

**Baoshan Iron & Steel Co., Ltd.**

**600019**

**2014 1<sup>st</sup> Quarter Report**

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## §1 Important Notice

1.1 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 the Quarter 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.

1.2 Name of directors absent from the meeting of the Board of Directors for reviewing the Quarter Report and their reasons

| Name of the absent director | Post of the absent director | Explanation of the absent director | Name of the mandatary |
|-----------------------------|-----------------------------|------------------------------------|-----------------------|
| Wang Li                     | Director                    | Work                               | Zhu Junsheng          |
| Wong Pik Kuen Helen         | Independent Director        | Work                               | Yuh-chang Hwang       |

1.3 The 1<sup>st</sup> quarter financial statements have not been audited.

1.4 He Wenbo, Chairman of the Company, Zhu Keping, chief accountant, and Wang Juan, Director of the Finance Department in charge of the accounting affairs, attest to the truthfulness and completeness of the financial statements in this Report.

## §2 Company Profile

2.1 Highlights of the Company

- A profit of RMB 2.12 billion has been realized in the first quarter, representing a year-on-year growth of 47.2%. The Company has maintained the best performance among domestic peers.
- The first information platform for banking chattel mortgage – “Shanghai Information Platform for Banking Chattel Mortgage” has been officially launched; in the future, with steel pledge as the breakthrough, various businesses of chattel mortgage will be gradually covered.
- The sales of the exclusively leading products and cold-rolled automotive sheets have presented a year-on-year growth of 9.6% and 19.5%, among which the sales of the advanced high strength steel of automotive sheets has shown a year-on-year growth of 220%.
- The Company has improved the customer service capability, kept the title of “Global Annual Supplier” of General Motors, and won the title of excellent supplier of GAC Fiat for the first time.
- The Company has completed the first RMB settlement business for iron ore trade with Australia Rio Tinto Group, with transaction amount of over RMB 100 million.
- Centering on the target of leading in steel technology, the Company has accelerated the step of innovation; the project of *Development and Industrialization of High-grade Non-oriented Silicon Steel Manufacturing Technology* has won the first prize of Shanghai Scientific and Technological Progress Award, and the Company has ranked among the top 10 Chinese enterprises with 1436 valid patents.

2.2 Major accounting data and financial indicators

Unit: RMB

| Major accounting data   | At the end of the reporting period                                | At the end of the previous year                                    | Increase/decrease from the previous year (%) |
|---|---|--|--|
| Total assets (RMB million)  | 232,539   | 226,668  | 2.59   |
| Net assets attributable to shareholders of listed company (RMB million) | 111,963   | 110,512  | 1.31   |
| Major accounting data   | From the beginning of the year to the end of the reporting period | From the beginning of the previous year to the end of the previous | Increase/decrease from the previous year (%) |

|   |   | reporting period  |  |
|---|---|---|--|
| Net cash flow from operating activities (RMB million)   | 356   | 1,886   | -81.12                                       |
| Major financial indicators  | From the beginning of the year to the end of the reporting period | From the beginning of the previous year to the end of the previous reporting period | Increase/decrease from the previous year (%) |
| Operating revenues  | 46,748  | 46,355  | 0.85   |
| Net profit attributable to shareholders of the listed Company (RMB million)                                     | 1,510   | 1,628   | -7.23  |
| Net profit attributable to shareholders of the listed Company less non-recurring gains and losses (RMB million) | 1,499   | 1,606   | -6.66  |
| Weighted average return-on-equity (%)   | 1.36  | 1.46  | Down by 0.1 ppts                             |
| Basic earnings per share (RMB)  | 0.09  | 0.10  | -3.99  |
| Diluted earnings per share (RMB)  | 0.09  | 0.10  | -3.99  |

Deducting non-recurring gains and losses:

Unit: RMB million

| Item   | Amount from the beginning of the year to the end of the reporting period |
|--|--|
| Profits and losses arising from disposal of non-current assets                     | -64.5  |
| Returns on investment arising from disposal of available-for-sale financial assets | 2.8  |
| Other net non-operating incomes and expenditures other than the above items        | 76.6   |
| Effect of income taxes   | -3.7   |
| Effect of minority interest  | -0.001   |
| Total  | 11.2   |

### 2.3 Principal business by segments

| Segment                     | Operating revenues | Operating costs | Gross margin | YoY change in gross margin |
|-----------------------------|--------------------|-----------------|--------------|----------------------------|
| Steel manufacturing         | 31,380             | 28,377          | 10%          | Up by 1.0 ppts             |
| Processing and distribution | 43,459             | 42,425          | 2%           | Up by 0.1 ppts             |
| Information technology      | 754                | 515             | 32%          | Up by 10.0 ppts            |
| E-commerce                  | 2,307              | 2,299           | 0%           | N/A                        |
| Chemical industry           | 2,587              | 2,342           | 9%           | Down by 2.3 ppts           |
| Finance                     | 155                | 70              | 55%          | Down by 1.9 ppts           |
| Offset between segments     | -33,779            | -33,745         | -            | -                          |
| Total                       | 46,863             | 42,284          | 10%          | Up by 0.7 ppts             |

2.4 Total number of shareholders at the end of the reporting period and top 10 holders of shares not subject to conditional sales

