an asset or an asset group is less than its book value, the difference is recognized as an impairment loss and charged to profit or loss for the current period

The impairment test shall be performed on an annual basis no matter whether there is any indication that intangible assets with an indefinite service life and intangible assets which have not reached the serviceable conditions may be impaired.

Once an impairment loss on intangible assets is recognized, it is not reversed in a subsequent period.

18. 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 prepayments shall be evenly amortized over the respective beneficial period. If the long-term prepaid expenses items can not benefit the accounting period in future, then all amortized values of prepaid expenses shall be transferred into the profits and losses of the current period.

19. Asset transfer conditioned by repurchases

19.1 Purchase of resold financial assets

Pursuant to contractual commitment, the financial assets resold at a fixed price on a future definite date not in the balance sheet shall be recognized. The costs paid for the purchase of such assets shall be presented as the purchase of resold financial assets in the balance sheet. The difference between the purchase price and resale price shall be recognized at the actual interest rate within the contractual period, and included in the interest incomes.

19.2 Sale of repurchased financial assets

Pursuant to contractual commitment, the financial assets repurchased at the fixed price on a future definite date not in the balance sheet shall be derecognized. The gains arising from the sales of such assets shall be presented as the sale of repurchased financial assets in the balance sheet. The difference between the sale price and repurchase price shall be recognized at the actual interest rate within the contractual period, and included in the interest expenditures.

(II) Main Accounting Policies and Accounting Estimates of the Company -Continued**20. Revenue****20.1 Revenue from sales of commodities**

No revenue from selling goods may be recognized unless 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 that usually keeps relation with 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 may flow into the enterprise; the relevant costs incurred or to be incurred can be measured in a reliable way.

20.2 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 costs.

If the result of a transaction concerning the rendering of labor services can not 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 the cost of labor services incurred is not expected to compensate, the cost incurred should be included in the current profits and losses, and no revenue from the rendering of labor services may be recognized.

Where a contract or agreement signed between the Group and the other enterprises concerns selling goods and rendering of labor services, if the part of sale of goods and the part of rendering labor services can be distinguished from each other and can be measured respectively, the part of sale of goods shall be conducted as selling goods and the part of rendering labor services shall be conducted as rendering labor services. If the part of selling goods and the part of rendering labor services can not be distinguished from each other, or if the part of sale of goods and the part of rendering labor services can be distinguished from each other but can not be measured respectively, both parts shall be conducted as selling goods.

20.3 Royalty revenues

The revenues shall be recognized in accordance with such time and such method as stipulated in the relevant contract or agreement.

20.4 Interest revenues

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

21. Government subsidies

A government subsidy means the monetary or non-monetary assets obtained free by the Group from the government, but excluding the capital invested in by the government as the owner of the enterprise. No government subsidy may be recognized unless the following conditions are met simultaneously as follows: the Group can meet the conditions for the government subsidies; and the Group can obtain the government subsidies.

If a government subsidy is a monetary asset, it shall be measured in the light of the received or receivable amount.

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.

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 there is the deferred income 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 there is no deferred income concerned to the government subsidy, 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 dealt with as a special account payable. Among them, where the 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. If any, the balance after the amount transferred into the deferred incomes is deducted from the obtained relocation compensation shall be recognized as the capital reserve.

(II) Main Accounting Policies and Accounting Estimates of the Company -Continued

22. Deferred income tax assets and deferred income tax liabilities

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

22.1 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 recovered) according to the requirements of tax laws.

22.2 Deferred tax assets and deferred tax liabilities

The temporary 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, all temporary differences shall be used to recognize the related deferred income taxes. 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 the next year, 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 deferred income tax liabilities arising from the taxable temporary differences related to the investments of subsidiaries shall be recognized.

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 the reverse of 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 making up 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 day. 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 probable to obtain sufficient taxable income taxes, such write-down amount shall be subsequently reversed.

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

The deferred income tax assets and the deferred income tax liabilities of the Group shall be presented as the set-off net amount 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 realise 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.

(II) **Main Accounting Policies and Accounting Estimates of the Company -Continued**

23. Operating lease

The term "finance lease" shall refer to a lease that has transferred in substance 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.

23.1 The group records the operating lease business as a lease

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 recognized as the profits and losses of the current period. Contingent rents shall be recognized as an expense in the period in which they are actually incurred.

23.2 The group records the operating lease business as a leaser

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 by stages 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 recognized as an expense in the period in which they are actually incurred.

23.3 The Group records the financing business as a leaser

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 finance 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, the current financing incomes shall be recognized using the effective interest method. Contingent rents shall be recognized as an expense in 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.

24. Employee Compensation

During the accounting period of an employee' providing services to the Group, the Group shall recognize the compensation payable as liabilities except for the compensations for the cancellation of the labor relationship with the employee.

The Group shall, in accordance with the regulations, participate in the employee's social security system established by the governmental agencies, including basic pensions, medical insurance, unemployment insurance, housing funds and other social insurances. The relevant outlays shall be recognized in the relevant asset costs or the current profits and losses during the period in which they actually incurred.

If the Group cancels the labor relationship with any employee prior to the expiration of the relevant labor contract or brings forward any compensation proposal for the purpose of encouraging the employee to accept a layoff, and the following conditions are met concurrently, the Group shall recognize the expected liabilities incurred due to the compensation for the cancellation of the labor relationship with the employee, and shall simultaneously record them into the profit or loss for the current period: where the enterprise has formulated a formal plan on the cancellation of labor relationship or has brought forward a proposal on voluntary layoff and will execute it soon; the Group is unable to unilaterally withdraw the plan on the cancellation of labor relationship or the layoff proposal.

The internal staff retirement plan shall be treated according to the principle identical with that of the demission welfare mentioned above. The Group will, when the recognition condition of the estimated liabilities is met, recognize the early-retired personnel's wages proposed to be paid and the social insurance charges paid, etc. during the period from the date when an employee suspends the provision of service to the normal retirement date as the payroll payable and recorded into the profits and losses for the current period.

25. Basis of determining significant accounting policies and key assumptions and uncertainties in accounting estimates

In the application of the accounting policies described in Note (II), 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 a going concern 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.

(II) Main Accounting Policies and Accounting Estimates of the Company -Continued

25. Basis of determining significant accounting policies and key assumptions and uncertainties in accounting estimates -Continued

Critical assumptions and uncertain factors employed by the accounting estimates

The critical 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 next financial year are outlined as below.

25.1 Inventory falling price reserves

As mentioned in Note (II), 11, 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.

25.2 Impairment of accounts receivable

If there is a 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 of uncertainty. 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.

25.3 Deferred income tax assets

The realization of the deferred income tax assets shall mainly depend 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 fully recognized as the deferred income tax asset because whether to obtain the sufficient taxable incomes is uncertain.

25.4 Fixed assets depreciation reserves

The Group assesses at each balance sheet date whether there is any indication that intangible assets with a definite service life may be impaired. If there is any indication that carrying amount can not 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 sales negotiated 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.

(II) Main Accounting Policies and Accounting Estimates of the Company -Continued

26. Accounting estimate change

Whereas it is less likely that the bad-debt loss on the unit account receivable from Baosteel Group in the scope of consolidated statement, with approval of the sixth board meeting of the fifth session of the Company, the Group shall, since 2013, perform the independent impairment test for all unit accounts receivable from Baosteel Group in the scope of consolidated statement and make bad-debt provisions using the specific identification method, and shall not make the bad-debt provisions for the risk-free receivables, nor incorporate the combination to make the bad-debt provisions using the aging analysis method.

This accounting estimate change involves the accounting treatment related to the bad-debt provisions for the unit accounts receivable by the Group and its subsidiaries from Baosteel Group in the scope of consolidated statement. This change employs the prospective application, having an influences on the Group and the Company as follows:

Unit: RMB 10,000

Item	The Company		The Group	
	Influence of total profits	Influence of net profits and owner's equities	Influence of total profits	Influence of net profits and owner's equities
Jan-June 2013	57,766	43,325	4,939	3,704

(III) Tax**Main tax categories and tax rate**

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

Note: 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.

(IV) Business Combination and Consolidated Financial Statement**1. Particulars about major subsidiaries****(1) subsidiaries acquired through business combination under common control**

Full name of subsidiaries	Business type of subsidiaries	Registration place	Nature of business	Registered capital ('000)	Business scope	Actual closing amount of contribution ('000)	Balance of other items constituting the net investment in subsidiaries in essence	Shareholding ratio (%)	Voting right ratio(%)	Whether to consolidate statement	Minority shareholder's equity RMB 1000	Amount in Minority shareholder's equity available to write down Minority shareholder's equity
Yantai Lubao Steel Pipe Co., Ltd. ("Lubao Steel Pipe")	Limited liability company	Yantai	Manufacturing industry	RMB 100,000	Production and sales of steel pipes	RMB 79,820	-	79.82	79.82	Yes	136,997	-
Baosteel Huangshi Coating & Galvanizing Co., Ltd. (Huaneshi Coating & Galvanizing)	Limited liability company	Huangshi	Manufacturing industry	RMB 144,647	Production and sales of galvanized sheet and so	RMB 84,542	-	58.45	58.45	Yes	137,606	-
Shanghai Baosteel International Economic & Trading Co., Ltd. ("Baosteel International")	Limited liability company	Shanghai	Manufacturing industry	RMB 2,248, 879	Iron and steel trading	RMB 2,248,879	-	100	100	Yes	1,181,819	-
Shanghai Meishan Iron & Steel Co., Ltd. ("Meishan Steel")	Incorporated company	Nanjing	Manufacturing industry	RMB 7,081,426	Processing and sales of steel	RMB 5,455,836	-	77.04	77.04	Yes	2,576,344	-
Shanghai Baosight Software Co., Ltd. ("Baosight Software")	Incorporated company	Shanghai	Information technology	RMB 340,917	Software development	RMB 145,545	-	55.5	55.5	Yes	733,889	-
Baosteel America Inc. ("Baosteel America")	Limited liability company	Texas	Manufacturing industry	USD 980	Iron and steel trading	USD 980	-	100	100	Yes	-	-
HOWA TRADING CO.,LTD. ("Howa Trading")	Limited liability company	Tokyo	Manufacturing industry	JPY 876,000	Iron and steel trading	JPY 876,000	-	100	100	Yes	-	-
Baosteel Europe Co., Ltd. ("Baosteel Europe")	Limited liability company	Hamburg	Manufacturing industry	EUR 2,050	Iron and steel trading	EUR 2,050	-	100	100	Yes	61,548	-
Baosteel Singapore Trading Co., Ltd. ("Baosteel Singapore")	Limited liability company	Singapore	Manufacturing industry	SGD 1,500	Iron and steel trading	SGD 1,500	-	100	100	Yes	-	-
Bao-Trans Enterprises Ltd. (Bao-Trans Enterprises)	Limited liability company	Hong Kong	Manufacturing industry	HKD 1,000	Iron and steel trading	HKD 360,190	-	100	100	Yes	-	-
Baosteel Do Brasil Ltda (Baosteel Brazil Trading)	Limited liability company	Rio	Manufacturing industry	BRL 1,253	Iron and steel trading	USD 980	-	100	100	Yes	-	-
Shanghai Baosteel Chemical Co., Ltd. ("Baosteel Chemical")	Limited liability company	Shanghai	Manufacturing industry	RMB 2,110,047	Production and sales of chemical products	RMB 2,110,040	-	100	100	Yes	323,434	-
Baosteel Group Finance Co., Ltd. ("Finance Company")	Limited liability company	Shanghai	Financial industry	RMB 1,100,000	Financial foreign exchange business	RMB 310,500	-	62.1	62.1	Yes	620,942	-
Nantong Baosteel Iron & Steel Co., Ltd. ("Baotong Iron & Steel")	Limited liability company	Nantong	Manufacturing industry	RMB 620,532	Processing and sales of steels	RMB 594,582	-	95.82	95.82	Yes	24,018	-
Baosteel Zhanjiang Iron & Steel Co., Ltd. ("Zhanjiang Iron & Steel") (Note 1)	Limited liability company	Zhanjiang	Manufacturing industry	RMB 8,000,000	Steel smelting and processing	RMB 6,000,000	-	75	75	Yes	3,263,187	-

(2) subsidiaries acquired by establishment or investment and other means

Full name of subsidiaries	Business type of subsidiaries	Registration place	Nature of business	Registered capital ('000)	Business scope	Actual closing amount of contribution ('000)	Balance of other items constituting the net investment in subsidiaries in essence	Shareholding ratio (%)	Voting right ratio(%)	Whether to consolidate statement	Minority shareholder's equity RMB 1000	Amount in Minority shareholder's equity available to write down Minority shareholder's equity
Yantai Baosteel Steel Pipe Co., Ltd. ("Yanbao Steel Pipe")	Limited liability company	Yantai	Manufacturing industry	RMB 2,000,000	Production and sales of steel pipes	RMB 2,000,000	-	100	100	Yes	-	-
Shanghai Huagongbao E-commerce Co., Ltd. (Huagongbao)	Limited liability company	Shanghai	E-commerce	RMB 5,000	E-commerce	RMB 3,500	-	70	70	Yes	1,126	-
Xinjiang Karamay Steel Pipe Ltd. (Baoma Tube)	Limited liability company	Karamay	Manufacturing industry	RMB 48,898	Production and sales of steel pipes	RMB 36,674	-	75	75	Yes	11,731	-
Poly Pipe (Thailand) Co., Ltd. (Poly Pipe) (Note1)	Limited liability company	Thailand	Manufacturing industry	THB 2,800,000	Steel pipe processing	USD 37,577	-	51	51	Yes	215,597	-
BGM Co., Ltd. (BGM) (Note1)	Limited liability company	Gyeonggi-do	Manufacturing industry	KRW 10,000,000	Production and sales of steel products	KRW 5,000,000	-	50	Majority(Note 2)	Yes	16,832	-

Note 1: Zhanjiang Iron & Steel Co., Ltd. is a subsidiary newly incorporated into the scope of consolidation during this reporting period. In accordance with the *Proposal on Acquisition of Zhanjiang Iron & Steel Equity* adopted at the third board meeting of the fifth session of the Company, and the *Equity Transfer Agreement of Baosteel Zhanjiang Iron & Steel Co., Ltd.*, the Company acquired 71.8032 % equity of the Zhanjiang Iron & Steel Co., Ltd. held by Guangzhou State-owned Assets Supervision & Administration Commission (SASAC), and completed the payment for the equity accounts on October 31, 2012. The Zhanjiang Iron & Steel Co., Ltd. completed the equity alteration registration in January 2013, and was incorporated by the Company into the scope of consolidation in January 2013. Since the establishment date, the Zhanjiang Iron & Steel Co., Ltd. has been controlled by Baosteel Group, the equity of which has been acquired as the business combination under common control. According to the relevant regulations of the *Business Accounting Standards*, the opening balance of the balance sheet has been restated. According to the importance principle, no restatement has been made for the Consolidated Profit Statement and the Consolidated Statement of Cash Flow in the corresponding period of last year. Unless stated, the opening amount of the year involved in this Report shall be that as restated. During this reporting period, the Company increases a capital of RMB 907 million for Zhanjiang Iron & Steel Co., Ltd., after which the Company holds 75% equity of Zhanjiang Iron & Steel Co., Ltd.

(四) Business Combination and Consolidated Financial Statement -Continued**1. Major subsidiaries -Continued**

Note 2: On the balance sheet date, the investment in BGM by the Group accounts for 50%, while the Group owns a majority of voting rights. Hence, the Group conducts the calculation of BGM by incorporating it into the scope of consolidation as a subsidiary.

2. Business combination under common control during this reporting period

Combined party	Criterion for business combination under common control	Actual controller under common control	Net assets attributable to the parent company at the end of period RMB 1 000	Income from the beginning of the period of combination to the combination date RMB 1000	Net profit from the beginning of the period of combination to the combination date RMB 1000	Cash flow of operating activities from the beginning of the period of combination to the combination date RMB 1000
Baosteel Zhanjiang Iron & Steel Co., Ltd. ("Zhanjiang Iron & Steel")	Finally controlled by the same party before and after combination	Baosteel Group Corporation	6,954,259	--	-	-

(四) Business Combination and Consolidated Financial Statement -Continued

2. Exchange rate of translation of main report items of overseas operational entities

Currency	Average exchange rate		Period-end exchange rate	
	Jan-June 2013	2012	End of June 2013	End of 2012
USD	6.2321	6.2932	6.1787	6.2855
EUR	8.1856	8.2401	8.0536	8.3176
JPY	0.0678	0.0771	0.0626	0.0730
BRL	2.94037	3.22436	2.81016	3.07059
THB	0.2020	0.2023	0.1985	0.2054
KRW	0.005630	0.005672	0.005391	0.005868

(V) Notes to Consolidated Financial Statements**1. Monetary fund**

RMB

Items	Closing balance			Beginning balance		
	Foreign currency amount	Conversion rate	RMB Amount	Foreign currency amount	Conversion rate	RMB Amount
Cash:						
RMB			701,559.76			894,131.30
Bank deposit:						
RMB			9,695,707,076.69			5,085,022,468.29
USD	375,639,329.13	6.1787	2,320,962,722.90	252,487,143.37	6.2855	1,587,007,939.68
JPY	6,563,826,818.37	0.0626	410,895,558.83	5,387,440,116.00	0.0730	393,547,113.06
EUR	38,929,603.59	8.0536	313,523,455.47	37,014,591.59	8.3176	307,872,567.02
HKD	911,590.01	0.7966	726,172.60	2,573,170.14	0.8109	2,086,455.01
THB	58,842,545.94	0.1985	11,680,245.37	406,286,396.84	0.2054	83,451,225.91
Other currencies			69,302,544.28			78,908,329.11
Other monetary funds						
RMB			48,060,810.72			93,317,392.48
Legal reserves deposited by the Finance Company in the Central Bank of China			1,408,237,704.34			1,219,017,357.42
Total			14,279,797,850.96			8,851,124,979.28

The particulars about the restricted monetary funds are listed as follows:

RMB

Items	Closing balance	Beginning balance
Legal reserves deposited by the Finance Company in the Central Bank of China	1,408,237,704.34	1,219,017,357.42

On June 30, 2013, the monetary capital deposited overseas by the Group amounted to rmb 1,936,015,763.22 (on December 31, 2012: RMB 1,714,803,262.36). On June 30, 2013, the other monetary capitals of the Group mainly include the refundable deposits of the Group amounting to RMB 4,332,710.46 (December 31, 2012: RMB 4,217,506.91), bank acceptance deposit amounting to RMB 38,792,967.3 (December 31, 2012: RMB 85,282,497.06), L/G deposit amounting to RMB 4,049,810.83 (December 31, 2012: RMB 1,605,092.40), and credit card deposit amounting to RMB 885,322.13 (December 31, 2012: RMB 148,573.77), etc.

2. Held-for-trading financial assets

The details of the held-for-trading financial assets are listed as follows:

RMB

Items	Period-end fair value	Year-beginning fair value
Held-for-trading bond investment	31,782,003.11	51,729,760.16
Held-for-trading fund investment	152,958,891.96	30,000,000.00
Derivative financial asset	4,240,999.99	7,848,049.15
Total	188,981,895.06	89,577,809.31

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

(V) Notes to Consolidated Financial Statements-Continued**3. Notes receivable****(1) Category of notes receivable**

RMB

Category	Closing balance	Beginning balance
Bank acceptance	8,739,950,199.44	11,852,905,308.99
Trade acceptance	628,248,041.16	558,397,876.32
Total	9,368,198,240.60	12,411,303,185.31

(2) At the end of the period and the beginning of the year, in the balance of notes receivable, there are no notes transferred into the receivables due to the drawer's inability to honor an agreement.

(3) At the end of the period and the beginning of the year, in the balance of notes receivable, there are no arrearage owed to the shareholders holding the shares with 5% or more of the voting rights.

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

4. Accounts receivable**(1) Disclosure of receivables by category:**

RMB

Category	Closing balance				Beginning balance			
	Book balance		Bad-debt provision		Book balance		Bad-debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Receivables with with single amount significant	2,635,100,099.35	23	69,200,403.19	17	2,092,051,700.36	23	104,602,585.02	28
Receivables with bad-debt provisions made individually in	68,291,855.44	1	68,291,855.44	17	59,812,102.36	1	59,812,102.36	17
Receivables with bad-debt provisions made by groups	8,486,297,329.02	76	267,682,913.25	66	6,766,491,715.40	76	202,809,785.36	55
Total	11,189,689,283.81	100	405,175,171.88	100	8,918,355,518.12	100	367,224,472.74	100

The ages of receivables are listed as bellows:

RMB

Age	Closing balance				Beginning balance			
	Amount	Proportion (%)	Bad-debt provision	Book value	Amount	Proportion (%)	Bad-debt provision	Book value
Within 1 year	10,724,676,441.12	96	274,505,494.48	10,450,170,946.64	8,444,404,488.72	94	267,537,990.34	8,176,866,498.38
1-2 years	244,408,923.58	2	39,303,869.31	205,105,054.27	323,807,678.02	4	21,664,769.93	302,142,908.09
2-3 years	130,481,900.37	1	23,073,952.65	107,407,947.72	71,624,990.42	1	18,209,610.11	53,415,380.31
3 years or more	90,122,018.74	1	68,291,855.44	21,830,163.30	78,518,360.96	1	59,812,102.36	18,706,258.60
Total	11,189,689,283.81	100	405,175,171.88	10,784,514,111.93	8,918,355,518.12	100	367,224,472.74	8,551,131,045.38

(V) Notes to Consolidated Financial Statements -Continued

4. Accounts receivable -Continued

(2) The bad-debt provisions for the closing accounts receivable with single amount significant or those for which independent impairment test is performed in spite of insignificant single amount.

