

Baoshan Iron & Steel Co., Ltd.
Third Quarter Report, 2008

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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 management, hereby guarantee the accuracy, authenticity and integrity of the information contained in the *Third Quarter Report of 2008* (hereinafter *Report*) and pledge to assume full responsibility, either severally or jointly, for any damage or loss incurred by inaccuracy, grave omission or errors concerning the contents of the Report.
- 1.2 While Director Laura Cha was absent from the Board Meeting, Director Ms. Katherine Tsang was entrusted, by Ms. Cha herself, to vote on her behalf.
- 1.3 The *Report* is unaudited. The Company finished the acquisition of Luoqing asset of Baosteel Group Shanghai Pudong Steel and Iron Co. Ltd. on April 1st 2008. The asset was used to set up the sub-branch of wide and heavy steel plates. As the purchase belonged to business combinations under the same control, the opening balance of liability of the asset as well as its profit statement and the cash flow statement from the beginning of the year to the date of combination were estimated, and the opening balance in the consolidated balance sheet was adjusted accordingly. The income statement and the cash flow statement of the asset were consolidated in the *Report*. The consolidated income statement and consolidated cash flow statement of the same period of the previous year were not included, as the Luoqing asset was still under construction and with no influential operating activities. At the same time, the financial statements represent the financial performance of the sub-branch of wide and heavy steel plates after the date of the combination. To differentiate the ranges, the former is called “standard range” while the latter “actual range”. The data contained in the first section of Chapter Three of the *Report* was based on the actual range, for a better understanding of the Company’s actual operation, financial profile and performance.
- 1.4 Mr. Xu Lejiang, Chairman of the Board, Ms. Chen Ying, Financial Controller of the Company, and Ms. Yuan Lei, Director of the Financial Department of the Company, attest to the truth and accuracy of the financial statements contained in the *Report*.

§2 Company Profile

2.1 Accounting Data and Financial Indexes

(Unit: Rmb million)

	As at the end of the period reported	As at 31 December 2007		Increase/Decrease (%) as compared with end of previous year (%)	
		Standard	Actual	Standard	Actual
Total assets	221,833	202,008	188,336	9.81	17.79
Shareholders' equity attributable to listed company	98,011	99,982	88,504	-1.97	10.74
Book value per share attributable to listed company (Rmb)	5.60	5.71	5.05	-1.97	10.74

	For the nine months ended 30 September, 2008	Increase/Decrease (%) as compared with same period previous year

	Standard	Actual	Standard	Actual
Net cash flow from operating activities	2,787	3,385	-85.49	-82.37
Net cash flow per share from operating activities	0.16	0.19	-85.49	-82.37

	For the three months ended 30 September, 2008	For the nine months ended 30 September, 2008	Increase/Decrease (%) as compared with same period previous year
Net profit attributable to shareholders of listed company	2,846	12,491	19.15
Basic earnings per share (Rmb)	0.16	0.71	19.15
Diluted earnings per share (Rmb)	0.16	0.71	19.15
Return rate on equity (%)	2.90	12.74	Up 0.08 percentage point
Return rate on equity less non-recurring gains and losses (%)	3.04	12.95	Up 0.25 percentage point

Non-recurring Items	Amount for the nine months ended at 30 September, 2008
Gain and lose on disposal of non-current assets	-349
Net increase/decrease in non-operating activities other than the aforementioned	81
Impact on income taxes	64
Total	-204
Basic earnings per share less non-recurring gains and losses	0.72

2.2 Shares held by top 10 shareholders and top 10 tradable-share holders

(Unit: Share)

Number of shareholders	751,241				
Top 10 shareholders					
Name	Type of investor	Percentage	Total shares	Shares subject to conditional sales	Shares pledged or frozen
Baosteel Group Corporation	State-owned	73.97%	12,953,517,441	0	None
Great Wall Brand Optional Securities Investment Fund	Others	0.72%	125,772,353	0	None
Chinalife Insurance Company Ltd.—Dividends—Personal Insurance—005L—FH002	Others	0.66%	116,276,088	0	None
Chinalife Insurance (Group) Company	Others	0.45%	79,076,913	0	None