Unit: share

| Total number of shareholders   |  |                             |                    | 482,213                             |                          |
|--|--|-----------------------------|--------------------|-------------------------------------|--------------------------|
| Top 10 shareholders  |  |                             |                    |                                     |                          |
| Name   | Shareholder nature   | Shareholding proportion (%) | Total shares       | Shares subject to conditional sales | Shares pledged or frozen |
| Baosteel Group Corporation   | State-owned  | 79.71                       | 13,128,825,267     | 0                                   | None                     |
| China Merchants Bank Co., Ltd. – Everbright Premedical advantage allocation shares securities investment funds           | Other  | 0.33                        | 55,099,948         | 0                                   | None                     |
| Huaxin Trust Co., Ltd.   | Other  | 0.30                        | 49,051,100         | 0                                   | None                     |
| CSOP Asset Management Limited – CSOP Source A50ETF   | Other  | 0.22                        | 36,700,193         | 0                                   | None                     |
| Morgan Stanley Investment Management Co., Ltd. – Morgan Stanley China A Share Fund                                       | Other  | 0.17                        | 28,440,196         | 0                                   | None                     |
| China Everbright Bank Co., Ltd. – Everbright Pramerica Quantified Core Securities Investment Fund                        | Other  | 0.17                        | 27,941,916         | 0                                   | None                     |
| China Foreign Economy and Trade Trust Co., Ltd. – foreign trade trust • Chongyang Hedge No.2 collective money trust plan | Other  | 0.16                        | 27,001,145         | 0                                   | None                     |
| China Life Insurance Co., Ltd. – dividend - individual dividend – 005L – FH002 Hu  | Other  | 0.16                        | 25,675,561         | 0                                   | None                     |
| Fidelity Investments Management (HK) Ltd. – customer funds   | Other  | 0.15                        | 23,885,583         | 0                                   | None                     |
| Bank of China Limited – Harvest Hushen 300 trading and open index securities investment funds                            | Other  | 0.14                        | 23,589,142         | 0                                   | None                     |
| Top 10 holders of shares not subject to conditional sales  |  |                             |                    |                                     |                          |
| Full name  | Number of shares not subject to conditional sales at the end of the reporting period |                             | Type of shares     |                                     |                          |
| Baosteel Group Corporation   | 13,128,825,267   |                             | RMB ordinary share |                                     |                          |
| China Merchants Bank Co., Ltd. – Everbright Premedical advantage allocation shares securities investment funds           | 55,099,948   |                             | RMB ordinary share |                                     |                          |
| Huaxin Trust Co., Ltd.   | 49,051,100   |                             | RMB ordinary share |                                     |                          |
| CSOP Asset Management Limited – CSOP Source A50ETF   | 36,700,193   |                             | RMB ordinary share |                                     |                          |
| Morgan Stanley Investment  | 28,440,196   |                             | RMB ordinary share |                                     |                          |

|  |   |                    |
|--|---|--------------------|
| Management Co., Ltd. – Morgan Stanley China A Share Fund   |   |                    |
| China Everbright Bank Co., Ltd. – Everbright Pramerica Quantified Core Securities Investment Fund                        | 27,941,916  | RMB ordinary share |
| China Foreign Economy and Trade Trust Co., Ltd. – foreign trade trust • Chongyang Hedge No.2 collective money trust plan | 27,001,145  | RMB ordinary share |
| China Life Insurance Co., Ltd. – dividend - individual dividend – 005L – FH002 Hu  | 25,675,561  | RMB ordinary share |
| Fidelity Investments Management (HK) Ltd. – customer funds   | 23,885,583  | RMB ordinary share |
| Bank of China Limited – Harvest Hushen 300 trading and open index securities investment funds                            | 23,589,142  | RMB ordinary share |
| Remarks on affiliation, alliance or collusion among the aforementioned shareholders                                      | The fund manager of China Merchants Bank Co., Ltd. – Everbright Premedical advantage allocation shares securities investment funds and China Everbright Bank Co., Ltd. – Everbright Pramerica Quantified Core Securities Investment Fund is Everbright Primerica Fund Management Co., Ltd. The Company is not aware of any connected relationship among other shareholders mentioned above or any parties acting in concert specified in <i>Measures for the Administration of Acquisitions by Listed Companies</i> . |                    |

### §3 Significant Events

#### 3.1 Sharp changes in major accounting statements and financial indicators and reasons

√Applicable □Not applicable

In the first quarter of 2014, though iron and steel enterprises entered the traditional peak season, due to weak macro economy in China, the overcapacity in steel market further aggravated and steel inventories stayed high. At the end of the first quarter, the year-on-year decrease rate in international steel CRU index and domestic steel CSPI index respectively reached 6.0% and 11.0%. According to the statistical data of China Iron & Steel Association, in the first two months, the accumulated losses of 88 iron and steel enterprises amounted to RMB 2.85 billion, and the loss was as high as RMB 4.06 billion if Baosteel Ltd. was excluded.

In face of the negative factors in the steel market, the Company has continuously deepened marketing and enhanced customer service and technological innovation, optimized production and marketing mode, advanced systematic flexible manufacturing and resource guarantee capacity, stabilized sales price, led the confidence of the market, and ensured the good completion of operational goal in the first quarter. During the reporting period, the Company produced 5.515 million tons of iron, 5.646 million tons of steel and 5.536 million tons of steel products, and realized a total consolidated profit of RMB 2.12 billion.

Sharp changes in major accounting statements and the reasons are as follows:

Compared with the first quarter in 2013:

Financial expenses had a year-on-year increase of RMB 360 million, representing a growth rate of 786.1%, mainly because the 0.9% depreciation of RMB central parity rate in the first quarter led to exchange losses of RMB 280 million; the 0.3% appreciation of RMB central parity rate in the same period last year led to exchange gains of RMB 60 million

contributing the year-on-year growth of financial expenses of RMB 340 million.