RMB

Details of accounts receivables	Book balance	Bad-debt provision	Provision proportion (%)	Cause
Large-amount receivables	2,635,100,099.35	69,200,403.19	3	Note 1
Receivables with relatively	68,291,855.44	68,291,855.44	100	Note 2
Total	2,703,391,954.79	137,492,258.63		

The bad-debt provisions for the accounts receivable in the end of the pervious year with single amount significant or those for which independent impairment test is performed in spite of insignificant single amount.

RMB

Details of accounts	Book balance	Bad-debt provision	Provision	Cause
Large-amount receivables	2,092,051,700.36	104,602,585.02	5	Note 1
Receivables with relatively	59,812,102.36	59,812,102.36	100	Note 2
Total	2,151,863,802.72	164,414,687.38		

Note 1: No issues on significant receipts occur within one year of age. The bad-debt provisions are made at 5% for the accounts receivables outside Baosteel Group using the aging analysis method; no bad-debt provisions are made for the accounts receivables from the affiliated parties within Baosteel Group;

Note 2: The bad-debt provisions are made in full for the accounts with a relatively long age and remote possibility of recovery.

(3) For particulars about the accounts, in this reporting period, due from the shareholders which hold the shares of the Company with 5% or more of voting rights and from the other affiliated parties, refer to Note (VI), 6(2).

(4) As regards other accounts receivable, the particulars about top 5 shareholders are listed as follows:

RMB

Name of Shareholders	Relationship with the Company	Amount	Age limit	Proportion in total amount of receivables (%)
Shareholder I	Related party	812,904,709.93	Within 1 year	7
Shareholder II	Related party	576,214,842.23	Within 1 year	5
Shareholder III	Third party	466,743,285.00	Within 1 year	4
Shareholder IV	Related party	432,982,431.51	Within 1 year	4
Shareholder V	Related party	346,254,830.68	Within 1 year	3
Total		2,635,100,099.35		23

(5) 6(2).For the accounts due from affiliated parties in the balance of accounts receivable, refer to Note (VI), 6(2).

5. Advance payment

(1)The advance payment is presented by ages

RMB

Age	Closing balance		Beginning balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	4,426,568,779.54	94	3,612,030,958.89	97
1-2 years	251,455,533.49	5	93,434,794.28	3
2-3 years	38,158,324.12	1	10,385,058.49	-
3 years or more	19,968,269.74	-	486,632.02	-
Total	4,736,150,906.89	100	3,716,337,443.68	100

On June 30, 2013, the large-amount advance payments of the Group with an age of one year or more were mainly available for the procurement of large-sized equipment for the Construction in progress.

(V) Notes to Consolidated Financial Statements -Continued**5. Advance payment -Continued**

(2) As regards the advance payments, the particulars about the top 5 are listed as follows:

RMB

Name of Shareholders	Relationship with the Company	Amount	Time
Shareholder I	Related party	559,768,119.28	Within 1 year
Shareholder II	Third party	500,752,842.40	Within 1 year
Shareholder III	Third party	485,688,355.39	Within 1 year
Shareholder IV	Related party	322,507,438.29	Within 1 year
Shareholder V	Related party	200,820,000.00	Within 1 year
Total		2,069,536,755.36	

(3) At the end of the period and the beginning of the year, in the balance of advance payments, there are no accounts advanced to the shareholders which hold the shares of the Company with 5% or more of voting rights.

(4) The disclosures of advance payments by customer profiles are listed as follows:

RMB

Category	Closing balance	Beginning balance
Advance payment with single amount significant	2,069,536,755.36	1,491,789,693.40
Other advance payments with single amount insignificant	2,666,614,151.53	2,224,547,750.28
Total	4,736,150,906.89	3,716,337,443.68

(5) As regards the accounts advanced to the related parties, refer to Note (VI), 6(3).

6. Interest receivable

(1) Interest receivable

RMB

Items	Beginning balance	Increase for the current period	Decrease for the current period	Closing balance
Interest receivable	948,484,949.13	543,479,674.91	1,240,700,814.59	251,263,809.45

(2) Note: on the balance sheet date, the interest receivable of the Group has an age of less than one year.

(3) As regards the interests in the receivables due from related parties, refer to Note (VI), 6(4).

7. Dividend receivable

RMB

Items	Beginning balance	Increase for the current period	Decrease for the current period	Closing balance	Outstanding cause	Whether impairment of related accounts occur
Dividend receivable with an age of less than 1 year	5,649,323.48	-	5,649,323.48	-	-	-
Dividend receivable with an age of more than 1 year	27,990,563.34	-	27,990,563.34	-	-	-
Total	33,639,886.82	-	33,639,886.82	-	-	-

8. Other receivables

(1) Disclosure of other receivables by categories:

RMB

Category	Closing balance				Beginning balance			
	Book balance		Bad-debt provision		Book balance		Bad-debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Other receivables with a single amount significant	378,045,495.46	24	-	-	466,624,437.44	32	2,330,038.88	6
Other receivables for which independent impairment test is performed in spite of insignificant single amount	24,865,051.96	1	24,865,051.96	75	24,220,931.54	2	24,220,931.54	67
Other receivables for which the bad-debt provision are made by groups	1,270,634,889.84	75	8,217,577.81	25	932,340,306.65	66	9,523,884.58	27
Total	1,673,545,437.26	100	33,082,629.77	100	1,423,185,675.63	100	36,074,855.00	100

(V) Notes to Consolidated Financial Statements-Continued

8. Other accounts receivable-Continued

(1) Disclosure of other accounts receivable by categories-Continued:

The ages of other receivables are listed as bellows:

RMB

Age	Closing balance				Beginning balance			
	Amount	Proportion (%)	Bad-debt provision	Book value	Amount	Proportion (%)	Bad-debt provision	Book value
Within 1 year	1,323,183,054.10	78	4,816,414.93	1,318,366,639.17	1,069,443,372.69	75	7,211,357.38	1,062,232,015.31
1-2 years	28,810,046.81	2	1,202,510.45	27,607,536.36	24,793,620.57	2	2,614,178.68	22,179,441.89
2-3 years	9,164,988.74	1	2,198,652.43	6,966,336.31	8,979,361.67	1	2,028,387.40	6,950,974.27
3 years or more	312,387,347.61	19	24,865,051.96	287,522,295.65	319,969,320.70	22	24,220,931.54	295,748,389.16
Total	1,673,545,437.26	100	33,082,629.77	1,640,462,807.49	1,423,185,675.63	100	36,074,855.00	1,387,110,820.63

(2) Bad-debt provision for other closing accounts receivable with a single amount significant or those for which independent impairment test is performed in spite of insignificant single amount:

RMB

Details of other accounts receivable	Book balance	Bad-debt amount	Provision proportion (%)	Cause
Other large-amount receivables	378,045,495.46	-	-	Note 1
Other accounts receivables with a relatively long age	24,865,051.96	24,865,051.96	100	Note 2
Total	402,910,547.42	24,865,051.96		

Bad-debt provision for other accounts receivable at the end of the previous year with a single amount significant or those for which independent impairment test is performed in spite of insignificant single amount:
RMB

Details of other accounts receivable	Book balance	Bad-debt amount	Provision proportion (%)	Cause
Other large-amount receivables	466,624,437.44	2,330,038.88	0.5	Note 1
Other accounts receivables with a relatively long age	24,220,931.54	24,220,931.54	100	Note 2
Total	490,845,368.98	26,550,970.42		

Note 1: For the other large-amount receivables such as customs deposits, and the other receivables outside the Group and those due from the affiliated parties within the Group, relatively low in recovery risk, no bad-debt provisions are made.

Note 2: The bad-debt provisions are made in full for the accounts receivable with a relatively long age and remote possibility of recovery.

(3) As regards the other accounts in this reporting period, the shareholders which hold 5% or more of voting right shares of the Company and the other affiliated parties are described in Note (VI), 6(5).

(4) As regards other accounts receivables, the particulars about top 5 shareholders are as follows:

RMB

Name of Shareholders	Relationship with the Company	Amount	Age limit	Other accounts receivable Proportion (%)
Shareholder I	Third party	198,911,326.43	3 years or more	12
Shareholder II	Third party	52,810,650.00	3 years or more	3
Shareholder III	Related party	48,345,109.57	Within 1 year	3
Shareholder IV	Third party	46,398,409.46	Within 1 year	3
Shareholder V	Third party	31,580,000.00	3 years or more	2
Total		378,045,495.46		23

(V) Notes to Consolidated Financial Statements-Continued

9. Inventory

(1) Classification of inventories

RMB

Items	Closing balance			Beginning balance		
	Book balance	Falling price reserve	Book value	Book balance	Falling price reserve	Book value
Raw materials	6,945,728,861.24	63,232,988.05	6,882,495,873.19	7,310,245,911.40	22,419,384.55	7,287,826,526.85
Work-in-progress	9,648,237,718.15	206,994,503.28	9,441,243,214.87	7,771,738,033.33	180,588,026.30	7,591,150,007.03
Finished goods	11,889,511,952.00	497,064,861.64	11,392,447,090.36	10,534,004,003.87	348,474,943.23	10,185,529,060.64
Spare parts and others	3,814,460,422.30	60,194,235.82	3,754,266,186.48	3,870,142,701.45	62,224,606.76	3,807,918,094.69
Total	32,297,938,953.69	827,486,588.79	31,470,452,364.90	29,486,130,650.05	613,706,960.84	28,872,423,689.21

(2) Falling price reserve of inventories

RMB

Category of inventories	Year-beginning book balance	Provision amount for the current period	Decrease for the current period		Translation reserve	Period-end book balance
			Write-back	Write-off		
Raw materials	22,419,384.55	41,954,459.24	1,140,855.74	-	-	63,232,988.05
Work-in-progress	180,588,026.30	95,409,626.47	69,003,149.49	-	-	206,994,503.28
Finished goods	348,474,943.23	246,120,914.60	97,398,925.52	150,142.26	(18,071.59)	497,064,861.64
Spare parts and others	62,224,606.76	78,397.79	306,729.18	1,453,486.81	348,552.74	60,194,235.82
Total	613,706,960.84	383,563,398.10	167,849,659.93	1,603,629.07	330,481.15	827,486,588.79

(3) Particulars about falling price reserve of inventories

Items	Basis for accrual of falling price reserve of inventories	Causes for falling price reserve of write-back inventories	Proportion of write-back amount for the current period in the closing balance of this inventory
Raw materials	Book value of inventories lower than net realizable value	Products profitable due to recovery of market price	0.02%
Work-in-progress	Book value of inventories lower than net realizable value	Products profitable due to recovery of market price	0.72%
Finished goods	Book value of inventories lower than net realizable value	Products profitable due to recovery of market price	0.82%
Spare parts and others	Book value of inventories lower than net realizable value	Products profitable due to recovery of market price	0.01%

In the closing inventory balance, there are no amounts available for guarantee; in the closing inventory balance, there are no amounts without interests capitalized.

10. Non-current assets due within 1 year

RMB

Items	Closing balance	Opening balance
Entrusted financing products	211,143,830.00	380,000,000.00
Account arising from transfer of receivable assets (Note 1. Note 2)	4,500,000,000.00	4,500,000,000.00
Total	4,711,143,830.00	4,880,000,000.00

Note 1: Account arising from transfer of receivable assets due within one year amounts 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.

Note 2: As regards the accounts due from the related parties in the non-current assets due within one year, refer to Note (VI), 6(6).

(V) Notes to Consolidated Financial Statements-Continued**11. Loans and advances to customers****(1) Classification of loans and advances to customers**

RMB

Items	Closing balance	Beginning balance
Loans	2,364,086,887.76	2,237,151,741.38
Discount	407,898,089.06	624,042,867.81
Provision for loan impairment	(129,910,000.00)	(98,175,000.00)
Total	2,642,074,976.82	2,763,019,609.19

As regards the particulars about accounts in the loans and advances made, in the reporting period to the shareholders and other related parties which hold the 5% or more of voting right shares, refer to Note (VI), 6(7).

(2) Provision for loan impairment

RMB

Items	Year-beginning book balance	Provision amount for the current period	Decrease for the current period		Foreign currency translation difference	Period-end book balance
			Write-back	Write-off		
Provision for loan impairment	98,175,000.00	31,735,000.00	-	-	-	129,910,000.00

12. Available-for-sale (AFS) financial assets

RMB

Items	Period-end fair value	Year-beginning fair value
AFS bonds	431,983,630.00	398,845,360.00
AFS equity instruments	629,535,892.76	1,068,986,941.93
Total	1,061,519,522.76	1,467,832,301.93

(V) Notes to Consolidated Financial Statements -Continued

13. Long-term receivables

RMB		
Items	Closing balance	Opening balance
Account arising from transfer of receivable assets(Note 1)	18,000,000,000.00	22,500,000,000.00
Interest-free loan due from the Guangzhou Steel Group Co., Ltd. (Note 2)	1,500,000,000.00	1,500,000,000.00
Finance lease payment receivable	34,664,072.82	43,013,996.26
Including: unrealized financing incomes	(2,049,072.82)	(2,993,996.26)
Bad-debt provision	(3,450,750.00)	(4,081,000.00)
Less: Account arising from transfer of receivable assets, due within 1 year	4,500,000,000.00	4,500,000,000.00
Total	15,029,164,250.00	19,535,939,000.00

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 Division* (Lin 2012-007) issued by the Company on March 14, 2012, the Company transfers the related assets and equities of the Stainless Steel and Special Steel Business Division on the basis of evaluation value on the base date of assets evaluation (December 31, 2011) issued by the Zhongzixin Assets Appraisal Co., Ltd.

Note 2: In December 2011, Guangzhou Steel Sheet Co., Ltd. (hereinafter referred to as Guangzhou Steel Sheet) was jointly established by Zhanjiang Iron & Steel Co., Ltd. and Guangzhou Iron & Steel Enterprises Group. Pursuant to the provisions of the JV Contract of the Guangzhou Steel Sheet, the Guangzhou Steel Sheet shall have a registered capital of RMB 3.251 billion, of which Zhanjiang Iron & Steel Co., Ltd. shall contribute 51% of its registered capital in the sum of RMB 1.658 billion. According to the iron & steel restructuring arrangement in Guangzhou by Baosteel Group and the Guangzhou Municipal SASAC, Guangzhou Iron & Steel Enterprises Group shall transfer 46.14% of the equity of Guangzhou Steel Sheet it has held to Zhanjiang Iron & Steel Co., Ltd. at the price of RMB 1.5 billion in April 2012. Meanwhile, it is agreed that the Guangzhou Iron & Steel Enterprises Group is entitled to repurchase such equity at the original price within three (3) years. In consideration of the mentioned-above arrangement, from the point of view of prudence, this part of equity shall be deemed as the creditor's right of Guangzhou Iron & Steel Enterprises Group and include it into the long-term accounts due from Zhanjiang Iron & Steel Co., Ltd. In view of this event arranged by Baosteel Group for the iron & steel restructuring in Guangzhou, after the acquisition of the shares of Zhanjiang Iron & Steel Co., Ltd. by Baosteel Group, Baosteel Group will pay this fund of RMB 1.5 billion to Zhanjiang Iron & Steel Co., Ltd. and Zhanjiang Iron & Steel Co., Ltd. will regard such fund as the long-term accounts payable to Baosteel Group. If Guangzhou Iron & Steel Enterprises Group exercises the right of repurchase in due course, Zhanjiang Iron & Steel Co., Ltd. will recover this creditor's right and refund Baosteel Group the long-term payables of RMB 1.5 billion; if Guangzhou Iron & Steel Enterprises Group waives the right of repurchase in due course, Zhanjiang Iron & Steel Co., Ltd. will transfer such long-term receivable into the long-term equity investment in Guangzhou Steel Sheet, and refund Baosteel Group the long-term payables of RMB 1.5 billion in the meantime. The essence of this arrangement is that Baosteel Group, on a gratuitous basis, makes advances of RMB 1.5 billion to maintain the right of Guangzhou Iron & Steel Enterprises Group to repurchase such equity. This right does not occupy the funds of Baosteel Group.

Note 3: As regards the long-term receivables during this reporting period, the particulars about the shareholders which hold 5% or more of voting right shares and the other affiliated parties are set forth in Note (VI), 6(8).

(V) Notes to Consolidated Financial Statements-Continued

14. Investment in joint ventures and associated enterprises

RMB

Name of investees	Type of business	Registration place	Legal representative	Nature of business	Registered capital RMB '000		Shareholding ratio of the Company (%)	Voting right ratio of the Company in the investees	Total amount of closing assets	Total amount of closing liabilities	Total amount of closing net assets	Total amount of revenues for the current period	Net profits for the current period
					Currency	Yuan							
I. JVs													
Baosteel-NSC/Arcelor Automotive Steel Sheets Co., Ltd.("BNA")	Limited liability company	Shanghai	Wang Jing	Manufacturing industry	RMB	3,000,000	50	50	4,844,063,886.13	1,207,721,793.85	3,636,342,092.28	6,124,781,187.82	70,707,621.67
BAO-ISLAND ENTERPRISES LIMITED ("BAO-ISLAND")	Limited liability company	Hong Kong	N/A	Ship leasing industry	HKD	3,300	50	50	1,715,936,206.60	556,787,371.80	1,159,148,834.80	384,105,064.20	1,260,454.80
Niagara Machinery Product Co., Ltd. ("Niagara Machinery") (Note 1)	Limited liability company	Ontario	N/A	Manufacturing industry	USD	37,500	50	50	-	-	-	-	-
Shanghai Zhongchuan Baosteel Steel Processing Co., Ltd. ("Zhongchuan Baosteel") (Note 2)	Limited liability company	Shanghai	Zhang Yong	Manufacturing industry	RMB	199,930	50	50	-	-	-	-	-
Shandong Baohua Wear-resistant Steel Co., Ltd. ("Shandong Baohua")	Limited liability company	Linyi	Yao Linlong	Manufacturing industry	RMB	200,000	50	50	191,768,661.80	(6,746,888.04)	198,515,549.84	6,953,924.41	(480,004.35)
Guangzhou JFE Steel Sheet Co., Ltd. (JFE Steel Sheet)	Limited liability company	Guangzhou	Zhou Shichun	Manufacturing industry	USD	442,800	50	50	7,441,936,893.61	5,284,878,723.13	2,157,058,170.48	1,470,389,236.40	(33,415,008.86)
Shanghai Subway Electronic Technology Co., Ltd. ("Shanghai Subway") (Note3)	Limited liability company	Shanghai	Xu Zibin	Information technology industry	RMB	20,000	50	50	-	-	-	-	-
II. Associated enterprises													
Shanghai Baosteel & Arcelor Tailor Metal Co., Ltd. ("Welding Co.")	Limited liability company	Shanghai	Hou Xiangdong	Manufacturing industry	RMB	211,500	38	38	723,197,240.60	388,178,754.63	335,018,485.97	420,233,930.99	1,016,694.87
Shanghai Firsttech Software Co., Ltd. "Firsttech Software")	Limited liability company	Shanghai	Song Jianhai	Information technology industry	USD	3,000	41.33	41.33	13,983,493.63	8,450,988.95	5,532,504.68	17,836,639.69	2,171.08
Henan Pingbao Coal Industry Co., Ltd. ("Henan Pingbao")	Limited liability company	Xuchang	Chen Jiansheng	Mining industry	RMB	800,000	40	40	1,722,190,903.73	874,507,058.10	847,683,845.63	412,106,588.72	103,852,244.80
Tianjin BCM Distribution Co., Ltd. (Tianjin BCM)	Limited liability company	Tianjin	Pan Zhijun	Manufacturing industry	RMB	140,000	40	40	170,387,472.52	40,757,651.75	129,629,820.77	120,738,136.18	(123,978.85)
Wuxi Baomit Steel Processing and Delivery Co., Ltd. (Wuxi Baomit)	Limited liability company	Wuxi	Diyuanzhongyi	Manufacturing industry	USD	7,702	51	Note4	322,899,461.79	180,562,580.20	142,336,881.59	108,771,904.52	3,349,228.08
Sichuan Daxing Baohua Chemical Co., Ltd. ("Sichuan Daxing")	Limited liability company	Dazhou	Tang Chun	Manufacturing industry	RMB	50,000	45	45	107,528,904.45	47,718,104.19	59,810,800.26	115,487,822.25	3,259,687.90
NSMSiderurgicaModeneseSPA("NSM")	Limited liability company	Modena	N/A	Steel extension business	EUR	1,500	35	35	458,859,972.68	423,970,062.07	34,889,910.62	232,941,706.27	(624,588.89)
Baosteel Can Making (Vietnam) Co.,Ltd. ("Vietnam Can Making")	Limited liability company	Binh Duong	N/A	Packaging industry	USD	35,600	30	30	340,380,157.04	139,015,038.10	201,365,118.94	204,566.35	-2,796,697.08
Beijing Qingke Chuangtong Information Technology Co., Ltd. ("Qingke Chuangtong")	Limited liability company	Beijing	Fan Jianming	Manufacturing industry	RMB	20,000	35	35	9,537,301.59	392,138.04	9,145,163.55	95,348.33	(854,836.45)
MIBao Metal Processing Zhengzhou Co.Ltd. ("MIBAO Zhengzhou")	Limited liability company	Zhengzhou	Qi Tengzi	Manufacturing industry	RMB	55,000	49	49	105,173,399.03	56,372,757.09	48,800,641.94	2,531,933.53	(3,518,871.97)
Guangzhou Automobile Baoshang Steel Processing Co., Ltd. ("Guangzhou Automobile Baoshang")	Limited liability company	Guangzhou	Liang Danqing	Manufacturing industry	RMB	68,000	35	35	284,758,579.97	215,563,914.58	69,194,665.39	80,060,038.24	1,194,665.39
Wuxi Baomeifeng Steel Processing Co., Ltd. (Wuxi Baomeifeng)	Limited liability company	Wuxi	Sakata Chicheng	Manufacturing industry	USD	8,000	35	35	327,683,544.73	268,790,323.56	58,893,221.17	137,334,918.96	1,498,293.88

Note 1: The Company has started liquidation since 2010, so the relevant financial information will be presented no more.