Assets impairment losses had a year-on-year decrease of RMB 190 million, representing a decline rate of 298.7%, mainly because the provision for decline in value of inventories was reversed by RMB 100 million in the first quarter, while the provision for decline in value of inventories of RMB 40 million was made additionally at the same period last year.

Net cash flow arising from operating activities decreased by RMB 1.53 billion on a year-on-year basis, representing a decline of 81.1%. In the first quarter of 2014, the Company made a net profit of RMB 1.59 billion, depreciation and amortization of fixed assets of RMB 2.61 billion, other non-operational losses of RMB 280 million and cash from operating activities of RMB 4.47 billion. The occupation of inventory funds rose and cash flow decreased by RMB 1.4 billion; receivables from operating activities rose and cash flow decreased by RMB 4.06 billion; payables from operating activities rose and cash flow increased by RMB 1.35 billion, realizing RMB 360 million of net cash inflow arising from operating activities, RMB 1.53 billion less than that at the same period last year. Without regard to the impact of Finance Co., the net cash flow arising from operating activities was RMB 560 million, RMB 2.95 billion less than that at the same period last year. The year-on-year decrease is caused by the following reasons:

- ① The year-on-year decrease of RMB 130 million in net profit and the decrease of flow;
- ② The year-on-year increase of RMB 130 million in depreciation and amortization and the increase of flow;
- ③ The year-on-year increase of RMB 360 million in financial expense and the increase of flow;
- ④ The year-on-year decrease of RMB 190 million in provision for impairment loss, investment losses and other items and the decrease of flow;
- ⑤ Inventories at the end of the first quarter was RMB 1.40 billion more than that at the beginning of the year, while the inventory increase was RMB 3.07 billion for the same period last year. As a result, the year-on-year inventory flow increased by RMB 1.67 billion.
- ⑥ Cash flow from receivables at the end of the first quarter increased by RMB 3.63 billion, while the increase was RMB 1.09 billion for the same period last year. As a result, the year-on-year flow decreased by RMB 2.54 billion.
- ⑦ Cash flow from payables at the end of the first quarter increased by RMB 1.13 billion, while the increase was RMB 3.38 billion for the same period last year. As a result, the year-on-year flow decreased by RMB 2.25 billion.

The year-on-year increase in net cash outflow arising from investing activities was RMB 2.08 billion, representing a growth rate of 62.5%, mainly due to the payment for RMB 2.34 billion of land-transferring fees for signing of the grant contract of land use right of west Luoqing area between the Company and Shanghai Municipal Bureau of Planning and Land & Resources.

The year-on-year increase in net cash inflow arising from financing activities was RMB 130 million, representing a growth rate of 4.9%; it was basically flat compared with that at the same period last year.

Compared with the beginning of 2014:

Tradable financial assets was RMB 150 million more than that at the beginning of the year, representing a growth rate of 532.6%, mainly attributable to the increase of RMB 150 million in the money fund investment made by the Finance Co.

Interest receivable was RMB 250 million more than that at the beginning of the year, representing a growth rate of 33.5%, mainly attributable to sales of relevant assets of the stainless steel and special steel business units and installment interest receivable.

Intangible assets was RMB 2.3 billion more than that at the beginning of the year, representing a growth rate of 33.4%, mainly attributable to the payment for land-transferring fees of RMB 2.34 billion for signing of the grant contract of land use right of west Luoqing area between the Company and Shanghai Municipal Bureau of Planning and Land & Resources.

Tax payable was RMB 560 million more than that at the beginning of the year, representing a growth rate of 31.5%, mainly attributable to the increase in sales revenue of the legal representatives of the Company in March, compared with that in December 2013, leading to the increase of RMB 200 million in corresponding output tax; in the meantime, due to fluctuation in customs clearance and other reasons, corresponding input tax decreased by RMB 400 million; as a result, the value added tax payable increased by RMB 630 million.

### 3.2 Progress and impacts of major events and analysis and description of solutions

Applicable Not applicable

### 3.3 Commitments and performance of the Company, shareholders and actual controller

Applicable Not applicable

#### 1. Commitments related with the initial public offering (IPO)

Baosteel Group undertook the following two commitments as at the establishment of the Company:

(1) All related party transactions with the Company will be carried out in compliance with relevant laws, regulations and rules set by the authorities and will not damage the legitimate interest of the Company nor its minority shareholders.

(2) Baosteel Group will not directly participate in any business activity or directly own an interest in any business activity or entity that might pose competition to the Company's current operating business. However, Baosteel Group can maintain its existing shares in the Company, as well as manage and develop the existing business which may or may not be in competition with the Company. Should Baosteel Group (including its wholly-owned and holding subsidiaries or other associates) engage in any new business, investment or research that might be in competition with the principal products or services of the Company in the future, Baosteel Group has agreed to grant the Company pre-emptive rights to develop or acquire the said business.

These commitments will stay in force under two conditions: A. the Company is listed on the Hong Kong Stock Exchange and domestic stock exchange of China; and, B. Baosteel Group owns no less than 30% of the Company's issued shares.

In addition, on June 13, 2001, and September 6, 2002, Baosteel Group further pledged to uphold these two commitments after the Company's acquisition of the assets related to construction of its phase three project and all remaining assets thereof.

These commitments were published on *China Securities News*, *Shanghai Securities News* and *Securities Times* dated 21st June 2001 and 12th September 2002 and the official website of Shanghai Stock Exchange (<http://www.sse.com.cn>) as well.

#### 2. Commitments related with re-financing

Commitments made in the Prospectus of additional public offering by Baosteel Group:

(1) The Company has the right to acquire, at any time it thinks appropriate, Baosteel Group's assets and businesses which may be in competition with the Company.