Note 2: The Group has disposed of this investment in the first half of the year of 2013, so the relevant financial information will be presented no more.

Note 3: On the balance sheet date, the investment in the Group has not been fully made available, and the invested company has not conducted actual operation.

Note 4: On the balance sheet date, the proportion of investment in Wuxi Baomit Distribution Co., Ltd. is 51%, and half of the directors in the board of directors are appointed by the Group. The president is designated by the director appointed by MITSUI & CO., LTD. In accordance with the articles of association of the Wuxi Baomit Distribution Co., Ltd., if the number of directors who present voting and vetoing opinions on a certain event is identical, thus making it impossible to make resolution in accordance with the resolution conditions recorded in the articles of association, the president shall decide the event. Therefore, the Group shall calculate the Wuxi Baomit Distribution Co., Ltd. as an affiliated company using the equity method.

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.

(V) Notes to Consolidated Financial Statements --Continued

15. Long-term equity investment

Details of long-term equity investments are listed as follows:

RMB

Investees	Accounting Methods	Initial investment cost	Beginning balance	Variation	Closing balance	Shareholding ratio in investees (%)	Voting right ratio in investees(%)	Clarification for inconsistency between shareholding ratio investees and voting right ratio in	Depreciation reserves	Provision for depreciation for the current period	Cash bonus realized in the current period
JVs											
BNA	Equity	1,500,000,000.00	1,779,116,617.94	39,054,428.20	1,818,171,046.14	50	50		-	-	-
Bao-Island Enterprise	Equity	143,084,132.00	588,951,350.00	(9,376,932.60)	579,574,417.40	50	50		-	-	-
Niagara Machinery	Equity	123,721,439.29	-	-	-	50	50		-	-	-
Zhongchuan Baosteel	Equity	99,965,000.00	106,999,583.95	(106,999,583.95)	-	50	50		-	-	-
Shandong Baohua	Equity	100,000,000.00	99,497,777.09	(550,077.44)	98,947,699.65	50	50		-	-	-
Guangzhou JFE Steel Sheet Co., Ltd.	Equity	1,593,220,650.00	1,455,053,848.90	(17,238,107.92)	1,437,815,740.98	50	50		35,000,000.00	-	-
Shanghai Subway	Equity	10,000,000.00	-	10,000,000.00	10,000,000.00	50	50			-	-
Subtotal of JVs		3,569,991,221.29	4,029,619,177.88	(85,110,273.71)	3,944,508,904.17				35,000,000.00	-	-
Subtotal of associated enterprises											
Welding Co.	Equity	74,102,784.20	125,780,231.56	1,526,793.07	127,307,024.63	38	38		-	-	
Firsttech Software	Equity	5,131,591.00	2,285,686.88	(298,295.45)	1,987,391.43	41.33	41.33		-	-	
Henan Pingbao	Equity	320,000,000.00	314,699,782.40	24,373,755.84	339,073,538.24	40	40		-	-	
Tianjin BCM	Equity	56,000,000.00	52,012,241.29	(209,904.52)	51,802,336.77	40	40		-	-	
Wuxi Baomit	Equity	32,522,976.15	68,788,330.31	1,708,106.32	70,496,436.63	51	Note 1	Note 1	-	-	
Sichuan Daxing	Equity	22,500,000.00	25,234,160.90	1,680,699.22	26,914,860.12	45	45		-	-	-
NSM	Equity	74,784,021.08	66,542,463.52	(15,464,921.60)	51,077,541.92	35	35		-	-	-
Can Making Vietnam	Equity	67,190,740.00	63,043,011.88	(1,193,662.62)	61,849,349.26	30	30		-	-	-
Qingke Chuangtong	Equity	3,500,000.00	3,500,000.00	-	3,500,000.00	35	35		-	-	-
MIBAO Zhengzhou	Equity	26,950,000.00	25,638,789.33	(1,726,474.78)	23,912,314.55	49	49		-	-	-
Guangzhou Automobile Baoshang	Equity	23,800,000.00	23,800,000.00	418,132.89	24,218,132.89	35	35		-	-	-
Wuxi Baomeifeng	Equity	35,173,600.00	29,118,497.35	326,379.16	29,444,876.51	35	35		-	-	-
Subtotal of associated enterprises 小计		741,655,712.43	800,443,195.42	11,140,607.53	811,583,802.95				-	-	
Others											
BAOVALE MINERACAO S.A	Cost	-	103,282,213.00	-	103,282,213.00	50	Note 2	Note 2	-		
Taiyuan Baoyuan Chemical Co., Ltd.	Cost	-	9,000,000.00	(9,000,000.00)	-	15	15		-		
CISDI Engineering Co., Ltd.	Cost	-	9,508,999.34	-	9,508,999.34	6.28	6.28		-		
Jinchuan Group Automation Engineering Co.,	Cost	-	1,000,000.00	-	1,000,000.00	7.128	7.128		-		
Zhongjingji Investment Consultation Co.,	Cost	-	3,000,000.00	-	3,000,000.00	5	5		666,024.47		
Hanyang Spare Parts Co., Ltd.	Cost	-	3,311,720.00	-	3,311,720.00	20	20		3,311,720.00		
Anhui Huishang Co., Ltd.	Cost	-	3,000,000.00	-	3,000,000.00	3.53	3.53		-		240,000.00
Henan Longyu Energy Co., Ltd.	Cost	-	370,269,254.56	-	370,269,254.56	12.96	12.96		-		
Shanghai Luojing ORE Terminal Co.,Ltd.	Cost	-	88,734,096.00	-	88,734,096.00	12	12		-		
Yongmei Group Co., Ltd.	Cost	-	279,000,000.00	-	279,000,000.00	10	10		-		201,547,600.00
Henan Zhenglong Coal Industry Co., Ltd.	Cost	-	45,569,714.27	-	45,569,714.27	4.91	4.91		-		
China Resources Land Co., Ltd.	Cost	-	1,618,750.00	-	1,618,750.00	0.09	0.09		-		
Shanghai Huayi Information Technology Co.,	Cost	-	3,000,000.00	-	3,000,000.00	15	15		-		
GlobalorePteLtd.	Cost	-	15,713,750.00	(2,108,252.60)	13,605,497.4	14.29	14.29		-		
Guoqi (Beijing) Auto Lightweight Technology Research Co., Ltd.	Cost method	-	3,000,000.00	-	3,000,000.00	6.9	6.9		-		
CNPC Northwest Oil pipeline United Co.	Cost	-	4,800,000,000.00	3,200,000,000.00	8,000,000,000.00	12.8	12.8		-		
Others	Cost	-	980,000.00	-	980,000.00	Very small	Very small		-		
Other subtotal		-	5,739,988,497.17	3,188,891,747.40	8,928,880,244.57				3,977,744.47		201,787,600.00
Equity transferred from old system trade right due to non-tradable share reform		-	7,949,489.18	-	7,949,489.18				-		
Total		-	10,578,000,359.65	3,114,922,081.22	13,692,922,440.87				38,977,744.47		201,787,600.00

Note 1: Refer to Note (V), 14 Note 4.

Note 2: Because the Company has not exercised the actual control right or significant influence on the management policies and financial decisions of the BAOVALE

MINERACAO S.A., in accordance with the relevant investment agreement, the fixed returns shall be just recovered by the Company pro rata, and the investment in the BAOVALE MINERACAO S.A. shall be reflected as the long-term equity investment.

(V) Notes to Consolidated Financial Statements -Continued

16. Investment property

Investment property measured at cost

RMB

Items	Year-beginning book balance	Increase for the current period	Decrease for the current period	Period-end book balance
I. Total original book value	634,933,720.70	2,772,220.78	-	637,705,941.48
1. Houses and buildings	311,308,695.02	2,772,220.78	-	314,080,915.80
2. Tenure	323,625,025.68	-	-	323,625,025.68
II. Total accumulated depreciation and	157,462,486.07	9,205,373.64	-	166,667,859.71
1. Houses and buildings	121,367,160.59	5,968,822.20	-	127,335,982.79
2. Tenure	36,095,325.48	3,236,551.44	-	39,331,876.92
III. Total book value of investment property	477,471,234.63			471,038,081.77
1. Houses and buildings	189,941,534.43			186,744,933.01
2. Tenure	287,529,700.20			284,293,148.76
IV. Accumulated balance of impairment	-	-	-	-
1. Houses and buildings	-	-	-	-
2. Tenure	-	-	-	-
V. Total book value of investment property	477,471,234.63			471,038,081.77
1. Houses and buildings	189,941,534.43			186,744,933.01
2. Tenure	287,529,700.20			284,293,148.76

The depreciation of RMB9,205,373.64 has been accrued for the current period.

17. Fixed assets

RMB

Items	Year-beginning book	Increase for the	Decrease for the	Period-end book
I. Total original book value	216,867,810,713.16	8,523,582,383.40	2,708,919,625.46	222,682,473,471.10
Including: houses and buildings	45,187,864,147.62	1,880,600,362.75	107,361,093.11	46,961,103,417.26
Machinery equipment	137,228,471,635.45	5,485,251,265.70	1,528,109,249.91	141,185,613,651.24
Transportation facilities	16,947,712,272.14	666,811,471.52	119,426,542.53	17,495,097,201.13
Office and other equipment	17,503,762,657.95	490,919,283.43	954,022,739.91	17,040,659,201.47
II. Total accumulated	137,414,001,727.59	5,058,514,521.90	1,940,243,879.40	140,532,272,370.09
Including: houses and buildings	22,043,253,988.08	1,052,665,521.64	85,860,445.35	23,010,059,064.37
Machinery equipment	87,639,340,440.12	3,195,824,335.67	1,396,383,947.76	89,438,780,828.03
Transportation facilities	14,340,545,985.91	309,299,224.02	111,704,587.12	14,538,140,622.81
Office and other equipment	13,390,861,313.48	500,725,440.57	346,294,899.17	13,545,291,854.88
III. Total net book value of fixed	79,453,808,985.57			82,150,201,101.01
Including: houses and buildings	23,144,610,159.54			23,951,044,352.89
Machinery equipment	49,589,131,195.33			51,746,832,823.21
Transportation facilities	2,607,166,286.23			2,956,956,578.32
Office and other equipment	4,112,901,344.47			3,495,367,346.59
IV. Total depreciation reserves	2,433,241.08	1,152,071.14	75,999.45	3,509,312.77
Including: houses and buildings	295,671.34	-	-	295,671.34
Machinery equipment	1,871,735.58	105,604.25	-	1,977,339.83
Transportation facilities	217,604.23	9,920.48	74,998.06	152,526.65
Office and other equipment	48,229.93	1,036,546.41	1,001.39	1,083,774.95
V. Total book value of fixed assets	79,451,375,744.49			82,146,691,788.24
Including: houses and buildings	23,144,314,488.20			23,950,748,681.55
Machinery equipment	49,587,259,459.75			51,744,855,483.38
Transportation facilities	2,606,948,682.00			2,956,804,051.67
Office and other equipment	4,112,853,114.54			3,494,283,571.64

During the current period, the depreciation of RMB 4,821,774,708.28 has been accrued, and the foreign currency statement translation has resulted in the accumulated depreciation decrease of RMB 6,381,299.00.

(V) Notes to Consolidated Financial Statements -Continued

18. Construction in progress

(1) The details of the construction in progress are listed as follows:

RMB

Items	Closing balance			Beginning balance		
	Book balance	Depreciation reserves	Net book values	Book balance	Depreciation reserves	Net book values
Technical innovation and infrastructure projects	12,555,552,420.92	-	12,555,552,420.92	15,383,749,970.37	-	15,383,749,970.37

(2) Significant change in construction in progress

RMB

Items	Budget	Beginning balance	Increase for the current period	Transferred into fixed assets	Transferred into intangible assets	Other decrease
Technical innovation and infrastructure projects	62,557,621,039.76	15,383,749,970.37	4,575,226,588.09	7,331,619,319.82	71,804,817.72	-

Items	Proportion of project investment in budget	Accumulated amount of interest capitalization	Including: capitalized amount of interest for the current period	Capitalization rate of interest for the current period	Capital sources	Closing balance
Technical innovation and infrastructure projects	20	175,071,396.75	69,923,256.75	5.40%-6.40%	Self-raised and borrowings	12,555,552,420.92

19. Engineering materials

RMB

Items	Beginning balance	Increase for the	Decrease for the	Closing balance
Special materials	3,980,140.81	517,893.54	1,904,071.73	2,593,962.62
Special equipment	101,308,565.85	40,213,794.36	112,990,216.82	28,532,143.39
Equipments in transit	5,901,660.28	229,759,760.89	158,570,546.88	77,090,874.29
Total	111,190,366.94	270,491,448.79	273,464,835.43	108,216,980.30

20. Intangible assets

RMB

Items	Year-beginning	Increase for the	Decrease for the	Period-end book
I. Total original book value	7,663,000,904.75	102,380,944.58	4,061,279.24	7,761,320,570.09
Tenure	7,467,926,627.42	96,617,373.30	-	7,564,544,000.72
Computer software	77,308,498.40	5,757,771.28	3,901,279.24	79,164,990.44
Others	117,765,778.93	5,800.00	160,000.00	117,611,578.93
II. Total accumulated	903,950,731.29	89,355,306.75	1,198,018.70	992,108,019.34
Tenure	782,643,749.13	75,845,514.70	-	858,489,263.83
Computer software	58,717,439.87	13,265,461.19	1,187,157.54	70,795,743.52
Others	62,589,542.29	244,330.86	10,861.16	62,823,011.99
III. Total net book value of intangible assets	6,759,050,173.46			6,769,212,550.75
Tenure	6,685,282,878.29			6,706,054,736.89
Computer software	18,591,058.53			8,369,246.92
Others	55,176,236.64			54,788,566.94
IV. Total depreciation reserves	-	-	-	-
Total book value of intangible	6,759,050,173.46	-	-	6,769,212,550.75

RMB 89,355,306.75 has been accumulatively accrued for amortization in the current period.

(V) Notes to Consolidated Financial Statements -Continued

21. Long-term unamortized expenses

RMB

Items	Beginning balance	Current increase	Current amortized amount	Other decrease	Foreign currency statement translation dif	Closing balance
Decoration expenses	15,266,773.20	5,853,823.36	2,638,642.66	-	-	18,481,953.90
Rental expenses	10,065,560.24	195,717.78	2,031,301.08	-	1,293.34	8,228,683.60
Relocation payment for environmental protection of coke oven of Meishan Iron & Steel (Note)	875,226,039.79	-	9,547,920.42	-	-	865,678,119.37
Others	5,601,159.99	7,534,624.73	2,340,103.99	2,941,302.93	2,867.57	7,851,510.23
Total	906,159,533.22	13,584,165.87	16,557,968.15	2,941,302.93	4,160.91	900,240,267.10

Note: In accordance with the provisions of the Agreement of Meishan Iron & Steel on Lump Residents Relocation in Health Protection Zone during the “11th Five-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 Iron & Steel”), Nanjing Yuhuatai Banqiao Sub-district Office and Nanjing Yuhuatai 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 Iron & Steel. Therefore, the Meishan Iron & 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 Yuhuatai Administration Committee of ETDZ. Pursuant to this Agreement, Meishan Iron & Steel paid RMB 120,000,000.00 in 2012; must pay RMB 510,000,000.00 in 2013 which shall be included in the accounts payable; and must pay RMB 250,000,000.00 in 2014 which shall be included in the long-term accounts payable. The aforesaid relocation compensation which shall be borne by Meishan Iron & Steel shall be amortized according to the remaining service life of the main assets.

22. Deferred income tax assets/Deferred income tax liabilities

Recognized deferred income tax assets and deferred income tax liabilities

RMB

Items	Closing balance	Beginning balance
Deferred income tax assets:		
Depreciation reserves of assets	288,943,464.57	244,093,502.38
Depreciation reserves of other non-current assets	660,963,974.37	661,252,241.71
Unrealized profits of internal purchase and sale	85,771,788.87	61,600,939.99
Deductible losses	899,809,360.66	892,566,277.20
Difference of residuals rate of fixed assets	22,026,808.23	18,998,741.47
Dismission welfare	35,182,643.58	35,133,779.13
Losses on variation in fair values	101,650,194.06	7,818,532.68
Others	102,537,745.46	113,822,032.98
Subtotal	2,196,885,979.80	2,035,286,047.54
Deferred income tax liabilities:		
Payment for tax evaded of investment incomes	298,006,027.57	298,006,027.57
Incomes on variation in fair values	2,985,121.42	20,176,926.95
Others	2,463,591.69	2,449,569.80
Subtotal	303,454,740.68	320,632,524.32

23. Details of provision for impairment losses of assets

RMB

Items	Year-beginning book balance	Increase for the current period	Decrease for the current period		Reclassification	Foreign currency translation difference	Period-end book balance
			Write-back	Write-off			
I. Bad-debt provision	407,380,327.74	106,046,549.91	70,863,272.35	363,947.74	-	491,105.91	441,708,551.65
II. Falling price reserve of inventories	613,706,960.84	383,563,398.10	167,849,659.93	1,603,629.07	-	330,481.15	827,486,588.79
III. Provision for impairment losses of long-term equity investment	38,977,744.47	-	-	-	-	-	38,977,744.47
IV. Provision for impairment losses of fixed assets	2,433,241.08	-	-	75,999.45	1,152,071.14	-	3,509,312.77
V. Provision for impairment losses of loan	98,175,000.00	31,735,000.00	-	-	-	-	129,910,000.00
VI. Other provision for impairment losses of non-current assets (Note)	2,645,008,966.84	-	-	998.24	(1,152,071.14)	-	2,643,855,897.46
Total	3,805,682,240.97	521,344,948.01	238,712,932.28	2,044,574.50	-	821,587.06	4,085,448,095.14

Note: As regards the particulars about the provision for impairment losses of other non-current assets, refer to Note (V), Note 24.

(V) Notes to Consolidated Financial Statements -Continued

24. Other non-current assets

RMB

Items	Closing balance	Beginning balance
Borrowings due from Bao-Island	117,905,780.14	117,905,780.14
Assets to be disposed of in Luojing District (Note)	11,823,085,368.90	11,761,322,763.87
Less: Other non-current assets provision for impairment	(2,643,855,897.46)	(2,645,008,966.84)
Prepaid land funds	1,953,164,159.00	1,776,722,979.37
Prepaid engineering facilities funds	608,218,904.53	640,223,753.86
Financing products	-	50,000,000.00
Others	1,091,516.73	3,446,522.16
Total	11,859,609,831.84	11,704,612,832.56

Note: In accordance with the resolution of the third meeting of the fifth session of the board of directors (Interim 2012-039), the board of directors of the Company has approved the *Proposal on Principle of Production Halts and Assets Disposal and Utilization of Luojing District*. According to the *Proposal*, 1 the Company will, in light of the industrial restructuring of Baoshan District, take the great opportunity of the construction of Zhanjiang project of Baosteel Group to turn the economic operation of Luojing District into the production halts thereof; 2 The Company will carry out the follow-up work of the disposal and utilization of the assets in the Luojing District: (1) the Company retains the latter-procedure assets such as oxygen production and steelmaking to demonstrate the feasibility of relocation and reconstruction of Zhanjiang project and so on; (2) the Company transfers in whole the COREX assets and key production technologies to Baosteel Group; (3) the Group transfers in whole the lands and buildings attached thereto, public support assets and so on..

In accordance with the *Resolution on Overall Transfer of COREX Assets in Luojing District* (Interim 2012-042) issued on October 30, 2012, with approval of the board of directors of the Company, the Company transferred in whole COREX assets to Baosteel Group at an asset value of RMB 2,731,126,672.18. Up to December 31, 2012, the Company had received transfer consideration payment made in a lump sum from Baosteel Group. The book value of the COREX assets is RMB 2,770,093,916.97, and the correspondingly recognized losses on the assets disposal amount to RMB 38,967,244.79.

On or before the end of this reporting period, the Company had transferred the residual assets in the sum of RMB 11,823,085,368.90 other than COREX assets in the Luojing District into the other non-current assets for presentation. In the opinion of the Company, for the assets of Baosteel Group to be transferred, no impairment occurs. For the residual assets after deduction of COREX assets and the assets of Baosteel Group to be transferred, the Company has, according to the difference between the recoverable amount and the book value of the assets made the impairment provisions in the sum of RMB 2,643,855,897.46.

25. Short-term borrowings

RMB

Items	Closing balance	Beginning balance
Pledged borrowings(Note 1)	1,370,000,000.00	2,116,165,373.27
Credit borrowings	36,239,031,981.59	29,531,159,836.37
Total	37,609,031,981.59	31,647,325,209.64

On the balance sheet date, in the short-term borrowing of the Group, the annual interest rate of the RMB borrowing ranges from 4% to 7.31% (4.2%~6.56% in 2012); the annual interest rate of the USD borrowing ranges from LIBOR+0.9% to LIBOR+4% (LIBOR+0.6%~LIBOR+4% in 2012); the annual interest rate of the EUR borrowing ranges from 1.47% to 2% (1.6%~2.011% in 2012).