(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 were publicly posted on official website of the Shanghai Stock Exchange (<http://www.sse.com.cn>) in April 2005.

### 3. Other commitments

Commitments Baosteel Group undertook about Luojing Land:

Baosteel Group Shanghai Pudong Iron & Steel Co., Ltd. (hereinafter, Pudong Steel), a wholly owned subsidiary of Baosteel Group, was offering its construction-in-progress and related fixed assets in Luojing (hereinafter, Luojing Assets), which the Company intended to purchase. Luojing Assets cover an area of 3.228 million m<sup>2</sup>, 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), RMB 2.8 billion as preliminarily estimated, shall be paid by the Company. Baosteel Group promises:

(1) If the Company intends to purchase the Luojing assets, Baosteel Group and/or Pudong Steel would help the Company to go through the transfer procedures and other matters as required by the Company.

(2) In the event of the total actual expense exceeding RMB 2.8 billion for the procedures, Baosteel Group and/or Pudong Steel shall fully cover the exceeding amount in time, by means of paying the Company and/or the government (as is required).

The aforementioned commitments were published on *China Securities News*, *Shanghai Securities News* and *Securities Times* and the official website of Shanghai Stock Exchange (<http://www.sse.com.cn>) of December 12, 2007.

Commitments Baosteel Group undertook about Desheng Nickel Project:

Baosteel Group sought the Company's opinion of investment in the Desheng Nickel Project on December 16, 2010 in written form of "Solicit Letter about Investment on Desheng Nickel Project", "Commitments about Desheng Nickel Project". The Company agreed that Baosteel Group could invest in the project, but retained the right to purchase the equity of the project. Baosteel Group promises: When the Company wants to acquire the equity of the project, it would transfer its share of equity of the project at a fair price in line with relative laws, regulations, and other documents and on basis of asset evaluation results as conducted by an individual assets evaluation agency.

These commitments stay in force under two conditions: (a) the company is listed at a stock exchange and (b) Baosteel Group owns no less than 30% of the Company's issued shares.

The aforementioned commitments were published on *China Securities News*, *Shanghai Securities News* and *Securities Times* and the official website of Shanghai Stock Exchange (<http://www.sse.com.cn>) of December 23, 2010.

During the reporting period, Baosteel Group and the Company did not breach any of the aforementioned commitments.

3.4 Caution and cause description for the prediction that losses may incur for the accumulated net profit from the beginning of the year to the end of the next reporting period or sharp changes may occur compared with the same period last year

Applicable Not applicable

Baoshan Iron & Steel Co., Ltd.  
Legal Representative: He Wenbo  
April 29, 2014

## §4 Appendix

### Consolidated Balance Sheet

March 31, 2014

Name of enterprise: Baoshan Iron & Steel Co., Ltd. Unit: Yuan Currency: RMB Type of audit: unaudited

| Item   | Closing Balance    | Opening Balance    |
|--|--------------------|--------------------|
| Current assets:                                    |                    |                    |
| Cash and bank balances                             | 10,733,163,935.41  | 12,881,234,298.49  |
| Held-for-trading financial assets                  | 181,788,035.88     | 28,738,843.94      |
| Notes receivable                                   | 14,004,687,742.82  | 12,147,274,807.14  |
| Accounts receivable                                | 12,146,874,985.82  | 11,274,903,876.09  |
| Prepayments  | 3,787,581,295.56   | 3,063,667,270.70   |
| Interest receivable                                | 988,514,729.12     | 740,275,608.57     |
| Dividend receivable                                | 60,887,153.28      | 60,887,153.28      |
| Other receivables                                  | 1,771,752,356.51   | 1,644,745,236.41   |
| Financial assets purchased under resale agreements | 100,000,000.00     | 91,000,000.00      |
| Inventory  | 32,591,631,193.59  | 31,086,740,188.46  |
| Non-current assets due within one year             | 4,760,000,000.00   | 4,760,000,000.00   |
| Other current assets                               | 78,594,353.75      | 277,031,463.05     |
| Total current assets                               | 81,205,475,781.74  | 78,056,498,746.13  |
| Non-current assets:                                |                    |                    |
| Loans and advances to customers                    | 3,267,299,493.82   | 3,071,913,823.54   |
| Available-for-sale financial assets                | 1,082,499,252.30   | 1,009,142,907.29   |
| Long-term receivables                              | 13,503,767,904.71  | 13,514,754,636.88  |
| Long-term equity investment                        | 13,767,906,764.09  | 13,681,009,703.67  |
| Investment properties                              | 466,228,229.79     | 475,625,029.59     |
| Fixed assets                                       | 84,773,705,057.58  | 86,218,213,718.97  |
| Construction in progress                           | 15,990,972,990.19  | 15,173,486,763.50  |
| Materials for construction of fixed assets         | 312,056,535.92     | 232,296,401.98     |
| Intangible assets                                  | 9,174,540,827.90   | 6,878,417,865.39   |
| Long-term prepaid expenses                         | 911,248,942.03     | 886,044,247.32     |
| Deferred income tax assets                         | 2,081,182,863.03   | 2,052,778,079.55   |
| Other non-current assets                           | 6,002,247,798.53   | 5,418,157,904.40   |
| Total non-current assets                           | 151,333,656,659.89 | 148,611,841,082.08 |
| Total assets                                       | 232,539,132,441.63 | 226,668,339,828.21 |

### Consolidated Balance Sheet (Continued)

March 31, 2014

Name of enterprise: Baoshan Iron & Steel Co., Ltd. Unit: Yuan Currency: RMB Type of audit: unaudited

| Item  | Closing Balance    | Opening Balance    |
|---|--------------------|--------------------|
| Current liabilities:  |                    |                    |
| Short-term borrowings   | 37,433,799,686.87  | 34,470,625,308.28  |
| Deposits from customers and interbank   | 7,978,322,056.44   | 7,598,875,519.12   |
| Taking from banks and other financial institutions                                      | 300,000,000.00     | 300,000,000.00     |
| Held-for-trading financial liabilities  | 2,781,396.36       | -                  |
| Notes payable   | 2,083,567,651.61   | 2,429,960,640.68   |
| Accounts payable  | 18,858,264,761.33  | 18,175,471,239.50  |
| Receipts in advance   | 11,617,442,117.78  | 11,971,576,846.67  |
| Financial assets sold under repurchase agreements                                       | 539,625,127.16     | 666,961,287.43     |
| Employee benefits payable   | 1,704,986,014.22   | 1,696,560,100.99   |
| Taxes payable   | 2,341,594,339.88   | 1,781,381,390.45   |
| Interest payable  | 234,288,791.51     | 226,797,561.21     |
| Dividends payable   | 35,531,603.39      | 14,070,461.91      |
| Other payable   | 1,259,853,250.97   | 1,225,243,921.84   |
| Non-current liabilities due within one year   | 12,005,171,004.42  | 12,227,658,084.57  |
| Other current liabilities   | 1,869,996,666.63   | 1,848,866,666.64   |
| Total current liabilities   | 98,265,224,468.57  | 94,634,049,029.29  |
| Non-current liabilities:  |                    |                    |
| Long-term borrowings  | 5,151,742,370.61   | 4,702,446,502.87   |
| Bonds payable   | 3,532,355,340.11   | 3,502,708,347.20   |
| Special payable   | 739,593,367.21     | 739,598,541.24     |
| Deferred income tax liabilities   | 305,256,433.74     | 304,859,283.39     |
| Other non-current liabilities   | 2,666,637,681.40   | 2,718,747,282.41   |
| Total non-current liabilities   | 12,395,585,193.07  | 11,968,359,957.11  |
| Total liabilities   | 110,660,809,661.64 | 106,602,408,986.40 |
| Owners' equity  |                    |                    |
| Paid-in capital (or capital stock)  | 16,471,724,924.00  | 16,471,724,924.00  |
| Capital reserve   | 32,853,006,175.80  | 32,966,712,988.03  |
| Special reserve   | 29,275,199.53      | 22,160,961.06      |
| Surplus reserve   | 24,528,201,377.92  | 24,528,201,377.92  |
| Retained earnings   | 38,554,597,852.24  | 37,044,549,468.11  |
| Translation differences arising from translation of financial statements denominated in | -473,357,937.40    | -521,151,950.22    |

|   |                    |                    |
|---|--------------------|--------------------|
| foreign currencies                                      |                    |                    |
| Total owners' equity attributable to the parent company | 111,963,447,592.09 | 110,512,197,768.90 |
| Minority interests                                      | 9,914,875,187.90   | 9,553,733,072.91   |
| Total owners' equity                                    | 121,878,322,779.99 | 120,065,930,841.81 |
| Total liabilities and owners' equity                    | 232,539,132,441.63 | 226,668,339,828.21 |

Legal representative: He Wenbo    Person in Charge of the Accounting Body: Zhu Kebing  
Chief Accountant: Wang Juan

## Balance Sheet of Parent Company

March 31, 2014

Name of enterprise: Baosteel Co., Ltd. Unit: Yuan Currency: RMB Type of audit: unaudited

| Item                                       | Closing Balance    | Opening Balance    |
|--|--------------------|--------------------|
| Current assets:                            |                    |                    |
| Cash and bank balances                     | 3,394,704,610.13   | 6,290,586,489.64   |
| Notes receivable                           | 14,315,540,293.26  | 12,214,208,950.73  |
| Accounts receivable                        | 11,283,638,408.80  | 10,715,045,629.19  |
| Prepayments                                | 1,604,282,240.00   | 1,079,542,213.71   |
| Interest receivable                        | 990,072,315.57     | 729,665,753.38     |
| Other receivables                          | 302,003,529.26     | 327,858,990.20     |
| Inventory                                  | 16,804,823,597.43  | 17,033,352,986.60  |
| Non-current assets due within one year     | 4,500,000,000.00   | 4,730,392,547.84   |
| Other current assets                       | 3,471,472,249.08   | -                  |
| Total current assets                       | 56,666,537,243.53  | 53,120,653,561.29  |
| Non-current assets:                        |                    |                    |
| Long-term receivables                      | 15,573,532,930.56  | 15,573,532,930.56  |
| Long-term equity investment                | 45,301,049,732.40  | 44,907,172,562.46  |
| Fixed assets                               | 51,166,505,692.70  | 51,969,984,620.58  |
| Construction in progress                   | 2,604,179,963.44   | 2,798,593,355.74   |
| Materials for construction of fixed assets | 20,590,476.75      | 25,174,314.02      |
| Intangible assets                          | 3,833,256,339.01   | 1,505,904,482.93   |
| Long-term prepaid expenses                 | 28,904,439.75      | 1,511,118.40       |
| Deferred income tax assets                 | 622,191,410.11     | 658,474,261.06     |
| Other non-current assets                   | 1,097,400,685.07   | 1,096,036,325.53   |
| Total non-current assets                   | 120,247,611,669.79 | 118,536,383,971.28 |
| Total assets                               | 176,914,148,913.32 | 171,657,037,532.57 |