Note 1: On June 30, 2013, in the short-term borrowing of the Group, the RMB borrowing (RMB 746,165,373.27 on December 31, 2012) without notes discounted was obtained; the Group obtained the RMB borrowing of RMB 1,370,000,000.00 (RMB 1,370,000,000.00 on December 31, 2012) by means of factoring business via the accounts receivable.

(1) Notes to Consolidated Financial Statements-Continued**26. Deposits from customers and interbank**

RMB

Items	Closing balance	Beginning balance
Current deposit	220,369,641.31	409,262,806.92
Fixed deposit	7,036,681,505.37	7,662,200,000.00
Total	7,257,051,146.68	8,071,462,806.92

As regards the particulars about the shareholders which hold 5% or more of voting right shares and the other related parties in the deposits from customers and interbank in the end of this reporting period are set forth in Note (VI), 6(9).

27. Interbank borrowings

RMB

Items	Closing balance	Beginning balance
Domestic interbank borrowings	-	600,000,000.00

28. Trading financial liabilities

RMB

Items	Period-end fair value	Year-beginning fair
Derivative financial liabilities	-	20,789,685.96

29. Notes payable

(1) The details of notes payable are listed as follows:

RMB

Category	Closing balance	Beginning balance
Trade acceptance	2,532,156,790.47	2,457,421,652.79
bank acceptance	706,801,146.74	1,037,258,562.67
Total	3,238,957,937.21	3,494,680,215.46

(2) As regards the particulars about the shareholders which hold 5% or more of voting right shares and the other related parties in the notes payable in the end of this reporting period are set forth in Note (VI), 6(10).

30. Accounts receivable

(1) The details about the accounts payable are listed as follows

RMB

Items	Closing balance	Beginning balance
Equipment procurement account payable	5,180,809,270.05	4,058,510,434.16
Raw materials procurement account payable	15,932,510,822.67	14,090,132,040.51
Relocation compensation payable for environmental protection project of coke oven of Meishan Iron & Steel	510,000,000.00	510,000,000.00
Total	21,623,320,092.72	18,658,642,474.67

(2) As regards the particulars about the shareholders which hold 5% or more of voting right shares and the other related parties in the accounts payable in this reporting period are set forth in Note VI, 6(11).

1、Notes to Consolidated Financial Statements -Continued

31. Advance receipt

(1) The details about the advance receipts are listed as follows:

RMB

Items	Closing balance	Beginning balance
Advance receipt	10,179,794,206.11	11,194,906,638.62

(2) As regards the advance receipts in this reporting period, the particulars about the shareholders which hold 5% or more of voting right shares and the other related parties are set forth in Note VI, 6(12).

On June 30, 2013, the Group had no large-amount advance receipts with the age exceeding 1 year.

32. Payroll payable

RMB

Items	Year-beginning book	Increase for the	Decrease for the	Period-end book
I. Wages, bonuses, allowances and subsidies	1,157,150,723.53	3,045,325,172.90	2,707,693,805.11	1,494,782,091.32
II. Employees' welfare expenses	-	132,891,972.34	132,891,972.34	-
III. Social insurance charges	2,876,784.95	835,073,673.89	834,721,190.34	3,229,268.50
Including: basic pension insurance	1,137,030.08	441,166,455.52	441,092,046.27	1,211,439.33
Medical insurance premiums	1,167,869.12	234,855,074.75	234,782,763.90	1,240,179.97
Unemployment insurance expenses	94,967.52	34,977,651.53	34,971,843.30	100,775.75
Industrial injury insurance premium	40,519.88	12,152,823.20	12,143,653.69	49,689.39
Birth insurance premium	42,486.26	16,215,643.67	16,211,998.97	46,130.96
Disability employment assistance payment	37,625.74	306,749.01	306,341.01	38,033.74
Enterprise annuity	356,286.35	95,030,272.01	94,843,539.00	543,019.36
Others	-	369,004.20	369,004.20	-
IV. Housing accumulation funds	-	255,986,616.89	255,844,226.47	142,390.42
V. Dismissal welfare	153,484,012.78	83,476,067.14	84,584,272.04	152,375,807.88
VI. Labor union expenditures and personnel	193,337,746.71	97,114,977.06	64,847,778.02	225,604,945.75
VII. Others	60,369,288.76	78,255,323.60	13,204,381.29	125,420,231.07
Total	1,567,218,556.73	4,528,123,803.82	4,093,787,625.61	2,001,554,734.94

In the payroll payables, there are no amounts in arrears and non-monetary benefits.

33. Tax payable

RMB

Items	Closing balance	Beginning balance
VAT	(674,460,282.53)	(1,512,469,951.92)
Business tax	11,283,722.58	30,498,534.04
Business income tax	2,134,826,644.63	2,310,697,331.89
Individual income tax	36,786,740.55	113,465,697.15
Urban maintenance and construction tax	26,383,567.73	12,417,471.69
Property tax	50,406,476.87	21,688,768.56
Others	71,926,114.01	117,167,419.90
Total	1,657,152,983.84	1,093,465,271.31

(V) Notes to Consolidated Financial Statements -Continued**34. Interest payable**

(1)The details about the interest payable are listed as follows:

RMB		
Items	Closing balance	Beginning balance
Interest payable of CWBs	2,222,222.22	42,222,222.22
Interest payable of medium-term notes	4,258,333.34	17,033,333.36
Borrowing interest payable	152,262,278.63	120,444,971.85
Total	158,742,834.19	179,700,527.43

(2) For the particulars about the shareholders which hold 5% or more of voting right shares and the other related parties in the accounts payable in this reporting period, refer to Note VI, 6(13).

35. Dividends payable

RMB		
Name of Shareholders	Closing balance	Beginning balance
China Oriental Asset Management Corporation	9,475,888.34	9,475,888.34
Mitsui & Co., Ltd.	30,462,913.93	6,985,188.21
Corning (Hong Kong) Ltd.	2,082,443.05	2,082,443.05
Toyota Tsusho Corporation	174,662.09	2,079,496.03
Nanjing New Line Logistics Co., Ltd.	-	900,000.00
Guizhou Aluminium Factory	603,743.23	603,743.23
CEC Co., Ltd.	158,584.69	6,532.76
Sumitomo Corporation	6,560,359.69	-
Mitsui Tokyo Co.,Ltd.	594,626.47	-
Van Shung Chong Holdings Limited	299,691.74	
Guangzhou Nansha Hign and New Technology Development Corporation	118,925.29	
Others	22,022.21	22,022.21
Total	50,553,860.73	22,155,313.83

36. Other accounts payable

(1)The details about the accounts payable are listed as follows:

RMB		
Name of Shareholders	Closing balance	Beginning balance
Accounts payable for procurement of Baosteel Group Zhanjiang Longteng Logistics Co., Ltd.	900,000,000.00	900,000,000.00
Security deposits and cash deposits	486,232,962.16	436,526,616.80
Advances	131,900,201.82	123,799,500.89
Transportation and port charges	345,298.72	18,952,504.05
Project funds payable	342,838,904.88	341,224,368.77
Land compensation	30,937,465.5	30,791,771.26
Commission charges	1,219,860.38	1,214,115.67
Others	109,470,087.83	27,424,290.27
Total	2,002,944,781.29	1,879,933,167.71

(3) For the other accounts payable to the other related parties in the accounts payables, refer to Note (VI), 6 (14).

(V) Notes to Consolidated Financial Statements -Continued

37. Non-current liabilities due within 1 year

(1) The details about the non-current liabilities due within one year are listed as follows:

RMB

Items	Closing balance	Beginning balance
Long-term borrowings within 1 year	5,902,995,000.00	4,502,840,000.00
Bonds payable due within 1 year	9,556,435,657.83	-
Total	15,459,430,657.83	4,502,840,000.00

(2) Long-term borrowings due within 1 year

(a) Long-term borrowings due within 1 year

RMB

Items	Closing balance	Beginning balance
Credit borrowings	5,902,995,000.00	4,502,840,000.00

(b) As regards the long-term borrowings due within one year, the top 5 borrowers are listed as follows:

RMB

Borrowers	Starting date of borrowings	Ending date of borrowings	Currency	Interest rate	Closing balance	
					Foreign currency	Local currency
The Export-import Bank of China("EIBC")	15/09/2010	15/07/2013	USD	6个月 LIBOR+2.8%	200,000,000.00	1,235,740,000.00
EIBC	19/07/2010	19/07/2013	USD	6个月 LIBOR+2.1%	100,000,000.00	617,870,000.00
EIBC	29/12/2010	16/12/2013	USD	6个月 LIBOR+0.5%	100,000,000.00	617,870,000.00
EIBC	16/12/2010	16/12/2013	USD	6个月 LIBOR+0.5%	100,000,000.00	617,870,000.00
EIBC	11/01/2011	16/12/2013	USD	6个月 LIBOR+1%	100,000,000.00	617,870,000.00
Total						3,707,220,000.00

RMB

Borrowers	Starting date of borrowings	Ending date of borrowings	Currency	Interest rate	Beginning balance	
					Foreign currency	Local currency
The Export-import Bank of	15/09/2010	15/07/2013	USD	6个月 LIBOR+2.8%	200,000,000.00	1,257,100,000.00
EIBC	19/07/2010	19/07/2013	USD	6个月 LIBOR+2.1%	100,000,000.00	628,550,000.00
EIBC	29/12/2010	16/12/2013	USD	6个月 LIBOR+0.5%	100,000,000.00	628,550,000.00
EIBC	16/12/2010	16/12/2013	USD	6个月 LIBOR+0.5%	100,000,000.00	628,550,000.00
EIBC	11/01/2011	16/12/2013	USD	6个月 LIBOR+1%	100,000,000.00	628,550,000.00
Total						3,771,300,000.00

(3) Bonds payable due within one year

RMB

Name of bonds	Face value	Issuing date	Deadline of bonds	Issuing amount	Year-beginning interest payable	Accrued interest for the current period	Paid interest for the current period	Period-end interest payable	Closing balance
08 Baosteel liabilities (Note)	10,000,000,000.00	June 20, 2008	6年	10,000,000,000.00	42,222,222.22	40,000,000.00	80,000,000.00	2,222,222.22	9,556,435,657.83

Note: With the approval of the CSRC by the CSRC ZJXX [2008] No. 739 document, the Company, on June 20, 2008, issued the subscription right with a par value of RMB 1 and the 10,000 copies of CWBs. The annual interest rate of the par value is 0.8%. The interest shall be paid on each June 20, and the principal shall be repaid in lump sum at maturity. Each 10 bonds shall be accompanied by 160 copies of warrants. The warranties shall have the duration of 24 months as from the date (July 4, 2008) when the warranty was listed. The bond holders are entitled to exercise their rights in the first 5 business days as from the date when the listing warranty duration of 24 months expires. The initial exercise price is RMB 12.50 a share. The initial exercise proportion is 2:1, that is, each 2 copies of warranties represent the share option of the Company's share by 1-share issuer. On June 15, 2009, the exercise price was RMB 12.16 a share due to dividend and ex-dividend; on May 24, 2010, the exercise price was adjusted as RMB 11.80 a share due to the dividend and ex-dividend. In case of ex-right and ex-dividend of shares during the warranty duration, the exercise price and the exercise proportion of the warranty will be adjusted where appropriate. Where, in case of the significant change between the purpose of funds raised for stock issue and the commitments described in the Fund-raising Brochure, the purpose of raised funds can be deemed to be changed in accordance with the relevant regulations of the CSRC and the purpose of raised funds is identified to be changed by the CSRC, the bond holder shall have one option to make redemption of the bonds at the price by the par value plus the accrued interest for the current period. On the issue date, the fair value of the liability composition of such bonds shall be estimated at the market interest rate of similar bonds without warranties accompanied, and recorded into the bonds payable, and the residual part shall be recognized in the shareholder's equity as the fair value of the equity composition.

(V) Notes to Consolidated Financial Statements-Continued**38. Other current liabilities**

(v) The details about the other current liabilities are listed as follows:

RMB

Items	Closing balance	Beginning balance
Short-term financing liabilities	2,321,945,000.02	1,017,012,500.06
Total	2,321,945,000.02	1,017,012,500.06

(vi) Short-term financing liabilities

RMB

Name of bonds	Face value	Issuing date	Deadline of bonds	Issuing amount	Year-beginning interest payable	Accrued interest for the	Paid interest for the current	Period-end interest payable	Closing balance
Phase-I short-term financing liabilities 2012 (Meishan Iron & Steel)CP001) (Note)	500,000,000.00	2012 年 5 月 1 日	1 year	500,000,000.00	15,633,333.36	7,816,666.64	23,450,000.00	-	-
Phase-II short-term financing liabilities (Meishan Iron & Steel)CP001) (Note)	500,000,000.00	2012 年 11 月 1 日	1 year	500,000,000.00	4,025,000.00	12,075,000.00	-	16,100,000.00	515,338,333.36
Short-term financing liabilities 2013(Meishan Iron & SteelCP001) (Note)	1,800,000,000.00	2013年5月7日	1 year	1,800,000,000.00	-	12,840,000.00	-	12,840,000.00	1,806,606,666.66
Total	2,800,000,000.00			2,800,000,000.00	19,658,333.36	32,731,666.64	23,450,000.00	28,940,000.00	2,321,945,000.02

Note: With the approval of the National Association of Financial Market Institutional Investors, in December 2011, Shanghai Meishan Iron & Steel Co., Ltd. (hereinafter referred to as “Meishan Steel”), a subsidiary of the Group issued the short-term financing bonds with a registered amount of RMB 1 billion in the territory of China. The registration limit shall be valid in two years, and the bonds can be issued by stages within the validity period of registration. On May 1, 2012, the Meishan Steel issued the phase-one short-term financing bonds 2012 amounting to RMB 500 million, “12Meishan Steel CP001” for short. The issue price is RMB 100 per one hundred par values and the interest accrual is made in the manner of pay-interest fixed rate, the nominal interest rate is 4.69%, and the interest and the principals were paid at maturity in May 2013. On November 1, 2012, the phase-two short-term bonds 2012 amounting to RMB 500 million was issued, “12Meishan Steel CP002” for short. The issue price is RMB 100 per one hundred par values and the interest accrual is made in the manner of pay-interest fixed rate, the nominal interest rate is 4.83%, and the interest and the principals were paid at maturity. In April 2013, upon approval, the short-term financing bonds with a registered amount of RMB 3.3 billion were added. The registration limit shall be valid in two years, and the bonds can be issued by stages within the validity period of registration. On May 7, 2013, the Meishan Steel issued the phase-one short-term financing bonds 2013 amounting to RMB 1.8 billion, “13Meishan Steel CP001” for short. The issue price is RMB 100 per one hundred par values and the interest accrual is made in the manner of pay-interest fixed rate, the nominal interest rate is 4.28%, and the interest and the principals were paid at maturity.

39. Long-term borrowings

(1)Classification of long-term borrowings

RMB

Items	Closing balance	Beginning balance
Credit borrowings	969,300,085.43	2,643,322,040.42
Mortgaged borrowings	86,613,492.75	88,367,952.00
Total	1,055,913,578.18	2,731,689,992.42

(2) As regards the long-term borrowings, the particulars about the top 5 lenders are listed as follows:

RMB

Borrowers	Starting date of borrowings	Ending date of borrowings	Currency	Interest rate	Closing balance	
					Foreign currency amount	Local currency amount
Bank of Communications	25/7/2011	25/7/2014	RMB	6.15%		200,000,000.00
Bank of Tokyo-Mitsubishi UFJ, Ltd.	20/5/2013	27/2/2015	USD	LIBOR+1.25%	29,000,000.00	179,182,300.00
Bank of Tokyo-Mitsubishi UFJ, Ltd.	30/5/2013	17/3/2015	USD	LIBOR+1.25%	21,000,000.00	129,752,700.00
Bank of China	2/4/2013	1/4/2017	USD	LIBOR+1.75%	15,000,000.00	92,680,500.00
Bank of Communications	26/10/2011	26/10/2014	RMB	6.15%		58,000,000.00
Total						659,615,500.00

3、Notes to Consolidated Financial Statements -Continued

39. Long-term borrowings -Continued

RMB

Borrowers	Starting date of borrowings	Ending date of borrowings	Currency	Interest rate	Beginning balance	
					Foreign currency amount	Local currency amount
Sumitomo Mitsui Banking Corporation	24/08/2012	14/02/2014	USD	LIBOR+2.2%	50,000,000.00	314,275,000.00
JPMorgan Chase Bank	24/08/2012	14/02/2014	USD	3 个月 LIBOR+2.5%	50,000,000.00	314,275,000.00
Baoshan branch of China Construction Bank	20/05/2011	18/04/2014	RMB	5.985%		340,000,000.00
Baoshan branch of China Construction Bank	26/04/2011	25/03/2014	RMB	5.985%		300,000,000.00
Baoshan branch of China Construction Bank	20/06/2011	19/05/2014	RMB	5.76%		110,000,000.00
Total						1,378,550,000.00

By the end of June 30, 2013, the bank loan not used by the Group had had the credit line of about RMB 108.465 billion. In the opinion of the management of the Group, in view of the credit line of the bank loan mentioned above and the cash flow arising from the operating activities, the Group will have sufficient funds available in the future one year to pay various current liabilities due.

40. Bonds payable

RMB

Name of bonds	Face value	Issuing date	Deadline of bonds	Issuing amount	Year-beginning interest payable	Accrued interest for the current	Paid interest for the current	Period-end interest payable	Closing balance
Medium-term notes(1282134)(Note)	500,000,000.00	May 4, 2012	3 years	500,000,000.00	17,033,333.36	12,774,999.98	25,550,000.00	4,258,333.34	496,783,114.92

Note: With the approval of the National Association of Financial Market Institutional Investors, in December 2011, Shanghai Meishan Iron & Steel Co., Ltd. (hereinafter referred to as “Meishan Steel”), a subsidiary of the Group issued the medium-term notes with a registered amount of RMB 4 billion in the territory of China. The registration limit shall be valid in two years, and the notes can be issued by stages within the validity period of registration. On May 4, 2012, the Meishan Steel issued the phase-one medium-term notes 2012 amounting to RMB 500 million, “12Meishan Steel MTN1” for short. The issue price is RMB 100 par values and the interest accrual is made in the manner of pay-interest fixed rate, the nominal interest rate is 5.11%, and the interest rate is made on each May 4.

41. Long-term accounts payable

RMB

Items	Closing balance	Beginning balance
Equity accounts payable to Baosteel Group (Note)	1,500,000,000.00	1,500,000,000.00
Relocation compensation payable for environmental protection project of coke oven of Meishan Iron & Steel	250,000,000.00	250,000,000.00
Total	1,750,000,000.00	1,750,000,000.00

Note: As for the particulars about the equity accounts payable to Baosteel Group, refer to Note (V), Note 13.

42. Special accounts payable

RMB

Items	Beginning balance	Increase for the	Decrease for the	Closing balance
Government grants	688,993,701.54	26,026,702.82	21,580,990.78	693,439,413.58

43. Other non-current liabilities

RMB

Items	Period-end book	Year-beginning book
Deferred incomes (Note)	1,252,535,238.65	1,201,329,376.35

Note: As regards the subsidies related to the assets granted by the government as received by the Group, the deferred incomes shall be amortized within the service life of the relevant assets in accordance with the requirements of the Accounting Standards for Business Enterprises.

(V) Notes to Consolidated Financial Statements -Continued

44. Share capital

The registered capitals and the paid-up share capitals of the Company amount to RMB 16,471,724,924.00, with par value of RMB 1.00 per share. The stock class and structure is as follows:

							RMB
	Beginning balance	Current changes					Closing balance
		New issue of shares	Share donation	Shares converted from accumulation funds	Others	Subtotal	
Jan-June 2013:							
I.Shares without selling restriction							
1. RMB ORDINARY SHARES	17,122,048,088.00	-	-	-	(650,323,164.00)	(650,323,164.00)	16,471,724,924.00
II. Sum of shares	17,122,048,088.00	-	-	-	(650,323,164.00)	(650,323,164.00)	16,471,724,924.00
2012:							
I.Shares without selling restriction							
1. RMB ORDINARY SHARES	17,512,048,088.00	-	-	-	(390,000,000.00)	(390,000,000.00)	17,122,048,088.00
II. Sum of shares	17,512,048,088.00	-	-	-	(390,000,000.00)	(390,000,000.00)	17,122,048,088.00

On August 12, 2005, the Company held the first extraordinary general meeting 2005 and adopted split-equity reform proposal upon deliberation. According to this proposal, Baosteel Group, the only non-circulating share holder of the Company shall make the payment consideration so as to obtain the circulation right of the shares it has held. A circulating share holder registered on the equity registration date will obtain 2.2 shares paid by Baosteel Group and 1 copy of European-style warrant with duration of 378 days, exercise price of RMB 4.50 and maturity date of August 18, 2006 for each 10 circulating shares the said shareholder has held. On the date when the consideration is transferred into the account of the circulating share holder, the non-circulating shares of the Company can be granted the circulation right to go public. After the implementation of this split-share reform proposal, the Company still has a general capital of 17,512,000,000 shares. The financial indexes of the Company such as assets, liabilities, owner's equity and earnings per share (EPS) remain unchanged.

According to the commitment by Baosteel Group, Baosteel Group will, within six (6) months after the fulfillment of the share increase plan, perform the relevant obligations of information disclosure without selling the additional shares; the shares of the Company held by Baosteel Group will not be listed nor transferred at least within twelve (12) months as from the date when the circulation right is granted, nor be listed and tradable within twenty four (24) months as from the date when the circulation right is granted. Within twelve (12) month upon expiration of twenty four (24) months, Baosteel Group will be listed and sell the shares of the Company via the stock exchange, and the number of the shares to be sold shall not exceed 5% of the total shares of the Company, and the sales price shall not be lower than RMB 5.63 per share. Within three (3) years as from the date when the shares of the Company held by Baosteel Group are granted the right to be listed and tradable, the shares of the Company held by Baosteel Group shall account for no less than 67% of the present general capital of the Company. However, after the implementation of the split-equity reform proposal, the listing or transferring of shares of the Company held by Baosteel Group will not be subject to the above-mentioned restrictions.

According to the commitment by Baosteel Group, if, within two (2) months after general meeting has adopted the split-share reform scheme, the A-share price of the Company is lower than RMB 4.53 per share, Baosteel Group will invest the funds accumulatively not exceeding RMB 2 billion in increasing the public shares of the Company via the Shanghai Stock Exchange in the manner of centralized price bidding transaction. Within six (6) months after the fulfillment of the share increase plan, Baosteel Group will not sell its additional shares and will perform the relevant obligation of information disclosure. Up to September 21, 2005, the funds of RMB 2 billion for shares increase had been exhausted, and Baosteel Group had fulfilled this share increase plan according to the aforesaid commitment, and totally bought 446,565,849 shares of the Company.

To push ahead with the split-share reform of the Company in a positive and steady way, protect the interests of investors, and avoid the irrational fluctuation of share price of the Company, Baosteel Group makes further commitments to the Company and all circulating-share shareholders that: if, within six (6) months upon expiration of the above two (2) months, the share price of the Company is lower than RMB 4.53 per share, Baosteel Group will invest again the funds accumulatively not exceeding RMB 2 billion plus the unexhausted portion (if any) of the funds of RMB 2 billion in the previous two months, and increase the shares of the Company via the Shanghai Stock Exchange in the manner of centralized price bidding transaction, unless the share price of the Company is not lower than RMB 4.53 or the aforesaid funds have been exhausted. The commitment will be fulfilled provided that Baosteel Group is exempted from the tender offer of the shares of the Company by the CSRC and that the split-share reform scheme is approved at the general meeting of the Company.

Within six (6) months after the fulfillment of the share increase plan, Baosteel Group will no longer sell its additional shares and will perform the relevant obligation of information disclosure. In accordance with the CSRC ZJGSZ [2005] No. 95 document, the CSRC has agreed to exempt Baosteel Group from the obligations on tender offer it shall fulfill for this share increase. Up to December 31, 2005, Baosteel Group had bought the 412,183,690 shares. During the period from January 1, 2006 to January 5, 2006, Baosteel Group has bought the 79,596,591 shares of the Company. Up to January 5, 2006, the funds of RMB 2 billion for shares increase had been exhausted, and Baosteel Group had totally bought 491,780,281 shares of the Company.

(V) Notes to Consolidated Financial Statements -Continued**44. Share capital -Continued**

When the six-month restricted stock trade period of the 446,565,849 additional shares of the Company bought by Baosteel Group at RMB 2 billion for the first time expired on April 15, 2005, the additional shares could be listed and tradable. When the European-style warranty expired on August 30, 2006, , some warranty holders exercised and bought the 5,542,559 shares of the Company from Baosteel Group. When the six-month restricted stock trade period of the 491,780,281 additional shares of the Company bought by Baosteel Group at RMB 2 billion for the second time expired on October 16, 2006, the additional shares could be listed and tradable.

According to the commitment to Baosteel Group, within twelve (12) month upon expiration of twenty four (24) months as from the date when the share increase plan is fulfilled, Baosteel Group will be listed and sell the shares of the Company via the stock exchange, and the number of the shares to be sold shall not exceed 5% of the total shares of the Company. In 2007, the 875,600,000 shares with selling restrictions of the Company held by Baosteel Group were converted into the shares without selling restrictions. In 2007, Baosteel Group totally decreased the 761,346,130 shares of the Company without selling restrictions.

On August 19, 2008, all of 11,900,917,441 shares with selling restrictions of the Company were listed and tradable. In addition, Baosteel Group originally held the 1,052,600,000 RMB ordinary shares without selling restrictions. Henceforth, all shares of the Company are referred to as the circulating shares without selling restrictions, of which Baosteel Group holds 73.97% of the Company's shares. In the reporting period, the Company has not increased/decreased the Company's shares without selling restrictions.

On June 20, 2008, the Company issued the stock option of RMB 10 billion and CWB, with a bond period of 6 years, a par-value annual interest rate of 0.8%, and a value day of June 20, 2008. The number of warrants is 1.6 billion, the exercise ratio is 2:1, the duration is 24 months, and the initial exercise price is RMB 12.5 per share. Due to the divided and ex-dividend, the exercise price was adjusted to be RMB 12.16 per share on June 15, 2009.

Due to the divided and ex-dividend, the exercise price was adjusted to be RMB 11.80 per share on May 24, 2010. The exercise schedule runs from June 28, 2010 to the transaction date on July 3, 2010. Up to July 2, 2010 (closing), the exercise schedule of the "Baosteel CWB1" warranty has been ended. This time, a total of 113,785 copies of warrants have been successfully exercised, and the 48,088 shares of the Company have been increased. In 2010, the equity changes were verified by the Deqinhua CPA Firm, for which the DSB (Y) Z (10) No. 0052 Capital Verification Report has been issued.

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, for the A-share stocks issued by the repurchase at the intensive competitive price at the 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 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. Up to 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.

By the end other report period, of the 16,471,724,924 RMB ordinary shares without selling restriction of the Company, Baosteel Group had held 13,128,825,267 shares with shareholding ratio of 79.71%.

(V) Notes to Consolidated Financial Statements -Continued

45. Capital reserves

RMB

Items	Beginning balance	Increase for the	Decrease for the	Closing balance
Jan-June 2013:				
Capital premium				
Including: Difference of share exchanges of state shares	5,726,556,609.73	-	-	5,726,556,609.73
Share capital premium (Note 1)	28,409,337,235.66	-	2,548,936,133.80	25,860,401,101.86
Other consolidated incomes				
Including: restricted capital reserve of equity	(26,971,288.79)	-	11,937,113.24	(38,908,402.03)
Variation in fair value of AFS financial assets	69,775,101.55	-	439,418,893.05	(369,643,791.50)
Variation in fair value of AFS financial assets	(25,451,000.87)	109,854,723.26	-	84,403,722.39
Others Capital reserves (Note3)	1,855,722,688.77	20,476,975.16	13,538,064.61	1,862,661,599.32
Total	36,008,969,346.05	130,331,698.42	3,013,830,204.70	33,125,470,839.77
2012:				
Capital premium				
Including: Difference of share exchanges of state shares	5,726,556,609.73	-	-	5,726,556,609.73
Share capital premium	29,703,329,723.00	-	1,293,992,487.34	28,409,337,235.66
Other consolidated incomes				
Including: restricted capital reserve of equity investments	(42,263,025.08)	15,291,736.29	-	(26,971,288.79)
Variation in fair value of AFS financial assets	112,104,726.42	-	42,329,624.87	69,775,101.55
Influence of incomes caused by variation in fair value of AFS financial assets	(36,033,407.09)	10,582,406.22	-	(25,451,000.87)
Others Capital reserves				
Including: equity portions of stripped CWBs	-	-	-	-
Other capital reserves	1,866,944,402.56	110,952,749.32	122,174,463.11	1,855,722,688.77
Total	37,330,639,029.54	136,826,891.83	1,458,496,575.32	36,008,969,346.05

Note 1: The decrease in the share premium results from the cancellation of the treasury shares by the Company, the details of which are set forth in Note (V), 46.

Note 2: The decrease in restricted capital reserve of equity investments results from the calculation of the change in the capital reserve of the affiliates and JVs by the Company using the equity method.

Note 3: The increase in the other capital reserves results from the return of pro-rata funds for port construction of Shanghai Port according to the regulations of the Ministry of Communication and the Ministry of Finance on the port construction fee collection; and the decrease results from the acquisition of minority shareholders' equities.

46. Treasury shares

RMB

Items	Amount
Jan-June 2013	
Beginning balance	115,785,165.80
Increase for the current period:	
Acquisition of shareholders' shares	3,083,474,132.00
Decrease for the current period:	
Write-off	3,199,259,297.80
Closing balance	-

The implementation of the repurchase scheme of the Company has been completed, the details of which are set forth in Note (V), 44.

(V) Notes to Consolidated Financial Statements-Continued

47. Special reserves

RMB

Items	Beginning balance	Increase for the current period	Decrease for the current period	Closing balance
Jan-June 2013:				
Safe production expenses	17,894,916.86	115,788,692.43	108,822,710.87	24,860,898.42
2012:				
Safe production expenses	11,788,986.69	166,742,174.93	160,636,244.76	17,894,916.86

48. Surplus reserves

RMB

Items	Beginning balance	Increase for the current period	Decrease for the current period	Closing balance
Jan-June 2013:				
Statutory surplus reserves	9,979,131,134.13	-	-	9,979,131,134.13
Any surplus reserves	13,250,583,473.91	-	-	13,250,583,473.91
Total	23,229,714,608.04	-	-	23,229,714,608.04
2012:				
Statutory surplus reserves	8,930,401,416.20	1,048,729,717.93	-	9,979,131,134.13
Any surplus reserves	12,201,853,755.98	1,048,729,717.93	-	13,250,583,473.91
Total	21,132,255,172.18	2,097,459,435.86	-	23,229,714,608.04

49. Undistributed profits

RMB

Items	Amount	Provision or distribution proportion
Jan-June 2013:		
Undistributed profits at the end of the previous year	35,540,808,913.80	
Add: business combination under common control (Note)	(737,874,887.33)	
Undistributed profits at the beginning of the current period	34,802,934,026.47	
Add: net profits for the current period attributable to the owners of the parent company	3,702,803,522.33	
Less: Provisions for statutory surplus reserves	-	
Provisions for any surplus reserves	-	
Distributed dividends on ordinary shares	2,278,368,991.45	
Undistributed profits at the end of period	36,227,368,557.35	
2012:		
Undistributed profits	30,754,305,445.21	
Net profits for the current year attributable to the owners of the parent company	10,386,372,522.05	
Less: provisions for statutory surplus reserves	1,048,729,717.93	
Provisions for any surplus reserves	1,048,729,717.93	10% of net profits of the parent company
Distributed dividends on ordinary shares	3,502,409,617.60	10% of net profits of the parent company
Undistributed profits at the end of the year	35,540,808,913.80	

Note: Refer to Note (IV),1.

(V) Notes to Consolidated Financial Statements -Continued

50. Operating incomes and operating costs

(1) Operating incomes

RMB

Items	Jan-June 2013	Jan-June 2012
Main operating income	95,105,313,763.16	96,827,235,215.35
Other operating income	994,275,495.43	1,074,494,886.52
Operating incomes	96,099,589,258.59	97,901,730,101.87

(2) Main business (by industries)

RMB

Name of Industry	Jan-June 2013		Jan-June 2012	
	Operating incomes	Operating costs	Operating incomes	Operating costs
Iron and steel manufacture	65,964,134	59,942,378	79,443,074	74,584,018
Iron and steel sales	88,070,769	86,248,995	93,340,651	91,478,116
Others	6,768,956	6,295,397	7,298,734	6,481,892
Inter-industry offset	-65,698,545	(65,658,698)	(83,255,224)	(83,255,224)
Total	95,105,314	86,828,072	96,827,235	89,288,802

(3) Main business (by products)

RMB

Name of Products	Jan-June 2013		Jan-June 2012	
	Operating incomes	Operating costs	Operating incomes	Operating costs
Iron and steel	87,050,439	80,062,883	91,959,689	85,635,769
Others	8,054,875	6,765,189	4,867,546	3,653,033
Total	95,105,314	86,828,072	96,827,235	89,288,802

(4) Main business (by regions)

RMB

Name of Region	Jan-June 2013		Jan-June 2012	
	Operating incomes	Operating costs	Operating incomes	Operating costs
Within China	85,700,089	77,826,077	86,838,942	79,861,142
Beyond China	9,405,225	9,001,995	9,988,293	9,427,660
Total	95,105,314	86,828,072	96,827,235	89,288,802

(5) As regards the operating incomes, the particulars about the top 5 customers of the Company are listed as follows:

RMB

Name of Customers	Operating incomes	Proportion in the whole operating incomes of the Company (%)
Customer I	5,328,670,495.02	6%
Customer II	1,747,625,051.35	2%
Customer III	1,553,706,029.27	2%
Customer IV	1,554,416,330.25	2%
Customer V	1,273,943,623.59	1%
Total	11,458,361,529.48	12%

(V) Notes to Consolidated Financial Statements-Continued

51. Business tax and addition

RMB

Items	Jan-June 2013	Jan-June 2012	Payment criterion
Business tax	22,949,449.07	10,492,258.00	Note
Urban construction tax and extra charges	219,636,141.63	114,122,926.81	Note
Customs duties	186,476.85	415,001.10	Note
Others	13,865,799.73	9,458,653.18	Note
Total	256,637,867.28	134,488,839.09	

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

52. Financial costs

RMB

Items	Jan-June 2013	Jan-June 2012
Interest expenditures	875,585,804.01	1,148,534,911.29
Less: capitalized interest costs	69,923,256.75	202,764,659.12
Less: interest incomes	615,105,916.95	598,262,148.93
Exchange gains	(466,875,848.11)	126,600,289.11
Less: capitalized balance of exchange	-	-
Others	25,431,273.82	25,387,482.94
Total	(250,887,943.98)	499,495,875.29

53. Loss on assets impairment

RMB

Items	Jan-June 2013	Jan-June 2012
I. Loss on bad debts	35,183,277.56	(19,562,328.36)
II. Loss on inventory falling price	215,713,738.17	6,954,286.17
III. Loan loss	31,735,000.00	42,100,000.00
Total	282,632,015.73	29,491,957.81

54. Incomes arising from variation in fair value

RMB

Source of incomes arising from variation in fair value	Jan-June 2013	Jan-June 2012
Held-for-trading financial assets	26,156,213.39	34,276,720.87

55. Investment income

(1) Details about investment incomes are listed as follows:

RMB

Items	Jan-June 2013	Jan-June 2012
Long-term equity investment incomes calculated using the cost method	201,787,600.00	211,174,710.07
Long-term equity investment incomes calculated using the	51,503,147.22	108,590,304.45
Share investment income/(loss)	6,903,685.31	12,223,584.30
Bond investment income/(loss)	15,784,669.63	23,063,171.13
Fund investment income/(loss)	827.69	14,673,197.65
Income/(loss) arising from disposal of derivative financial instruments	(14,773,709.28)	7,121,438.16
Investment income arising from transfer of equity	4,075,963.93	19,078,344.25
Financing products investment income	19,872,132.41	6,769,631.06
Others	6,226,497.71	4,689,533.99
Total	291,380,814.62	407,383,915.06

(V) Notes to Consolidated Financial Statements -Continued**55. Investment income -Continued**

(2) Investment incomes calculated using the cost method

The top 5 investors with the highest proportion of their investment incomes in the total amount of profits are listed as follows:

RMB

Investees	Jan-June 2013	Jan-June 2012	Cause of variation of current period compared with the corresponding period
Yongcheng Coal & Electricity (Group) Co.,Ltd	201,547,600.00	113,370,525.00	Cash dividends
Anhui Huishang Co., Ltd.	240,000.00	-	Cash dividends
Henan Zhenglong Coal Industry Co., Ltd.	-	83,398,933.80	Cash dividends
Shanghai Luojing ORE Terminal Co.,Ltd.	-	13,395,251.27	Cash dividends
AVIC Special Metal (Xi'an) Corporation	-	1,010,000.00	Cash dividends
Total	201,787,600.00	211,174,710.07	

(3) Long-term equity investment incomes calculated using the equity method

The top 5 investors with the highest proportion of their investment incomes in the total amount of profits are listed as follows:

RMB

Investees	Jan-June 2013	Jan-June 2012	Cause of variation of current period compared with the corresponding period
BNA	35,352,691.91	28,861,051.17	Profit variation of JVs
Henan Pingbao Coal Industry Co., Ltd.	30,508,017.53	32,291,515.42	Profit variation of associated companies
Wuxi Baomit	1,708,106.32	1,402,857.62	Profit variation of associated companies
Welding Co.	1,526,793.07	13,155,499.92	Profit variation of associated companies
Bao-Island	630,227.40	7,248,335.40	Profit variation of JVs
Total	69,725,836.23	82,959,259.53	

On June 30, 2013, the repatriation of the investment incomes of the Group had no major limitation.

56. Non-operating incomes

RMB

Items	Jan-June 2013	Jan-June 2012
Total gains arising from disposal of non-current assets	6,565,631.67	9,616,127,304.20
Including: gains from disposal of fixed assets	6,221,727.06	1,878,869,136.59
Gains from intangible assets	343,904.61	7,737,258,167.61
Government subsidies	111,229,365.08	81,632,500.14
Compensation incomes	18,003,146.23	3,278,710.78
Others	50,704,904.63	525,857,926.41
Total	186,503,047.61	10,226,896,441.53

(V) Notes to Consolidated Financial Statements-Continued

57. Non-business expenditures

RMB

Items	Jan-June 2013	Jan-June 2012
Total loss arising from disposal of non-current assets	85,892,494.46	569,663,169.84
Including: loss arising from disposal of fixed assets	83,254,252.05	541,071,548.74
External donations	500,000.00	9,170,000.00
Others	50,768,169.52	31,451,285.03
Total	137,160,663.98	610,284,454.87

58. Income tax expenses

RMB

Items	Jan-June 2013	Jan-June 2012
Current income tax expenses	1,432,481,920.65	460,982,820.99
Deferred income tax expenses	(68,249,356.66)	2,188,001,935.26
Total	1,364,232,563.99	2,648,984,756.25

59. Calculation process of basic EPS

When the basic EPS is calculated, the net profits of the current year attributable to the ordinary share holders are listed as follows:

RMB

Items	Jan-June 2013	Jan-June 2012
Net profits attributable to ordinary share holders	3,702,803,522.33	9,610,011,834.48
Including: net profits attributable to the going concerns	3,702,803,522.33	9,610,011,834.48
Net profits attributable to the discontinued operations	-	-

When the basic EPS is calculated, the denominator is the weighted average of outstanding ordinary shares, calculated as follows:

RMB

Items	Jan-June 2013	Jan-June 2012
Number of outstanding ordinary shares at the beginning of the year	17,122,048,088.00	17,512,048,088.00
Add: Weighted average number of ordinary shares issued for the current period	-	-
Less: Weighted average number of repurchased ordinary shares	240,491,296.33	-
Weighted average number of closing outstanding ordinary shares	16,881,556,791.67	17,512,048,088.00

EPS

RMB

Items	Jan-June 2013	Jan-June 2012
Calculated by the net profits of shareholders attributable to the parent company		
Basic EPS	0.22	0.55
Calculated by the net profits of going concern attributable to the shareholders of the parent company:		
Basic EPS	0.22	0.55
Calculated by the net profits of discontinued operations attributable to the shareholders of the parent company:		
Basic EPS	-	-

In this accounting period, the Company has no diluted potential ordinary shares so the diluted EPS has not been disclosed.