## Balance Sheet of Parent Company (Continued)

March 31, 2014

Name of enterprise: Baoshan Iron & Steel Co., Ltd. Unit: Yuan Currency: RMB Type of audit: unaudited

| Item                                      | Closing Balance    | Opening Balance    |
|---|--------------------|--------------------|
| Current liabilities:                      |                    |                    |
| Short-term borrowings                     | 8,571,254,345.57   | 8,496,748,388.00   |
| Held-for-trading financial liabilities    | 2,781,396.36       | -                  |
| Notes payable                             | 104,451,885.91     | 223,523,900.29     |
| Accounts payable                          | 31,530,679,152.89  | 27,193,534,207.87  |
| Receipts in advance                       | 9,610,939,099.88   | 9,032,674,462.93   |
| Employee benefits payable                 | 1,171,280,516.50   | 1,191,134,290.92   |
| Taxes payable                             | 2,716,272,583.37   | 2,111,635,461.99   |
| Interest payable                          | 88,786,932.55      | 69,588,411.99      |
| Other payable                             | 397,695,633.56     | 467,707,218.89     |
| Non-current liabilities due within a year | 11,129,033,864.61  | 11,003,934,462.35  |
| Other current liabilities                 | -                  | 1,690,778,800.40   |
| Total current liabilities                 | 65,323,175,411.20  | 61,481,259,605.63  |
| Non-current liabilities:                  |                    |                    |
| Long-term borrowings                      | 4,614,075,000.00   | 4,267,830,000.00   |
| Special payable                           | 710,758,716.42     | 710,710,498.45     |
| Deferred income tax liabilities           | 302,407,284.28     | 302,407,284.28     |
| Other non-current liabilities             | 556,652,348.13     | 592,406,805.09     |
| Total non-current liabilities             | 6,183,893,348.83   | 5,873,354,587.82   |
| Total liabilities                         | 71,507,068,760.03  | 67,354,614,193.45  |
| Owners' equity                            |                    |                    |
| Paid-in capital (or capital stock)        | 16,471,724,924.00  | 16,471,724,924.00  |
| Capital reserve                           | 32,738,628,541.50  | 32,731,184,064.17  |
| Surplus reserve                           | 24,528,201,377.92  | 24,528,201,377.92  |
| Special reserve                           | 593,059.75         | -                  |
| Retained earnings                         | 31,667,932,250.12  | 30,571,312,973.03  |
| Total owners' equity                      | 105,407,080,153.29 | 104,302,423,339.12 |
| Total liabilities and owners' equity      | 176,914,148,913.32 | 171,657,037,532.57 |

## Consolidated Income Statement

January-March 2014

Name of enterprise: Baoshan Iron & Steel Co., Ltd. Unit: Yuan Currency: RMB Type of audit: unaudited

| Item  | Current-period    | Previous-period   |
|---|-------------------|-------------------|
| I. Total operating income   | 46,844,989,566.69 | 46,435,928,935.33 |
| Including: operating income   | 46,747,761,426.78 | 46,354,667,221.49 |
| Interest income   | 95,647,035.81     | 79,909,964.24     |
| Fee and commission income   | 1,581,104.10      | 1,351,749.60      |
| II. Total operating costs   | 44,762,680,248.67 | 44,249,941,901.63 |
| Including: operating costs  | 42,222,502,305.74 | 42,188,188,101.07 |
| Interest expense  | 61,377,636.38     | 59,638,352.28     |
| Fee and commission expenses   | 158,315.53        | 143,132.84        |
| Business taxes and levies   | 141,817,297.60    | 128,292,445.95    |
| Selling expense   | 434,252,218.51    | 409,017,818.41    |
| Administrative expense  | 1,627,701,225.06  | 1,356,100,180.92  |
| Financial expense   | 400,736,071.97    | 45,222,789.96     |
| Impairment losses of assets   | -125,864,822.12   | 63,339,080.20     |
| Add: Gains from changes in fair values<br>(Losses are indicated by "-") | 3,805,983.97      | 16,283,007.02     |
| Investment income (Losses are<br>indicated by "-")                      | 21,570,502.09     | 12,832,433.47     |
| Including: Income from investments<br>in associates and joint ventures  | 16,392,872.56     | -3,030,799.63     |
| III. Operating profit (Losses are<br>indicated by "-")                  | 2,107,685,804.08  | 2,215,102,474.19  |
| Add: Non-operating income   | 87,665,002.09     | 98,049,057.21     |
| Less: Non-operating expenses  | 75,537,334.65     | 62,463,145.39     |
| Including: Losses from disposal<br>of non-current assets                | 65,026,220.38     | 29,321,923.49     |
| IV. Total profit (Losses are indicated<br>by "-")                       | 2,119,813,471.52  | 2,250,688,386.01  |
| Less: income tax expense  | 533,600,817.34    | 573,855,862.92    |
| V. Net profit (Net losses are<br>indicated by "-")                      | 1,586,212,654.18  | 1,676,832,523.09  |
| Net profit attributable to<br>shareholders of the parent<br>Company     | 1,510,048,384.13  | 1,627,750,029.32  |
| Minority interests  | 76,164,270.05     | 49,082,493.77     |
| VI. Earnings per share:   |                   |                   |
| (I) Basic earnings per share  | 0.09              | 0.10              |
| (II) Diluted earnings per share   | 0.09              | 0.10              |
| VII. Other comprehensive income   | -43,573,348.68    | -192,820,166.09   |

|   |                  |                  |
|---|------------------|------------------|
| VIII. Comprehensive income  | 1,542,639,305.50 | 1,484,012,357.00 |
| Including: Total comprehensive income attributable to the owner of parent company | 1,465,829,332.24 | 1,436,701,708.96 |
| Total comprehensive income attributable to minority interests                     | 76,809,973.26    | 47,310,648.04    |