(V) Notes to Consolidated Financial Statements-Continued**60. Other consolidated incomes**

RMB

Items	Jan-June 2013	Jan-June 2012
1. Gains arising from AFS financial assets	(444,093,867.61)	34,787,484.17
Less: influence of income tax arising from AFS financial assets	(111,023,466.90)	8,696,871.04
Subtotal	(333,070,400.71)	26,090,613.13
2. The shares of investees in other consolidated incomes as calculated using the equity method.	(11,937,113.24)	10,195,640.12
Subtotal	(11,937,113.24)	10,195,640.12
3. Foreign currency financial statement translation difference	(172,984,662.52)	(25,654,215.56)
Subtotal	(172,984,662.52)	(25,654,215.56)
Total	(517,992,176.47)	10,632,037.69

61. Item notes to cash flow statements**(1) Other received cash related to investment activities**

RMB

Item	Jan-June 2013	Jan-June 2012
Non-operating incomes, government subsidies and other	394,068,857.20	1,131,964,799.78

(2) Other paid cash related to investment activities

RMB

Item	Jan-June 2013	Jan-June 2012
Sales expenses	418,354,736.75	646,557,855.15
Overhead expenses	681,202,617.21	1,071,046,138.29
Others	138,642,801.87	200,902,532.18
Total	1,238,200,155.83	1,918,506,525.62

(3) Other received cash related to investment activities

RMB

Item	Jan-June 2013	Jan-June 2012
interest incomes	72,516,875.86	273,762,833.86
Others	5,740,942,191.82	-
Total	5,813,459,067.68	273,762,833.86

(4) Other paid cash related to investment activities

RMB

Item	Jan-June 2013	Jan-June 2012
Cash paid for settlement of derivative instrument	27,777,025.40	58,149.92

(V) Notes to Consolidated Financial Statements-Continued

62. Supplementary data of cash flow statement

(1) Supplementary data of cash flow statement

RMB

Supplementary material	Jan-June 2013	Jan-June 2012
1. Adjusting net profit to cash flows for operating activities:		
Net profit	3,813,778,029.39	9,685,251,701.39
Add: Asset depreciation reserve	282,632,015.73	29,491,957.81
Depreciation of fixed assets and investment property	4,830,980,081.92	5,939,504,444.45
Amortization of intangible assets	89,355,306.75	90,406,395.84
Amortization of long-term deferred expenses	16,557,968.15	6,417,629.86
Losses on disposal of fixed, intangible and other long-term assets (with "-"for income)	79,326,862.79	(9,046,464,134.36)
Loss on the changes in fair value (with "-"for income)	(26,156,213.39)	(34,276,720.87)
Financial expense (with "-"for income)	(276,319,217.80)	474,031,800.24
Investment loss (with "-"for income)	(291,380,814.62)	(407,383,915.06)
Decrease of deferred tax assets (with "-"for increase)	(161,599,932.26)	(41,149,593.41)
Increase of deferred tax liabilities (with "-"for decrease)	(17,177,783.64)	2,237,915,586.20
Decrease in inventory (with "-"for increase)	(2,813,742,413.86)	(3,373,388,880.31)
Decrease of receivables in operating (with "-"for increase)	(316,963,315.46)	682,864,475.15
Increase of payables in operating (with "-"for decrease)	1,345,108,514.67	3,724,722,223.16
Net cash flow from operating activities	6,554,399,088.37	9,967,942,970.09
2. Major investing and financing activities involving no cash incomings / outgoings:		
Conversion of debt into capital	-	-
Convertible bonds expiring within one year	-	-
Fixed assets acquired under finance leases	-	-
3. Net change of cash and cash equivalents:		
Cash at the end of the period	12,871,560,146.62	17,449,594,935.61
Less: Cash at the beginning of the period	7,632,107,621.86	12,899,442,675.29
Add: Cash equivalents at the end of the period	500,000,000.00	40,324,100.87
Less: Cash equivalents at the beginning of the period	-	280,780,713.36
Net increase in cash and cash equivalents	5,739,452,524.76	4,309,695,647.83

(2) Constitution of cash and cash equivalents

RMB

Items	Closing balance	Beginning balance
I. Cash	12,871,560,146.62	17,449,594,935.61
Including: cash on hand	701,559.76	705,444.12
Bank deposits available for payment at any time	12,822,797,776.14	17,338,516,265.73
Other monetary fund available for payment at any time	48,060,810.72	110,373,225.76
II. Cash equivalents	500,000,000.00	40,324,100.87
Including: money market funds	-	30,324,100.87
Buy-in redemptory monetary capital for sale	500,000,000.00	10,000,000.00
III. Cash and cash equivalent balance at the end of the period	13,371,560,146.62	17,489,919,036.48

The cash and cash equivalents do not contain the cash and cash equivalents, which the parent company or the subsidiaries within the group are restricted to use.

(VI) Related party and connected transaction**1. Particulars about the parent company of the Company**

RMB

Name of parent company	Associations	Type of business	Registration place	Legal representative	Nature of business	Registered capital of RMB '000	Shareholding ratio of parent company in the Company (%)	Voting right ratio of parent company in the Company (%)	Final controller of the Company	Organization code
Baosteel Group Co., Ltd.	Parent company	Limited liability company	Shanghai	Xu Lejiang	Steel smelting and processing	52,791,100,998.89	79.71	79.71	State-owned Assets Supervision and Administration Commission of the State Council	13220082-1

2. The particulars about the subsidiaries of the Group

For the particulars about the subsidiary of the Group, refer to Note (IV). 1.

3. The particulars about the JVs and the associated enterprises of the Group

For the particulars about the JVs and the associated enterprises, see Note (V). 14.

4. The particulars about the other related parties of the Group

OthersRelated party name	OthersRelated party Relationship with the Company	组织机构代码
Baosteel Resources (International) Co., Ltd. ("Baosteel Resources (International)")	Subsidiary of Baosteel Group	#6080030-0
Baosteel Metal Co., Ltd. and its subsidiaries ("Baosteel Metal and its subsidiary")	Subsidiary of Baosteel Group	13223304-1
Shanghai Baosteel Engineering & Technology Group Co., Ltd. and its subsidiaries (Engineering & Technology Co. and its subsidiaries)	Subsidiary of Baosteel Group	63083393-9
Hwabao Trust Co., Ltd. (Hwabao Trust)	Subsidiary of Baosteel Group	63124192-7
Hwabao Investment Co., Ltd. (Hwabao Investment)	Subsidiary of Baosteel Group	13222881-6
Baosteel Group Baoshan Hotel ("Baoshan Hotel")	Subsidiary of Baosteel Group	13342754-2
Baoshan Development Co., Ltd. and its subsidiary ("Baosteel Development" and its subsidiary)	Subsidiary of Baosteel Group	13343894-6
Baosteel Group Shanghai No. 2 Iron & Steel Co., Ltd. and its subsidiary (No. 2 Iron & Steel Co., Ltd. and its subsidiary)	Subsidiary of Baosteel Group	13320566-7
Baosteel Group Shanghai No. 1 Iron & Steel Co., Ltd. and its subsidiary (No. 1 Iron & Steel Co., Ltd. and its subsidiary)	Subsidiary of Baosteel Group	13220760-1
Baosteel Group Shanghai Steel Pipe Co., Ltd. ("Steel Pipe Company")	Subsidiary of Baosteel Group	63057927-2
Baosteel Group Shanghai Meishan Co., Ltd. and its subsidiary ("Meishan Company and its subsidiary")	Subsidiary of Baosteel Group	13226493-X
Baosteel Group Shanghai Pudong Iron & Steel Co., Ltd. and its subsidiary ("Pudong Steel and its subsidiary")	Subsidiary of Baosteel Group	13221291-0
Baosteel Group Shanghai No. 5 Co., Ltd. ("No. 5 Steel Company and its subsidiary")	Subsidiary of Baosteel Group	13220240-5
Baosteel Group Xinjiang Bayi Iron & Steel Co., Ltd. and its subsidiary ("Xinjiang Baoyi and its subsidiary")	Subsidiary of Baosteel Group	22860110-1
Baosteel Resources Co., Ltd. and its subsidiary "Baosteel Resources and its subsidiary")	Subsidiary of Baosteel Group	79144036-X
Subsidiary of Baosteel Group Nanjing Steel Rolling Main Plan "Nanjing Steel Rolling")	Subsidiary of Baosteel Group	13488281-1
Shanghai Iron & Steel Research Institute ("Iron & Steel Research Institute")	Subsidiary of Baosteel Group	13342720-0
Zhanjiang Longteng Logistics Co., Ltd. ("Zhanjiang")	Subsidiary of Baosteel Group	79779551-6
Baosteel Desheng Stainless Steel Co., Ltd. ("Baosteel Desheng")	Subsidiary of Baosteel Group	78216761-3
Baosteel Zhanjiang Iron & Steel Co., Ltd. ("Zhanjiang Iron & Steel") (Note)	Subsidiary of Baosteel Group	57241911-4
Ningbo Iron & Steel Co., Ltd. ("Ningbo Iron & Steel")	Subsidiary of Baosteel Group	74497613-7
Guangdong Baosteel Properties Co., Ltd. ("Guangdong Properties")	Subsidiary of Baosteel Group	67706963-2
Guangdong Shaoguan Iron & Steel Group Co., Ltd. ("Guangdong Shaogang")	Subsidiary of Baosteel Group	19152191-6
Shanghai Baosteel Stainless Steel Co., Ltd. ("Shanghai Stainless")	Subsidiary of Baosteel Group	59041990-0
Baosteel Stainless Co., Ltd. ("Baosteel Stainless")	Subsidiary of Baosteel Group	59167293-2
Baosteel Special Material Co., Ltd. ("Baosteel Special Material")	Subsidiary of Baosteel Group	59313809-8
Shanghai Baosteel Special Steel Co., Ltd. ("Baosteel Special Steel")	Subsidiary of Baosteel Group	59041866-8
Shanghai Baohua International Tendering Co., Ltd. ("Baohua Tendering")	Subsidiary of Baosteel Group	78425734-8
Beijing Huili Property Development Co., Ltd. ("Beijing Huili")	Subsidiary of Baosteel Group	76847696-2
Shanghai Baosteel Technical and Economic Development Co., Ltd. ("Technical Economy and its subsidiary")	Subsidiary of Baosteel Group	13220712-6
Ningbo Baoxin Stainless Steel Co., Ltd. and its subsidiary ("Ningbo and its subsidiary")	Subsidiary of Baosteel Group	61027433-2
Baosteel (Australia) Mining Co., Ltd. ("Baosteel Australia Mining")	Subsidiary of Baosteel Group	N/A
Shanghai Baodi Properties Co., Ltd. ("Baodi Properties")	Subsidiary of Baosteel Group	13346404-4

Note: In January 2013, the Baosteel Zhanjiang Iron & Steel Co., Ltd. was incorporated into the consolidation scope of the Group as a subsidiary of the Group.

(VI) Related party and connected transaction-Continued**5. Particulars about connected transaction**

Connected transactions of purchase and sales of commodities, provisions and acceptance of labor service

(1) Sales of commodities

RMB

Related party	Type of connected transaction	Details of connected transaction	Pricing method and decision-making processing of connected transaction	Accrual during Jan-June 2013		Accrual Jan-June 2012	
				Amount	Proportion in similar transaction amounts (%)	Amount	Proportion in similar transaction amounts (%)
Baosteel Group	Sales	Energy, auxiliary materials	Market price	1,477	0.00	4,107	0.00
No. 1 Steel Company and its subsidiary	Sales	Energy, etc.	Market price	-	-	3,234	0.00
No.5 Steel Company and its subsidiary	Sales	Energy, etc.	Market price	-	-	2,833	0.00
Xinjiang Bayi and its subsidiary	Sales	Auxiliary materials, etc.	Market price	292	0.00	14,537	0.01
Baosteel Development and its subsidiary	Sales	Iron and steel products, auxiliary materials, energy, etc.	Market price	1,262,752	1.31	1,461,789	1.49
Engineering & Technology Group and its subsidiary	Sales	Iron and steel products, energy, auxiliary materials, etc.	Market price	27,863	0.03	310,395	0.32
Baosteel Metal and its subsidiary	Sales	Iron and steel products, energy, etc.	Market price	760,930	0.79	1,390,097	1.42
Meishan Company and its subsidiary	Sales	Iron and steel products, energy and auxiliary materials	Market price	975,606	1.02	790,426	0.81
Baosteel Resources and its subsidiary	Sales	Raw materials	Market price	101,799	0.11	862,536	0.88
Baosteel Resources (International)	Sales	Raw materials	Market price	1,038,227	1.08	589,329	0.60
Baosteel Stainless Steel	Sales	Raw materials, auxiliary materials, energy, etc.	Market price	1,721,356	1.79	2,471,990	2.52
Baosteel Special Steel and its subsidiary	Sales	Raw materials, auxiliary materials, energy, etc.	Market price	1,053,702	1.10	1,032,877	1.06
Baosteel Desheng	Sales	Raw materials	Market price	1,312	0.00	-	-
Ningbo Baoxin	Sales	Iron and steel products	Market price	72,933	0.08	-	-
Ningbo Iron & Steel	Sales	Iron and steel products, etc.	Market price	260,759	0.27	11,868	0.01
Zhanjiang Iron & Steel	Sales	Iron and steel products	Market price	-	-	17,424	0.02
Zhanjiang Longteng	Sales	Raw materials	Market price	-	-	14,691	0.02
BNA	Sales	Iron and steel products, energy and auxiliary material	Market price	5,290,912	5.51	5,860,356	5.99
Welding Co.	Sales	Iron and steel products	Market price	308,417	0.32	267,540	0.27
Tianjin BCM	Sales	Iron and steel products	Market price	67,427	0.07	102,988	0.11
Guangzhou JFE	Sales	Iron and steel products	Market price	296,423	0.31	-	-
Others	Sales	Auxiliary materials, etc.	Market price	31,444	0.03	21,278	0.02
Total				13,273,629	13.81	15,230,294	15.56

(VI) Related party and connected transaction-Continued

5. Particulars about connected transaction-Continued

Connected transactions of purchase and sales of commodities, provisions and acceptance of labor service -Continued

(2) Commodity procurement

RMB

Related party	Type of connected transaction	Details of connected transaction	Pricing method and decision-making procedure of connected transaction	Accrual during Jan-June 2013		Accrual during Jan-June 2012	
				Amount	Proportion in similar transaction (%)	Amount	Proportion in similar transaction (%)
No. 1 Steel Company and its subsidiary	Procurement	Energy medium	Market price	-	-	47,203	0.05
No.5 Steel Company and its subsidiary	Procurement	Energy medium	Market price	17	0.00	18	0.00
Xinjiang Bayi and its subsidiary	Procurement	Iron and steel products, etc.	Market price	644,237	0.74	838,888	0.93
Baosteel Development and its subsidiary	Procurement	Iron and steel products. Auxiliary materials, etc.	Market price	624,165	0.72	1,038,565	1.15
Engineering & Technology Group and its subsidiary	Procurement	Equipment, etc.	Market price	225,196	0.26	917,233	1.02
Baosteel Metal and its subsidiary	Procurement	Auxiliary materials, etc.	Market price	55,800	0.06	46,273	0.05
Meishan Company and its subsidiary	Procurement	Raw materials. Auxiliary materials, etc.	Market price	673,555	0.77	563,194	0.62
Baosteel Resources and its subsidiary	Procurement	Raw materials	Market price	2,928,830	3.36	3,804,050	4.22
Baosteel Resources (International) Co., Ltd.	Procurement	Raw materials	Market price	125,381	0.14	123,446	0.14
Baosteel Stainless Steel	Procurement	Iron and steel products, etc.	Market price	6,990,587	8.01	4,082,445	4.52
Baosteel Special Steel and its subsidiary	Procurement	Iron and steel products	Market price	3,265,090	3.74	1,378,241	1.53
Baosteel Desheng	Procurement	Iron and steel products	Market price	6,340	0.01	17,037	0.02
Ningbo Stainless Steel	Procurement	Iron and steel products	Market price	3,215,783	3.68	-	-
Ningbo Iron & Steel	Procurement	Iron and steel products	Market price	913,984	1.05	965,114	1.07
BNA	Procurement	Iron and steel products	Market price	5,423,256	6.21	6,120,332	6.78
Others	Procurement	Auxiliary materials, energy, etc.	Market price	21,577	0.02	3,838	0.00
Total				25,113,799	28.78	19,945,877	22.10

(VI) Related party and connected transaction -Continued**5. Particulars about connected transaction -Continued**

Connected transactions of purchase and sales of commodities, provisions and acceptance of labor service -Continued

(3)Provision of transportation and technical service

RMB

Related party	Type of connected transaction	Details of connected transaction	Pricing method and decision-making procedure of connected transaction	Accrual during Jan-June 2013	Accrual during Jan-June 2012
				Amount	Amount
Baosteel Resources and its subsidiary	Service sales	Transportation and technical service, etc.	Negotiated price	29,837	63,016
BNA	Service sales	Transportation and technical service	Negotiated price	36,449	37,016
Engineering & Technology Group and its subsidiary	Service sales	Technical services	Negotiated price	90,724	17,867
Meishan Company and its subsidiary	Service sales	Transportation and technical service	Negotiated price	18,033	12,799
Baosteel Special Materials and its subsidiary	Service sales	Transportation and technical service	Negotiated price	28,752	11,507
Baosteel Stainless Steel	Service sales	Transportation and technical service	Negotiated price	26,269	10,183
Baosteel Development and its subsidiary	Service sales	Technical services	Negotiated price	10,728	9,287
Baosteel Group	Service sales	Technical services	Negotiated price	12,596	7,246
Ningbo Iron & Steel	Service sales	Technical services	Negotiated price	10,393	3,275
Ningbo Baoxin	Service sales	Technical services	Negotiated price	26,159	-
Xinjiang Bayi and its subsidiary	Service sales	Technical services	Negotiated price	5,632	1,393
No.5 Steel Company and its subsidiary	Service sales	Technical services	Negotiated price	111	178
No. 1 Steel Company and its subsidiary	Service sales	Technical services	Negotiated price	5	10
Guangdong Shaoguan	Service sales	Transportation service	Negotiated price	11,571	-
Others	Service sales	Transportation and technical service	Negotiated price	11,205	12,939
Total				318,463	186,716

(VI) Related party and connected transaction-Continued**5. Particulars about connected transaction-Continued**

Connected transactions of purchase and sales of commodities, provisions and acceptance of labor service-Continued

(4)Acceptance of labor service

RMB

Related party	Type of connected transaction	Details of connected transaction	Pricing method and decision-making procedure of connected transaction	Accrual during Jan-June 2013	Accrual during Jan-June 2012
				Amount	Amount
Baosteel Development and its subsidiary	Service procurement	Integrated logistics, engineering, transportation, maintenance service, etc.	Negotiated price	832,162	989,469
Engineering & Technology Group and its subsidiary	Service procurement	Engineering, maintenance, detection service, etc.	Negotiated price	159,951	700,104
Meishan Group and its subsidiary	Service procurement	Integrated logistics, engineering, transportation, maintenance service, etc.	Negotiated price	447,953	294,552
Baosteel Resources and its subsidiary	Service procurement	Transportation service	Negotiated price	161,590	246,718
Bao-Island	Service procurement	Transportation service	Negotiated price	153,923	175,345
BNA	Service procurement	Processing, etc.	Negotiated price	127,026	80,944
Baosteel Group	Service procurement	Educational training, etc.	Negotiated price	4,954	3,748
Baosteel Special Steel and its subsidiary	Service procurement	Processing service, etc.	Negotiated price	7,688	-
Others	Service procurement	Transportation service, etc.	Negotiated price	5,144	3,681
Total				1,900,390	2,494,561

(VI) Related party and connected transaction -Continued

5. Particulars about connected transaction -Continued

Connected transactions of purchase and sales of commodities, provisions and acceptance of labor service
-Continued

(5) Other main connected transactions

RMB			
Categories of connected transactions	Note	Accrual during Jan-June 2013	Accrual during Jan-June 2012
Payment for land rental expense	Note 1	125,843	128,895
Rental expense for houses, equipment and autos	Note 2	96,525	18,551
Rent income for houses and autos	Note 2	4,777	4,974
Financial service revenues	Note3	80,686	84,669
Financial service expenditures	Note4	106,547	113,681
Joint development in conjunction with Baosteel	Note5	-	299,750
Assets and equity restructuring of Stainless Steel Business Division and Special Steel Business Division	Note6		41,314,918

Note 1: Since establishment of the Company, the Lease Agreement with a term of 20 years has been signed by and between Baosteel Group and the Company, whereby Baosteel Group can rent out the plant land to the Company. In September 2001, Baosteel Group signed again the 20-year Lease Agreement with the Company for the plant land under the phase-III assets acquisition with. In November 2002, Baosteel Group signed again the 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 of 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.

Note 2: The Group rents houses from Baosteel Group, Baosteel NSC/Arcelor Automotive Steel Sheets Co., Ltd. and its subsidiaries; rents equipment from Shanghai Stainless Steel Co., Ltd.; rents automobiles from Baosteel Development and its subsidiaries, as well as the Baosteel Metal and its subsidiaries. Meantime, the Baosteel Resources and its subsidiaries, the Baosteel NSC/Arcelor Automotive Steel Sheets Co., Ltd. and its subsidiaries also rent houses from the Group; the the Baosteel NSC/Arcelor Automotive Steel Sheets Co., Ltd. rents lands from the Group. Both the Leaser and the Lessee shall fix the price on the basis of the negotiated price.

Note 3: By dint of the Finance Company-the subsidiary of the Company, the Group offers a loan and discount to Baosteel Group and its affiliated company, is entrusted with the financial service and obtains the corresponding loan interest incomes, discount interest income, and the incomes on entrusted services. The RMB loan interest rate shall be determined on the basis of the interest rate specified by the People's Bank of China; the foreign currency loan interest rate on the basis of the market interest rate; the discount rate on the basis of the market interest rate. The service fees of entrusted loan shall be fixed according to the negotiated price.

Note 4: The Group takes the deposits from Baosteel Group and its affiliates and pays them the interest thereon. The RMB deposit interest rate shall be subject to the interest rate specified by the People's Bank of China.

Note 5: In April 2010, the Agreement for Construction of Key Technology Platform and Cooperative Development of Research Techniques for COREX-3000 Production of Baosteel Group and the Agreement for Technically Cooperative Development of *Process Technology and Product Research of Baosteel Special Steel Development Center (Platform)* were made by and between the Company and Baosteel Group. In accordance with the said agreements, the patents, know-how and other technical results arising from the cooperative development shall be jointly proprietary to the Company and Baosteel Group, and 50% of the development expenses shall be borne by Baosteel Group. In 2011, the Agreement for Construction of Key Technology Platform and Cooperative Development of Research Techniques for COREX-3000 Production of Baosteel Group was terminated. Whereas the Company transferred the relevant assets of the Stainless Steel Business Division and the Special Steel Business Division to the subsidiary under Baosteel Group on March 31, 2012, the Agreement for Technically

Cooperative Development of <Process Technology and Product Research of Baosteel Special Steel Development Center (Platform)> was terminated on March 31, 2012.

Note 6: Up to June 30, 2012, the Company had completed the delivery of all assets and a few operating liabilities of the Stainless Steel Business Division and Steel Business Division, the 100.00% of the equity of the Shanghai Baosteel Special Metal Material Co., Ltd., the 58.50% of the equity of Baoyin Special Steel Pipe Co., Ltd., the 94.50% of the equity of Shanghai No.5 Steel Gas Co., Ltd. and the 9.71% of the equity of the AVIC Special Metal (Xi'an) Corporation. The delivery was made on April 1, 2012, and the Company completed the adjustment to the transfer price arising from the equity change of the aforesaid delivered assets from the base date of assets evaluation to the delivery date in May. The amount of transfer of the assets and equities mentioned above amount to RMB 41.315 billion.

(VI) Related party and connected transaction -Continued

6. Other accounts receivable and payable of related parties

(1) Notes receivable

RMB

Items	Closing balance	Beginning balance
Baosteel Development and its subsidiary	159,046	147,178
Engineering & Technology Group and its subsidiary	168,423	155,014
Meishan Company and its subsidiary	332,600	181,943
Xinjiang Bayi and its subsidiary	9,300	9,800
Baosteel Resources and its subsidiary	-	3,000
Ningbo Iron & Steel and its subsidiary	14,049	11,119
Baosteel Special Steel and its subsidiary	196,620	160,613
Ningbo Baoxin and its subsidiary	1,109	5,761
Welding Co.	95,500	60,000
Tianjin BCM	12,722	11,457
Baosteel Metal and its subsidiary	185,575	179,537
Total	1,174,944	925,422

(2)Accounts receivable

RMB

Items	Closing balance	Beginning balance
Baosteel Group	19,057	13,284
Baosteel Development and its subsidiary	46,689	69,718
Meishan Company and its subsidiary	812,905	322,124
Pudong Steel Company and its subsidiary	212	145
No.5 Steel Company and its subsidiary	64	-
Xinjiang Bayi and its subsidiary	4,978	4,886
Baosteel Stainless Steel	321,256	866,804
Baosteel Special Steel and its subsidiary	433,073	372,390
Ningbo Baoxin and its subsidiary	38,024	20,982
Baosteel Resources and its subsidiary	16,514	145,104
Hwabao Trust	9,200	1,679
Baosteel Metal and its subsidiary	91,335	85,034
Engineering & Technology Group and its subsidiary	195,301	156,701
BNA	346,255	253,002
Welding Co.	5,904	876
Ningbo Iron & Steel and its subsidiary	264,416	88,695
Baosteel Resources (International)	238,471	47,993
NSM	-	34,129
Others	40,775	1,408
Total	2,884,429	2,484,954

(VI) Related party and connected transaction -Continued

6. Accounts receivable and payable of related parties -Continued

(3) Advances

RMB		
Items	Closing balance	Beginning balance
Baosteel Development and its subsidiary	466	303
Meishan Company and its subsidiary	-	1,723
Xinjiang Bayi and its subsidiary	154,509	147,291
Baosteel Resources and its subsidiary	200,820	115,336
Engineering & Technology Group and its subsidiary	163,749	80,794
BNA	559,768	613,054
Baosteel Stainless Steel	21,967	212,168
Baosteel Special Steel and its subsidiary	10,584	5,270
Ningbo Iron & Steel and its subsidiary	322,507	253,746
Baosteel Metal and its subsidiary	3,861	850
Others	1,293	20,208
Total	1,439,526	1,450,743

(4) Interest receivable

RMB		
Items	Closing balance	Beginning balance
Shanghai Stainless Steel	138,477	541,970
Baosteel Special Steel	101,195	396,055
Total	239,672	938,025

(5) Other accounts receivable

RMB		
Items	Closing balance	Beginning balance
Baosteel Group	187	19,807
Meishan Company and its subsidiary	5,417	7,585
Baosteel Stainless Steel	48,345	26,794
Engineering & Technology Group and its subsidiary	138	1,157
Welding Co.	2,197	1,027
Ningbo Iron & Steel and its subsidiary	4,380	8,580
Others	2,307	773
Total	62,971	65,723

(6) Non-current assets due within one year

RMB		
Items	Closing balance	Beginning balance
Shanghai Stainless Steel	2,600,000	2,600,000
Baosteel Special Steel	1,900,000	1,900,000
Total	4,500,000	4,500,000

(VI) Related party and connected transaction -Continued

6. Accounts receivable and payable of related parties -Continued

(7) Made loans and advances

RMB

Items	Closing balance	Beginning balance
Baosteel Development and its subsidiary	60,907	16,000
Xinjiang Bayi and its subsidiary	700,000	700,000
Baosteel Resources and its subsidiary	466,973	603,137
Baosteel Metal and its subsidiary	35,894	31,428
Engineering & Technology Group and its subsidiary	217,500	207,500
Ningbo Iron & Steel and its subsidiary	644,000	811,616
Others	127,303	178,266
Total	2,252,577	2,547,947

(8) Long-term receivables

RMB

Items	Closing balance	Beginning balance
Engineering & Technology Group and its subsidiary	32,615	40,020
Shanghai Stainless Steel	7,800,000	10,400,000
Baosteel Special Steel	5,700,000	7,600,000
Total	13,532,615	18,040,020

(9) Deposits from customers and interbank

RMB

Items	Closing balance	Beginning balance
Baosteel Group	6,578,370	7,154,123
No.5 Steel Company and its subsidiary	-	10,898
Hwabao Investment	2,001	1,997
Hwabao Trust	220,370	393,367
Engineering & Technology Group and its subsidiary	32,982	37,526
Steel Research Institute	25,005	35,022
Baosteel Resources and its subsidiary	25,684	84,531
BNA	206,880	294,950
Others	134,855	19,737
Total	7,226,147	8,032,151

(10) Notes payable

RMB

Items	Closing balance	Beginning balance
Baosteel Development and its subsidiary	7	133
Meishan Company and its subsidiary	48,900	109,386
Xinjiang Bayi and its subsidiary	-	81,329
Engineering & Technology Group and its subsidiary	193,144	106,629
BNA	850,617	691,792
Baosteel Stainless Steel	282,785	324,846
Baosteel Special Steel and its subsidiary	246,708	162,387
Ningbo Baoxin and its subsidiary	639,176	946,957
Others	92,475	234
Total	2,353,811	2,423,693

(VI) Related party and connected transaction -Continued

6. Accounts receivable and payable of related parties -Continued

(11)Accounts payable

		RMB	
Items	Closing balance	Beginning balance	
Baosteel Group	117,161	10,302	
Baosteel Development and its subsidiary	344,957	471,702	
No. 1 Steel Company and its subsidiary	11	7	
Meishan Company and its subsidiary	703,851	355,848	
No.5 Steel Company and Its Subsidiary	24	34	
Baosteel Resources and its subsidiary	694,788	327,915	
Engineering & Technology Group and its subsidiary	629,988	631,515	
Bao-Island	22,531	15,518	
BNA	144,588	125,315	
Shanghai Stainless Steel	26,625	59,190	
Baosteel Stainless Steel	1,692,724	803,703	
Baosteel Special Steel and its subsidiary	213,254	263,941	
Ningbo Baoxin and its subsidiary	470,409	323,036	
Ningbo Iron & Steel and its subsidiary	27,257	30,739	
Others	33,774	61,178	
Total	5,121,941	3,479,943	

(12)Advance receipt

		RMB	
Items	Closing balance	Beginning balance	
Baosteel Development and its subsidiary	62,881	139,203	
Ergang company and its subsidiary	200	200	
Meishan Company and its subsidiary	57,958	13,535	
Pudong Steel Company and its subsidiary	153	153	
No.5 Steel Company and Its Subsidiary	-	-	
Baosteel Resources and its subsidiary	6	-	
Baosteel Metal and its subsidiary	273,637	338,506	
Engineering & Technology Group and its subsidiary	85,478	70,952	
Baosteel Stainless Steel	4,804	65,702	
Baosteel Special Steel and its subsidiary	35,190	16,996	
Ningbo Baoxin and its subsidiary	4,208	8,966	
Welding Co.	49,780	43,393	
Tianjin BCM	24,723	28,427	
Others	17,020	5,322	
Total	616,038	731,355	

(VI) Related party and connected transaction -Continued

6. Accounts receivable and payable of related parties -Continued

(13) Others accounts receivable

		RMB
Items	Closing balance	Beginning balance
Baosteel Group	901,106	904,486
Baosteel Development and its subsidiary	1,670	2,271
Meishan Company and its subsidiary	2,148	3,316
Baosteel Metal and its subsidiary	967	920
Engineering & Technology Group and its subsidiary	12,269	61,617
Baosteel Resources and its subsidiary	3,003	4,003
Others	1,597	110
Total	922,760	976,723

(14)Interest payable

		RMB
Items	Closing balance	Beginning balance
Baosteel Group	76,613	70,190
No.5 Steel Company and Its Subsidiary	-	299
Others	4,256	3,290
Total	80,869	73,779

Except for the running accounts of related parties under the notes receivable, loans and advances, notes payable, deposits from customers and interbank, long-term borrowings and interest payable, the accounts receivable and payable shall be unsecured, free of interest and fixed repayment period. Besides, the long-term accounts payable are listed in Note V, 41.

(VII) Contingencies

Up to the balance sheet date, the Group had had no contingencies dispensed with disclosure.

(VIII) Commitments**1. Significant commitments****(1) Capital commitment**

RMB

Items	Closing balance	Beginning balance
Capital commitments that have been entered into but have not been recognized in the financial statements:		
Contracted but not provided	11,190,980	11,990,918
Approved by the Board but not contracted	1,649,667	722,300
Total	12,840,647	12,713,218

(2) Operating lease commitments

Up the balance sheet date, the irrevocable operating lease contracts signed by the Group externally are listed as follows:

RMB

	Closing balance	Beginning balance
Minimum lease payment for irrevocable operating lease		
The first year after the balance sheet date	421,523	393,321
The second year after the balance sheet date	390,710	371,656
The third year after the the balance sheet date	373,251	359,662
The subsequent years	1,308,309	1,622,840
Total	2,493,793	2,747,479

(IX) Events after the balance sheet date

None

(X) Other important events**1. Assets and liabilities measured by fair values**

RMB

Items	Beginning balance	Changes in fair value recognized in profit or loss	Changes in accumulated fair value recognized in equity (influence of income tax has been deducted)	Provision for impairment for the current period	Closing balance
Financial assets					
1. Financial assets measured by fair value, with their changes recognized in the profits and losses for the current period	89,577,809.31	73,602.40			188,981,895.06
2. AFS financial assets	1,467,832,301.93	5,292,925.03	(333,070,400.71)	-	1,061,519,522.76
Subtotal of financial assets	1,557,410,111.24	5,366,527.43	(333,070,400.71)	-	1,250,501,417.82
Financial liabilities	(20,789,685.96)	20,789,685.96	-	-	-

2. Foreign currency financial assets and foreign currency financial liabilities

RMB

Item	Beginning balance	Closing balance
Financial assets		
1. Loans and receivables (including accounts receivable, other accounts receivable and advances)	13,444,136,544.37	17,389,491,453.43
2. Derivative financial assets	7,848,049.15	-
Subtotal of financial assets	13,451,984,593.52	17,389,491,453.43
Financial liabilities	25,367,837,560.03	33,442,983,546.33

(十) Other important events -Continued

3. Main contents of and significant change in annuity plan

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.

4. Other

(1) Borrowing costs

Item	RMB	
	Amount of borrowing costs capitalized for the current period	Capitalization rate
Construction in progress	69,923,256.75	5.40%-6.40%
Fixed assets	-	
Subtotal of borrowing costs capitalized for the current period	69,923,256.75	
Borrowing costs recognized in the profits and losses for the current period	805,662,547.26	
Total borrowing costs for the current period	875,585,804.01	

(2) Segment report

Since 2009, the Group has determined the reporting segments and disclosed the information on each segment in accordance with the regulations of the *Explanation No. 3 of Accounting Standards for Enterprises*.

According to the internal organizational structure, management requirement and internal reporting system of the Group, the business is classified into three reporting segments which are determined on the basis of the business structure of the Group. The management of the Group assesses the operating result of the reporting segments so as to determine the distribution of resources to the segments and evaluates the performance thereof. The main products and services provided by each reporting segment of the Group involves the iron and steel manufacturing segment, iron & steel sales segment and other segments. The iron and steel manufacturing segment consists of each iron and steel manufacturing unit; the iron and steel sales segment consists of each trading unit; the other segments consist of finance, chemical, information, e-commerce units and etc. The detailed information about each business segment is summarized as follows:

The subsidiaries contained in the business segment are listed below:

- (1) Iron & steel manufacturing subsidiaries: the Company, Zhanjiang Iron & Steel, Meishan Iron & Steel, Lubao Steel Pipe, Huangshi Coating & Galvanizing, Yantai Lubao Steel Pipe, Baosteel Nantong Steel, Baoma Steel Pipe, Poly Pipe, BGM and so on;
- (2) Iron & steel sales trading subsidiaries: Baosteel International, Baosteel America, Baosteel Europe, Baosteel Singapore, Howa Trading, Bao-Island Enterprises, Baosteel Brazil Trading and other trading subsidiaries;;
- (3) The Group has no such individual customers whose sales amount accounts for above 10% of the total revenues of the Group.

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 daily activities of the finance company are of financial nature so the operating revenues of each segment include the investment income of the finance company. The operating profits of each segment do 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. Some liabilities thereof 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.

(十) Other important events -Continued

4. Other-Continued

(2) Segment report -Continued

Information on segment report

RMB

	Iron and steel manufacture		Iron and steel sales		Others		Undistributed items		Segments offset each other		Total	
	Jan-June 2013	Jan-June 2012	Jan-June 2013	Jan-June 2012	Jan-June 2013	Jan-June 2012	Jan-June 2013	Jan-June 2012	Jan-June 2013	Jan-June 2012	Jan-June 2013	Jan-June 2012
Operating incomes												
External transaction incomes	17,595,249	17,457,545	73,613,622	76,983,141	5,089,932	3,709,166	-	-	-	-	96,298,803	98,149,852
Inter-segment transaction incomes	48,701,400	62,436,225	14,517,483	16,878,745	2,555,508	4,015,725	-	-	(65,774,391)	(83,330,695)	-	-
Total segmental operating incomes	66,296,649	79,893,770	88,131,105	93,861,886	7,645,440	7,724,891	-	-	(65,774,391)	(83,330,695)	96,298,803	98,149,852
Operating costs	63,027,501	78,693,415	87,129,446	92,788,462	6,931,707	7,076,680	-	-	(65,672,112)	(83,262,865)	91,416,542	95,295,692
Operating profits	3,269,148	1,200,355	1,001,659	1,073,424	713,733	648,211	-	-	(102,279)	(67,830)	4,882,261	2,854,160

RMB

	Iron and steel manufacture		Iron and steel sales		Others		Undistributed items		Segments offset each other		Total	
	Jan-June 2013	Jan-June 2012	Jan-June 2013	Jan-June 2012	Jan-June 2013	Jan-June 2012	Jan-June 2013	Jan-June 2012	Jan-June 2013	Jan-June 2012	Jan-June 2013	Jan-June 2012
Total amount of segmental assets	202,412,132	192,101,890	67,428,010	59,931,154	20,527,010	20,057,747	-	-	(65,238,921)	(53,250,234)	225,128,231	218,840,557
Total amount of segmental liabilities	46,206,542	41,659,191	36,726,845	33,428,310	12,616,604	12,867,616	-	-	(45,133,024)	(38,844,133)	50,416,967	49,110,984
Supplementary information:												
Depreciation and amortization expenses	4,490,767	5,676,410	234,199	208,371	211,927	151,487	-	-	-	-	4,936,893	6,036,268
Losses on impairment recognized for the current period	94,321	(114,495)	85,974	23,541	19,702	64,634	-	-	82,635	55,812	282,632	29,492
Capital expenditures	5,028,711	5,881,226	573,986	897,530	111,368	371,946	-	-	(9,439)	(55,599)	5,704,626	7,095,103

(十) **Other important events**-Continued**4. Others**-Continued

(2) Segment report-Continued

External transaction incomes partitioned by source of revenues and the non-current assets partitioned by assets locations

RMB		
Items	Jan-June 2013	Jan-June 2012
External revenue from domestic customers	86,893,567	88,159,563
External revenue from foreign customers	9,405,236	9,990,289
Subtotal	96,298,803	98,149,852

RMB		
Items	Jan-June 2013	Jan-June 2012
Non-current assets in the territory of China	113,803,382	112,855,076
Other non-current assets outside China	1,007,180	218,401
Offset	-	-
Subtotal	114,810,562	113,073,477

Note: The non-current assets belong to the areas where they are located, excluding financial assets and deferred income tax assets.

External transaction incomes include the following:

RMB		
Items	Jan-June 2013	Jan-June 2012
Investment incomes of the Finance Company	39,386	49,209

The items not contained in the segmental operating profits, segmental assets and segmental liabilities are presented as follows:

The segmental operating profits do not include the following:

RMB		
Items	Jan-June 2013	Jan-June 2012
Financial costs	(250,888)	499,496
Loss from assets impairment/(Write-back)	282,632	29,492
Losses on variation in fair values/(revenues)	(26,156)	(34,277)
Investment income (other than the Finance Company)	(251,995)	(358,175)
Total	(246,407)	136,536

The segmental operating profits do not include the following:

RMB		
Items	Closing balance	Beginning balance
Deferred income tax assets	2,196,886	2,035,286

(X) Other important events -Continued**4. Other-Continued****(2) Segment report -Continued**

The segmental liabilities do not include the following:

Item	RMB	
	Closing balance	Beginning balance
Short-term borrowings	37,609,032	31,647,325
Non-current liabilities due within one year	15,459,431	4,502,840
Other current liabilities	2,321,945	1,017,012
Long-term borrowings	1,055,914	2,731,689
Long-term payables	1,750,000	1,750,000
Bond payable	496,783	9,835,739
Deferred income tax liabilities	303,455	320,632
Total	58,996,559	51,805,237

(3) Financial instruments and risk management

The financial instruments of the Group mainly include monetary capitals, held-for-trading financial assets, redemptory monetary capital for sale, loans and advances to customers, short-term borrowing, deposits from customers and interbank, convertible bonds, and etc. Financial instruments are held mainly for the purpose of financing or investment in the operation of the Group. The Group has other financial assets and liabilities directly arising from a wide range of operations, e.g. accounts receivable and notes receivables, accounts payable and notes payable, etc.

The Group also carries out the derivative transactions of financial instruments mainly involving forward foreign exchange purchasing contract and iron ore swap transaction, for the purpose of managing the operation of the Group, avoiding the interest rate and exchange rate risk of financing, as well as price fluctuation risk of raw materials, etc.

The risks caused by the financial instruments of the Group are mainly classified into market risk and finance risk. The Group strengthens the risk control and management mainly by means of the followings: (1) strengthening the system and procedure improvement, establishing the perfect investment decision system for dynamic revision and perfection; (2) establishing and perfecting the financial instruments system management system, enhance the transparency and the tracking efforts of financial instrument business; (3) intensifying the process control and the periodic patrol inspection system, checking the system implementation, and establishing the restriction mechanism of supervision and review; (4) valuing the training of professional quality of personnel and application of analysis technology, leveraging the strength of each team member, and enhancing the scientificness and feasibility of decision making accordingly.

The financial instruments of the Group are guaranteed by rigid system, standard procedures, professional personnel, dynamic evaluation, with the risk controllable.

For the accounting policies about the derivative financial instruments of the Group, see the relevant notes hereof.

(XI) Main Notes to Financial Statement of the Parent Company

1. Accounts receivable

(1) Disclosure of receivables by category:

RMB

Category	Closing balance				Beginning balance			
	Book balance		Bad-debt provision		Book balance		Bad-debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Receivables with single amount significant	7,775,994,113.90	75	17,052,496.83	33	8,138,600,417.27	86	406,930,020.86	75
Receivables with bad-debt provisions made individually in spite of insignificant single amount	21,250,890.94	1	21,250,890.94	41	21,970,409.08	-	21,970,409.08	4
Bad-debt provision of accounts receivable made by groups	2,530,450,946.06	24	13,797,135.75	26	1,366,662,029.67	14	111,160,196.01	21
Total	10,327,695,950.90	100	52,100,523.52	100	9,527,232,856.02	100	540,060,625.95	100

The ages of receivables are listed as follows:

RMB

Age	Closing balance				Beginning balance			
	Amount	Proportion (%)	Bad-debt provision	Book value	Amount	Proportion (%)	Bad-debt provision	Book value
Within 1 year	9,765,517,390.28	98	26,068,515.78	9,739,448,874.50	9,061,064,669.41	95	395,117,024.89	8,665,947,644.52
1-2 years	478,990,442.96	2	4,781,116.80	474,209,326.16	441,324,475.47	5	121,249,210.74	320,075,264.73
2-3 years	60,809,832.02	-	-	60,809,832.02	2,873,302.06	-	1,723,981.24	1,149,320.82
3 years or more	22,378,285.64	-	21,250,890.94	1,127,394.7	21,970,409.08	-	21,970,409.08	-
Total	10,327,695,950.90	100	52,100,523.52	10,275,595,427.38	9,527,232,856.02	100	540,060,625.95	8,987,172,230.07

(2) The bad-debt provision for the closing accounts receivable significant or those for which the independent impairment test is performed in spite of the insignificant single amount:

RMB

Details of accounts receivables	Book balance	Bad-debt amount	Provision proportion	理 由
Large-amount receivables	7,775,994,113.90	17,052,496.83	0.2	Note 1
Receivables with relatively	21,250,890.94	21,250,890.94	100	Note 2
Total	7,797,245,004.84	38,303,387.77		

Note 1: No major issues on the collection of accounts with an age of less than 1 year. The bad-debt provision is made at 5% for the accounts receivable beyond Baosteel Group according to the aging method; no bad-debt provision is made for the accounts receivable of the related parties within Baosteel Group beyond the Group.