## Income Statement of Parent Company

January-March 2014

Name of enterprise: Baoshan Iron & Steel Co., Ltd. Unit: Yuan Currency: RMB Type of audit: unaudited

| Item  | Current-period    | Previous-period   |
|---|-------------------|-------------------|
| I. Total operating income   | 27,704,504,425.70 | 29,106,159,512.93 |
| Less: Operating cost  | 24,902,487,145.95 | 26,520,905,567.78 |
| Business taxes and levies   | 76,119,127.49     | 81,503,863.47     |
| Selling expense   | 151,424,669.04    | 151,397,252.79    |
| Administrative expense  | 1,180,973,398.16  | 957,096,572.15    |
| Financial expense   | 96,363,480.09     | -206,928,739.32   |
| Impairment losses of assets   | -137,597,390.32   | -516,236,835.62   |
| Add: Gains from changes in fair values<br>(Losses are indicated by "-") | -2,781,396.36     | 14,442,586.56     |
| Investment income (Losses are<br>indicated by "-")                      | 11,534,985.92     | 7,012,818.47      |
| Including: Income from investments in<br>associates and joint ventures  | 25,909,708.61     | 20,720,424.61     |
| II. Operating profit (Losses are indicated<br>by "-")                   | 1,443,487,584.85  | 2,139,877,236.71  |
| Add: Non-operating income   | 56,559,985.27     | 31,139,204.78     |
| Less: Non-operating expenses  | 46,525,103.53     | 44,131,193.26     |
| Including: Losses from disposal of<br>non-current assets                | 46,148,321.50     | 24,091,225.02     |
| III. Total profit (Losses are indicated by<br>"-")                      | 1,453,522,466.59  | 2,126,885,248.23  |
| Less: income tax expense  | 356,903,189.50    | 492,640,062.47    |
| IV. Net profit (Net losses are indicated by<br>"-")                     | 1,096,619,277.09  | 1,634,245,185.76  |
| V. Other comprehensive income   | 7,217,477.33      | 2,138,485.32      |
| VI. Comprehensive income  | 1,103,836,754.42  | 1,636,383,671.08  |

## Consolidated Cash Flow Statement

January-March 2014

Name of enterprise: Baoshan Iron & Steel Co., Ltd. Unit: Yuan Currency: RMB Type of audit: unaudited

| Item  | Current-period    | Previous-period   |
|---|-------------------|-------------------|
| I. Cash flows from Operating Activities:  |                   |                   |
| Cash receipts from sale of goods and rendering of services  | 50,910,145,673.63 | 52,338,158,448.61 |
| Net increase in customers' deposit and deposits from banks and other financial institutions       | 376,604,037.48    | -                 |
| Cash receipts from interest, fees and commissions   | 88,694,872.74     | 78,673,995.33     |
| Receipts of tax refunds   | 118,659,005.20    | 47,299,489.91     |
| Net increase in financial assets sold under repurchase agreements                                 | -                 | 97,469,992.08     |
| Other cash receipts relating to operating activities  | 97,483,538.14     | 182,016,523.93    |
| Sub-total of cash inflows from operating activities   | 51,591,587,127.19 | 52,743,618,449.86 |
| Cash payments for goods purchased and services received   | 46,027,273,567.76 | 45,053,131,370.38 |
| Net decrease in customers' deposit and deposits from banks and other financial institutions       | -                 | 731,445,564.46    |
| Net increase in loans and advances to customers   | 162,848,370.51    | 21,084,951.33     |
| Net increase in balance with the central bank and due from banks and other financial institutions | 256,355,446.88    | 224,162,381.48    |
| Net decrease in taking from banks and other financial institutions                                | -                 | 600,000,000.00    |
| Cash payments for interest, fees and commissions  | 94,886,131.62     | 85,092,219.28     |
| Cash payments to and on behalf of employees   | 2,173,712,204.22  | 1,995,016,323.95  |
| Payments of various types of taxes  | 1,721,507,125.99  | 1,634,866,670.58  |
| Net decrease in financial assets sold under repurchase agreements                                 | 127,336,160.27    | -                 |
| Other cash payments relating to operating activities  | 671,632,379.87    | 512,844,465.84    |
| Sub-total of cash outflows from operating activities  | 51,235,551,387.12 | 50,857,643,947.30 |
| Net Cash Flows from Operating Activities  | 356,035,740.07    | 1,885,974,502.56  |
| II. Cash Flows from Investing Activities:   |                   |                   |
| Cash receipts from disposals and recovery of investments  | 460,426,987.55    | 852,751,855.82    |
| Cash receipts from investment income  | 20,832,326.19     | 29,052,397.91     |

|   |                   |                   |
|---|-------------------|-------------------|
| Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets    | 19,262,358.73     | 32,976,007.47     |
| Other cash receipts relating to investing activities  | 43,825,253.03     | 6,763,327.68      |
| Sub-total of cash inflows from investing activities   | 544,346,925.50    | 921,543,588.88    |
| Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets | 5,414,219,454.42  | 3,236,973,812.66  |
| Cash payments to acquire investments  | 529,774,956.92    | 997,255,575.35    |
| Other cash payments relating to investing activities  | 1,105,091.40      | 11,874,332.80     |
| Sub-total of cash outflows from investing activities  | 5,945,099,502.74  | 4,246,103,720.81  |
| Net Cash Flows from Investing Activities  | -5,400,752,577.24 | -3,324,560,131.93 |