Note 2: For the accounts with a relatively long age and remote probability of recovery, the bad-debt provision shall be made in full.

(4) As regards the accounts receivable for the current period, the particulars about the shareholders which hold 5% or more of voting right shares are listed as follows:

RMB

Name of Shareholders	Closing balance		Beginning balance	
	Amount	Bad-debt provisions	Amount	Bad-debt provisions
Baosteel Group	13,363,614.13	-	12,985,175.49	649,258.77

(4) As regards the accounts receivable, the particulars about the top 5 shareholders are listed as follows:

RMB

Name of Shareholders	Relationship with the Company	Amount	Age limit	Proportion in total amount of accounts receivable (%)
Shareholder I	Related party	6,259,522,489.93	Within 1 year	61
Shareholder II	Related party	424,849,912.72	Within 1 year	4
Shareholder III	Related party	411,874,744.00	Within 1 year	4
Shareholder IV	Related party	341,049,936.53	Within 1 year	3
Shareholder V	Related party	338,697,030.72	Within 1 year	3
Total		7,775,994,113.90		75

(XI) Main Notes to Financial Statement of the Parent Company -Continued**2. Other accounts receivable**

(1) Disclosure of other accounts receivable by categories:

RMB

Category	Closing balance				Beginning balance			
	Book balance		Bad-debt provision		Book balance		Bad-debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Other accounts receivable with single amount significant	167,614,307.79	88	-	-	214,902,461.01	67	2,330,038.88	46
Other accounts receivables with bad-debt provisions made individually in spite of insignificant single amount	-	-	-	-	-	-	-	-
Other accounts receivables with bad-debt provisions made by groups	22,026,789.14	12	1,132,058.87	100	105,938,869.45	33	2,743,703.10	54
Total	189,641,096.93	100	1,132,058.87	100	320,841,330.46	100	5,073,741.98	100

The ages of receivables are listed as bellows:

RMB

Age	Closing balance				Beginning balance			
	Amount	Proportion (%)	Bad-debt provision	Book value	Amount	Proportion (%)	Bad-debt provision	Book value
Within 1 year	151,668,011.76	80	763,635.29	150,904,376.47	278,549,609.21	87	4,254,225.60	274,295,383.61
1-2 years	5,615,137.19	3	368,423.58	5,246,713.61	3,811,721.25	1	819,516.38	2,992,204.87
2-3 years	1,497,947.98	1	-	1,497,947.98	-	-	-	-
3 years or more	30,860,000.00	16	-	30,860,000.00	38,480,000.00	12	-	38,480,000.00
Total	189,641,096.93	100	1,132,058.87	188,509,038.06	320,841,330.46	100	5,073,741.98	315,767,588.48

(2) The bad-debt provisions for the closing accounts receivable with single amount significant or those for which independent impairment test is performed in spite of insignificant single amount.

RMB

Details of other accounts receivable	Book balance	Bad-debt amount	Provision	Cause
Other accounts receivable with significant single amount	167,614,307.79	-	-	Note 1
Other accounts receivables with	-	-	-	Note 2
Total	167,614,307.79	-	-	

Note 1: The other large-amount receivables are estimated on a provisional basis for the customs deposits and the procurement input tax of connected transaction with very low risk in recovery, so the Company has not made the bad-debt provisions for them.

Note 2: The bad-debt provisions are made in full for the accounts receivable with a relatively long age and remote possibility of recovery.

(3) As regards the other accounts receivable in this reporting period, the particulars about the shareholders which hold 5% or more of voting right shares of the Company are listed as follows:

RMB

Name of Shareholders	Closing balance		Beginning balance	
	Amount	Bad-debt provisions	Amount	Bad-debt provisions
Baosteel Group	187,304.40	-	19,806,918.00	990,345.90

(4) As regards the other accounts receivable, the particulars about the top 5 shareholders are listed as follows:

RMB

Name of Shareholders	Relationship with the Company	Amount	Age limit	Proportion in other accounts receivable Proportion (%)
Shareholder I	Related party	48,319,047.66	Within 1 year	25
Shareholder II	Third party	31,600,649.20	Within 1 year	17
Shareholder III	Third party	30,860,000.00	3 years or more	16
Shareholder IV	Third party	28,471,000.00	Within 1 year	15
Shareholder V	Related party	28,363,610.93	Within 1 year	15
Total		167,614,307.79		88

(XI) Main Notes to Financial Statement of the Parent Company -Continued

3. Investment in JVs and associated enterprises

RMB

Name of invested shareholders	Type of business	Registrati on place	Legal representa tive	Nature of business	Registered capital RMB '000		Shareholding ratio of the Company (%)	Voting right ratio in investees(%)	Total amount of closing assets	Total amount of closing liabilities	Total amount of closing net assets	Total amount of revenues for the current period	Net profits for the current period
					Currency	Yuan							
I. JVs													
BNA	Limited liability company	Shanghai	Dai Zhihao	Manufacturin g industry	RMB	3,000,000	50	50	4,844,063,886.13	1,207,721,793.85	3,636,342,092.28	6,124,781,187.82	70,707,621.67
Bao-Island	Limited liability company	Hong Kong	N/A	Ship leasing industry	HKD	3,300	50	50	1,715,936,206.60	556,787,371.8	1,159,148,834.80	384,105,064.20	1,260,454.80

(XI) Main Notes to Financial Statement of the Parent Company-Continued

4. Long-term equity investment

The details of the long-term equity investment are as follows:

RMB

Investees	Calculation method	Initial investment cost	Beginning balance	Variation	Closing balance	Shareholding ratio in investees (%)	Voting right ratio in investees (%)	Clarification for inconsistency between shareholding ratio in vestees and voting right ratio in investees	Provision for impairment for the current period	Provision For impairment for the current period	Cash bonus for the current period
Subsidiaries											
Lubao Steel Pipe	Cost	243,248,705.24	361,404,905.16	-	361,404,905.16	79.82	79.82		-	-	-
Huangshi Coating & Galvanizing	Cost	12,254,475.04	175,658,477.39	-	175,658,477.39	58.45	58.45		-	-	4,676,000.00
Baosteel International	Cost	4,735,670,804.11	6,013,886,552.67	-	6,013,886,552.67	100	100		-	-	-
Meishan Iron & Steel	Cost	6,609,321,102.70	8,938,982,988.14	-	8,938,982,988.14	77.04	77.04		-	-	-
Baosight Software	Cost	241,213,064.59	275,664,363.08	-	275,664,363.08	55.5	55.5		-	-	43,521,264.93
Baosteel America	Cost	42,567,875.48	187,562,180.98	-	187,562,180.98	100	100		-	-	-
Howa Trading	Cost	154,073,767.03	221,975,780.12	-	221,975,780.12	100	100		-	-	-
Baosteel Europe	Cost	93,801,781.59	328,631,981.58	-	328,631,981.58	100	100		-	-	-
Baosteel Singapore	Cost	76,419,617.09	154,883,364.09	-	154,883,364.09	100	100		-	-	-
Bao-Trans Enterprises	Cost	29,882,599.80	81,867,650.27	288,682,845.00	370,550,495.27	100	100		-	-	-
Baosteel Brazil Trading	Cost	526,327.52	728,647.73	-	728,647.73	100	100		-	-	-
Baosteel Chemical	Cost	3,006,227,819.74	3,006,227,819.74	-	3,006,227,819.74	100	100		-	-	-
Finance Company	Cost	372,864,751.93	568,270,003.65	-	568,270,003.65	62.1	62.1		-	-	-
Yantai Lubao Steel Pipe	Cost	640,000,000.00	1,600,000,000.00	-	1,600,000,000.00	80	80		-	-	-
Baosteel Nantong Steel	Cost	518,520,310.51	948,520,310.51	-	948,520,310.51	95.82	95.82		-	-	-
Baoma Steel Pipe	Cost	36,673,650.00	36,673,650.00	-	36,673,650.00	75	75		-	-	-
Zhanjiang Iron & Steel	Cost	4,355,206,889.41	-	5,262,206,889.41	5,262,206,889.41	75	75		-	-	-
Subtotal of subsidiaries		21,168,473,541.78	22,900,938,675.11	5,550,889,734.41	28,451,828,409.52				-	-	48,197,264.93
JVs											
BNA	Equity	1,500,000,000.00	1,779,116,617.94	39,054,428.20	1,818,171,046.14	50	50		-	-	-
Bao-Island	Equity	143,084,132.00	588,951,350.00	-9,376,932.6	579,574,417.40	50	50		-	-	-
Subtotal of JVs		1,643,084,132.00	2,368,067,967.94	29,677,495.60	2,397,745,463.54				-	-	-
Other investments											
BAOVALÉ MINERACAO S.A.	Cost		103,282,213.00	-	103,282,213.00	50	Note 1	Note 1	-	-	-
Shanghai Luojing ORE Terminal Co., Ltd.	Cost		88,734,096.00	-	88,734,096.00	12	12		-	-	-
Dongfang Iron & Steel E-commerce Co.,	Cost		16,308,530.65	-	16,308,530.65	17	17		-	-	-
Guoqi (Beijing) Auto Lightweight Technology Research Co., Ltd.	Cost method		3,000,000.00	-	3,000,000.00	6.9	6.9		-	-	-
Oil pipeline United Co. Ltd. (Northwest)	Cost method		4,800,000,000.00	3,200,000,000.00	8,000,000,000.00	12.8	12.8		-	-	-
Others	Cost		980,000.00	-	980,000.00	Very small	Very small		-	-	-
Other total			5,012,304,839.65	3,200,000,000.00	8,212,304,839.65				-	-	-
Total			30,281,311,482.70	8,780,567,230.01	39,061,878,712.71						48,197,264.93

(XI) Main Notes to Financial Statement of the Parent Company -Continued**4. Long-term equity investment-Continued**

Note 1: Because the Company has not exercised the actual control right or significant influence on the management policies and financial decisions of the BAOVALE MINERACAO S.A., in accordance with the relevant investment agreement, the fixed returns shall be just recovered by the Company pro rata, and the investment in the BAOVALE MINERACAO S.A. shall be reflected as the long-term equity investment.

5. Operating incomes and operating costs**(1) Operating incomes**

RMB

Item	Jan-June 2013	Jan-June 2012
Main business income	58,996,990,647.64	70,911,552,119.01
Other business income	133,507,228.90	127,229,624.58
Total	59,130,497,876.54	71,038,781,743.59

(2) Main business (by industries)

RMB

Name of Industry	Jan-June 2013		Jan-June 2012	
	Operating incomes	Operating costs	Operating incomes	Operating costs
Iron and steel manufacture	58,996,991	53,280,337	70,911,552	65,831,919

(3) Main business (by products)

RMB

Name of Products	Jan-June 2013		Jan-June 2012	
	Operating incomes	Operating costs	Operating incomes	Operating costs
Iron and steel	58,996,991	53,280,337	70,911,552	65,831,919

(4) Main business (by regions)

RMB

Name of Region	Jan-June 2013		Jan-June 2012	
	Operating incomes	Operating costs	Operating incomes	Operating costs
Mainland	53,882,567	48,320,939	63,967,929	58,948,791
Overseas	5,114,424	4,959,398	6,943,623	6,883,128
Total	58,996,991	53,280,337	70,911,552	65,831,919

(5) As regards the operating incomes, the particulars about the top 5 customers are listed as follows:

RMB

Name of Customers	Operating incomes	Proportion in the whole operating incomes of the Company (%)
Total amount of operating incomes of top 5 customers of the Company	33,018,166,901.51	56

(XI) Main Notes to Financial Statement of the Parent Company -Continued**6. Investment income**

(1) Details about investment incomes are listed as follows:

RMB

Items	Jan-June 2013	Jan-June 2012
Investment incomes calculated using the cost method	48,197,264.93	130,080,882.92
Long-term equity investment incomes calculated using the equity method	35,982,919.31	59,072,871.00
Income/(loss) arising from disposal of derivative financial instruments	(14,773,709.28)	7,121,438.16
Incomes arising from entrusted government securities repurchase	5,046,136.99	1,526,130.14
Investment income arising from transfer of equity	-	(30,725,211.39)
Total	74,452,611.95	167,076,110.83

(2) In the investment incomes calculated using the cost method, the particulars about the investees whose investment incomes account for 5% or more of the total profit amount or about top 5 investees whose investment incomes have the highest proportion of the total profit amount are listed as follows:

RMB

Investees	Jan-June 2013	Jan-June 2012	Causes of variation for the current period compared with the corresponding period
Baosight Software	43,521,264.93	28,383,433.65	Cash dividends
Huangshi Coating & Galvanizing	4,676,000.00	4,676,000.00	Cash dividends
Finance Company	-	59,826,510.70	Cash dividends
Lubao Steel Pipe	-	22,789,687.30	Cash dividends
Luoqing Ore	-	13,395,251.27	Cash dividends
Total	48,197,264.93	129,070,882.92	

(3) Long-term equity investment incomes calculated using the equity method:

RMB

Investees	Jan-June 2013	Jan-June 2012	Causes of variation for the current period compared with the corresponding period
BNA	35,352,691.91	28,861,051.17	Profit variation of JVs
Bao-Island	630,227.40	7,248,335.40	Profit variation of JVs
STAL Precision	-	25,054,803.23	Associated companies have been disposed of
Rihong Stainless Steel	-	(2,091,318.80)	Associated companies have been disposed of
Total	35,982,919.31	59,072,871.00	

On June 30, 2013, the repatriation of the investment incomes of the Group had no major limitation.

7. Bank lines of credit

Up to June 30, 2013, the bank lines of credit not used had amounted to RMB 92.685 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 future one year to pay various current liabilities at maturity.

(XI) Main Notes to Financial Statement of the Parent Company -Continued**8. Supplements to cash flow statement****(1) Supplements to cash flow statement**

	RMB	
Supplementary material	Jan-June 2013	Jan-June 2012
1. Adjusting net profit to cash flows for operating activities:		
Net profit	3,468,707,907.26	9,018,186,896.95
Add: Asset depreciation reserve	372,480,974.14	66,119,232.16
Depreciation of fixed assets and investment property	3,214,464,133.64	4,566,189,880.24
Amortization of intangible assets	17,404,121.04	33,020,996.34
Amortization of long-term deferred expenses	56,666.94	700,237.11
Losses on disposal of fixed, intangible and other long-term assets (with "-"for income)	73,062,738.08	(9,053,332,880.64)
Loss on the changes in fair value (with "-"for income)	(20,789,685.96)	(27,629,945.97)
Financial expense (with "-"for income)	(765,986,528.90)	103,313,056.13
Investment loss (with "-"for income)	(74,452,611.95)	(167,076,110.83)
Decrease of deferred tax assets (with "-"for increase)	84,048,319.23	(9,908,281.48)
Increase of deferred tax liabilities (with "-"for decrease)	-	2,227,358,603.13
Decrease in inventory (with "-"for increase)	(1,065,780,762.50)	(48,431,432.71)
Decrease of receivables in operating (with "-"for increase)	(1,449,585,070.51)	(486,754,115.22)
Increase of payables in operating (with "-"for decrease)	3,469,606,072.82	(680,906,166.76)
Net cash flow from operating activities	7,323,236,273.33	5,540,849,968.45
2. Major investing and financing activities involving no cash incomings / outgoings:		
Conversion of debt into capital		
Convertible bonds expiring within one year		
Fixed assets acquired under finance leases		
3. Net change of cash and cash equivalents:		
Cash at the end of the period	8,392,800,867.92	11,836,607,401.24
Less: Cash at the beginning of the period	2,036,143,946.73	8,826,002,497.24
Add: Cash equivalents at the end of the period	-	-
Less: Cash equivalents at the beginning of the period	-	-
Net increase (decrease) in cash and cash equivalents	6,356,656,921.19	3,010,604,904.00

(XII) Approval for Financial Statements

On August 23, 2013, the Company and the Consolidated Financial Statement of the Company were subject to the approval of the Board of Directors of the Company.

(XIII) Supplements**1. List of non-current profits and losses**

RMB

Items	Amount
Profits and losses on disposal of non-current assets	(75,250,898.86)
The government subsidies recognized in profit or loss (other than the government subsidies closely related to the enterprise, enjoyed on a quota or quantitative basis in accordance with the uniform standard of the state)	111,229,365.08
Profits and losses from changes in fair value of held-for-trading financial assets and held-for-trading financial liabilities, as well as the 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 business related to the normal operating business of the Company	9,401,918.80
Other non-operating incomes and expenditures other than various items mentioned above	17,439,831.34
Influence amount of income tax	(14,945,702.19)
Influence amount (after-tax) of Minority shareholder's equity	(10,392,886.48)
Total	37,481,677.69

2. Return on net assets and EPS

The Calculation Statement of Return on Net Assets and EPS is prepared by the Baoshan Iron & Steel Co., Ltd. in accordance with the relevant regulations of the *Standards concerning Compilation of Information Disclosure by Companies Offering Securities to the Public No. 9-Calculation and Disclosure of Return on Net Assets and EPS* (Revision 2010).

Profits in the reporting period	Weighted average return on net assets (%)	Basic EPS
Net profits attributable to the ordinary shareholders of the Company	3.35	0.22
Net profits attributable to the ordinary shareholders of the Company after the non-current profits and losses are deducted	3.31	0.22

(XIII) Supplements-Continued

3. Explanation for exceptional conditions and causes of the main Consolidated Financial Statements of the Company

RMB

	Statement items	June 30, 2013	Dec. 31, 2012	Range of change	Causes of change
1	Monetary fund	14,279,797,850.96	8,851,124,979.28	61%	Mainly attributable to the cash reserve for the capital increase of the Zhanjiang Iron & Steel.
2	Held-for-trading financial assets	188,981,895.06	89,577,809.31	111%	Mainly attributable to the increase of cash-based trust products by the Finance Company.
3	Interest receivable	251,263,809.45	948,484,949.13	-74%	Mainly attributable to the interest on the payment arising from transfer of special materials of the Baosteel Stainless Steel. Baosteel in April.
4	Dividend receivable		33,639,886.82	-100%	Mainly attributable to the recovery of annual dividends of previous years
5	Long-term equity investment	13,653,944,696.40	10,539,022,615.18	30%	Mainly attributable to the second investment of 3.2 billion for the west-east natural gas transmission project No. 3 line project in June.
6	Sales payment of repurchased financial assets	300,919,277.66	437,705,880.63	-31%	Mainly attributable to the reason that the Finance Company is of relatively good liquidity, which decreases the liabilities actively.
7	Tax payable	1,657,152,983.84	1,093,465,271.31	52%	Mainly attributable to the increase in VAT payable
8	Dividend payable	50,553,860.73	22,155,313.83	128%	Mainly attributable to the dividends payable to Minority shareholders by the Baosteel International
9	Non-current liabilities due within one year	15,459,430,657.83	4,502,840,000.00	243%	The convertible bonds with attached warrants of RMB 9.56 billion and the liabilities of USD 850 million due within one year
10	Other current liabilities	2,321,945,000.02	1,017,012,500.06	128%	In May, Meishan Iron & Steel Co., Ltd. issued the additional short-term financing bonds of RMB 1.8 billion, and repaid RMB 500 million when due.
11	Long-term borrowings	1,055,913,578.18	2,731,689,992.42	-61%	The debts of RMB 850 million are transferred into the non-current liabilities due within one year. Meishan Iron & Steel Co., Ltd. repaid in advance the loan of RMB 750 million using the low-interest-rate assets. The newly added long-term USD loan are translated into RMB 530 million.
12	Bond payable	496,783,114.92	9,835,739,000.07	-95%	Mainly attributable to the non-current liabilities due within one year transferred from the STRIPS

	Statement items	Jan-June 2013	Jan-June 2012	Range of change	Causes of change
13	Business Tax and Surcharges	256,637,867.28	134,488,839.09	91%	Mainly attributable to the y-o-y increase of VAT payable
14	Financial expenses	-250,887,943.98	499,495,875.29	-150%	Mainly attributable to the Renminbi appreciation against US dollar by 1.7% in the first half of 2013; the Renminbi depreciation against US dollars by 0.38% affected by the exchange gains.
15	Loss from assets impairment	282,632,015.73	29,491,957.81	858%	Mainly attributable to the provisions for RMB 220 million falling price reserve of inventories in the first half of 2013 according to the market change.
16	Non-operating income	186,503,047.61	10,226,896,441.53	-98%	Mainly attributable to the revenues arising from the transfer of relevant assets of the Stainless Steel Business Division and the Special Steel Business Division in the first half of 2012.
17	Non-operating expenses	137,160,663.98	610,284,454.87	-78%	Mainly attributable to the RMB 540 million losses on the sales of relevant assets of the Stainless Steel Business Division and the Special Steel Business Division in the first half of 2012
18	Income tax expense	1,364,232,563.99	2,648,984,756.25	-48%	Mainly because the total amount of profit have a y-o-y decrease of 58% .

IX. Documents Available for Reference

1. The text of the semi-annual report which bears the signature of the president;
2. The text of the financial statement which bears the signatures and seals of the corporate representative, person in charge of accounting, and chief accountant;
3. The originals of all documents and of announcements publicly disclosed at the journals designated by the CSRC;
4. The text of articles of association.

President: He Wenbo
Baoshan Iron & Steel Co., Ltd.
August 23, 2013