### Consolidated Statement of Cash Flow (Continued)

January-March 2014

Name of enterprise: Baoshan Iron & Steel Co., Ltd. Unit: Yuan Currency: RMB Type of audit: unaudited

| Item   | Current-period    | Previous-period   |
|--|-------------------|-------------------|
| III. Cash Flows from Financing Activities:   |                   |                   |
| Cash receipts from capital contributions   | 272,946,781.71    | 98,000,551.63     |
| Including: cash receipts from capital contributions from minority owners of subsidiaries       | 272,946,781.71    | 98,000,551.63     |
| Cash receipts from borrowings  | 16,496,879,542.48 | 23,505,094,871.96 |
| Sub-total of cash inflows from financing activities  | 16,769,826,324.19 | 23,603,095,423.59 |
| Cash repayments of borrowings  | 13,728,887,753.21 | 19,659,866,390.19 |
| Cash payments for distribution of dividends or profits or settlement of interest expenses      | 270,464,012.28    | 257,127,950.72    |
| Including: payments for distribution of dividends or profits to minority owner of subsidiaries | 3,479,832.32      | 8,248,215.82      |
| Cash payments for repurchase of shares   | -                 | 1,045,625,030.37  |
| Sub-total of cash outflow from financing activities  | 13,999,351,765.49 | 20,962,619,371.28 |
| Net Cash Flows from Financing Activities   | 2,770,474,558.70  | 2,640,476,052.31  |
| IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents                       | 28,904,710.32     | -52,583,893.89    |
| V. Net Increase in Cash and Cash Equivalents   | -2,245,337,568.15 | 1,149,306,529.05  |
| Add: Opening balance of Cash and Cash Equivalents  | 11,598,852,396.93 | 7,632,107,621.86  |
| VI. Closing Balance of Cash and Cash Equivalents   | 9,353,514,828.78  | 8,781,414,150.91  |

## Cash Flow Statement of Parent Company

January-March 2014

Name of enterprise: Baoshan Iron & Steel Co., Ltd. Unit: Yuan Currency: RMB Type of audit: unaudited

| Item  | Current-period           | Previous-period          |
|---|--------------------------|--------------------------|
| <b>I. Cash flows from Operating Activities:</b>   |                          |                          |
| Cash receipts from sale of goods and rendering of services  | 29,834,657,463.03        | 30,678,246,314.12        |
| Cash receipts from sale of goods and rendering of services  | 99,632,634.49            | -                        |
| Other cash receipts relating to operating activities  | 55,851,012.40            | 91,181,983.29            |
| Sub-total of cash inflows from operating activities   | 29,990,141,109.92        | 30,769,428,297.41        |
| Cash payments for goods purchased and services received   | 21,888,628,679.87        | 25,538,709,087.14        |
| Cash payments to and on behalf of employees   | 1,389,185,463.99         | 1,247,005,683.16         |
| Payments of various types of taxes  | 942,158,036.99           | 1,024,497,551.66         |
| Other cash payments relating to operating activities  | 305,889,316.63           | 250,253,217.31           |
| Sub-total of cash outflows from operating activities  | 24,525,861,497.48        | 28,060,465,539.27        |
| <b>Net Cash Flows from Operating Activities</b>   | <b>5,464,279,612.44</b>  | <b>2,708,962,758.14</b>  |
| <b>II. Cash Flows from Investing Activities:</b>  |                          |                          |
| Cash receipts from disposals and recovery of investments  | 1,900,000,000.00         | 300,000,000.00           |
| Cash receipts from investment income  | 1,290,773.97             | 171,102.74               |
| Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets    | 16,666,263.36            | 4,903,048.72             |
| Other cash receipts relating to investing activities  | 274,003,855.57           | 5,844,646.46             |
| Sub-total of cash inflows from investing activities   | 2,191,960,892.90         | 310,918,797.92           |
| Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets | 3,435,617,211.53         | 1,162,491,561.46         |
| Cash payments to acquire investments  | 2,260,749,984.00         | 1,264,836,958.00         |
| Other cash payments relating to investing activities  | 1,105,091.40             | 11,874,332.80            |
| Sub-total of cash outflows from investing activities  | 5,697,472,286.93         | 2,439,202,852.26         |
| <b>Net Cash Flows from Investing Activities</b>   | <b>-3,505,511,394.03</b> | <b>-2,128,284,054.34</b> |

|   |                   |                   |
|---|-------------------|-------------------|
| III. Cash Flows from Financing Activities:  |                   |                   |
| Cash receipts from borrowings   | 7,117,440,151.73  | 10,682,304,724.51 |
| Other cash receipts relating to financing activities                                      | 52,289,007,427.99 | 51,414,059,762.11 |
| Sub-total of cash inflows from financing activities                                       | 59,406,447,579.72 | 62,096,364,486.62 |
| Cash repayments of borrowings   | 6,816,150,190.37  | 8,135,157,269.62  |
| Cash payments for distribution of dividends or profits or settlement of interest expenses | 78,070,083.89     | 70,195,382.82     |
| Other cash payments relating to financing activities                                      | 57,373,701,353.66 | 52,476,751,364.66 |
| Sub-total of cash outflow from financing activities                                       | 64,267,921,627.92 | 60,682,104,017.10 |
| Net Cash Flows from Financing Activities  | -4,861,474,048.20 | 1,414,260,469.52  |
| IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents                  | 6,823,950.28      | -173,847.86       |
| V. Net Increase in Cash and Cash Equivalents  | -2,895,881,879.51 | 1,994,765,325.46  |
| Add: Opening balance of Cash and Cash Equivalents   | 6,290,586,489.64  | 2,036,143,946.73  |
| VI. Closing Balance of Cash and Cash Equivalents  | 3,394,704,610.13  | 4,030,909,272.19  |