Ltd.—traditional-common insurance products					
Shanghai Stock Exchange 50 ETF Securities Investment Fund	Others	0.44%	76,820,894	0	None
E-Fund 50 Index Investment Fund	Others	0.41%	71,999,907	0	None
Bosera Third Industry Growth Stock Investment Fund	Others	0.37%	65,033,457	0	None
BOC Sustaining Growth Stock Fund	Others	0.37%	63,956,500	0	None
E-Fund Value Growth mixed Securities Fund	Others	0.32%	55,500,000	0	None
Shanghai Stock Exchange Dividend Exchange Traded Fund	Others	0.30%	53,390,873	0	None
Top 10 tradable-share holders					
Shareholders		Shareholdings of unconditional share		Share type	
Baosteel Group Corporation		12,953,517,441		Rmb common share	
Great Wall Brand Optional Securities Investment Fund		125,772,353		Rmb common share	
Chinalife Insurance Company Ltd.—Dividends—Personal Insurance—005L—FH002		116,276,088		Rmb common share	
Chinalife Insurance (Group) Company Ltd.—traditional-common insurance products		79,076,913		Rmb common share	
Shanghai Stock Exchange 50 ETF Securities Investment Fund		76,820,894		Rmb common share	
E Fund 50 Index Investment Fund		71,999,907		Rmb common share	
Bosera Third Industry Growth Stock Investment Fund		65,033,457		Rmb common share	
BOC Sustaining Growth Stock Fund		63,956,500		Rmb common share	
E-Fund Value Growth mixed Securities Fund		55,500,000		Rmb common share	
Shanghai Stock Exchange Dividend Exchange Traded Fund		53,390,873		Rmb common share	
Remarks on affiliation, alliance or collusion among the aforementioned top ten shareholders		<ol style="list-style-type: none"> 1. Chinalife Insurance Company Ltd. is a subsidiary of Chinalife Insurance (Group) Company Ltd; 2. E Fund 50 Index Fund and E-Fund Fund of Stable Value Growth are managed by E Fund Management Co., Ltd. 			

§3 Significant events

3.1 Changes in major items in financial statement and financial indexes

√ Applicable □ Not Applicable

The sales of steel products in the first three quarters of the year totaled 18.12 million tons, an increase of 1.37 million tons over that of the previous year. The increase consists of 280 thousand tons of cold-rolled carbon steel products, 200 thousand tons of wide and heavy plates, and 60 thousand tons of steel pipes. The

operating revenue reached Rmb 160.01 billion, a rise of Rmb 15.76 billion as compared with that of the previous year, with a total profit of Rmb 17.01 billion, an increase of Rmb 1.11 billion over that of the previous year.

The third quarter of the year witnessed a dramatic change in the demand-supply relation and a fall in steel price in the domestic market due to the global economic recession, a weak international market, a decrease in downstream demand, and an adding capacity in production. At the same time, the rise in the ore has added to the production cost of the company. As a result, the profit in carbon steel products decreased in the period, as compared to that of the previous quarter. As a result of the drastic price falls in nickel and stainless steel products, the company suffered a loss in the stainless steel sector and an impairment provision of Rmb 0.99 billion was made.

The difficult situation of the decrease in downstream demand, falling price, over-reaction of customers and the high production cost is expected to last for a relatively long time. Still worse, the global economy shows no sign of changing for the better. As a result, the last quarter of the year and the first quarter of the next will be a challenging period for the company. As the raw materials for stainless products and the price of stainless steel are still on the decrease, the performance of the company in the area is not expected to improve and a loss is predicted for carbon steel, whose market price is falling sharply in the quarter. To deal with the difficult situation, efforts will first and foremost be made in marketing and ensuring the present market share to balance production and sale. At the same time, the production organization of the company will be optimized to improve its production capacity and product mix to increase the sales of Only One and No. One products. The management in inventory will also be improved for more effective fund circulation so as to stabilize the overall performance of the company.

The significant changes in the financial statements of the period reported are as follows:

(1) As compared to those of the third quarter of the previous year,

The financial expense increased by 159.5% or Rmb 0.45 billion, due to rise in interests paid as a result of considerable increase in active debts, which were caused by more capital expenditure, purchase of Luoqing assets and more inventories. However, efforts were made in financing to keep the borrowing cost below the prime rate of the central bank.

The asset impairment loss rose by Rmb 0.93 billion or 560.4% over that of the previous quarter. This was due to the asset impairment provision of Rmb 0.97 billion as a result of the drastic price fall in nickel and stainless steel products ever since June, 2008. As the carbon product sector witnessed a loss in profit, a provision for loss on decline in value of the carbon steel inventory will be made at the end of year according to relative regulations.

The net proceed from fair value change was down by 86.1%, or Rmb 0.16 billion. This was mainly due to the decrease in the fair value of the short-term security investments owned by Baosteel Finance Company, a subsidiary of the company.

The gain from investment fell by Rmb 0.32 billion, or 67.4% as compared that of the third quarter, as a result of decreased return profit from the investees and

decreased profit of Finance Company, a subsidiary of the company, from its financial investments.

(2) As compared to those in the first nine months of the year,

The net cash flow from operating activities, Rmb 3.39 billion, fell by 82.4%, or a decrease of Rmb 15.82 billion, including a gap of Rmb 3.5 billion between the customer deposits and deposits from or to other financial institutions in the period and the same period previous year accepted by the Finance Co. Without considering this impact from Finance Co., cash flow from operating activities fell by Rmb 13.05 billion. This was mainly due to an increase of inventory carrying cost of Rmb 7.42 billion. At the same time, the Rmb 7.9 billion of discount bills with interest paid by buyers in financing in the same period last year was represented as operating payable contributed to the net cash flow. As financing in discount bill with interest paid by buyers was more costly than bank loan in the previous three quarters, the company replaced the held bills with interest paid by buyers and, as a result, the net cash flow from operating activities decreased while that from financing activities rose. Efforts will be made by the company by means of optimizing production organization, analyzing customer needs and marketing campaign. Customers will be encouraged to pay their bills by adjusting the price policy and linking settlement and interests. Inventory carrying cost is expected to be reduced by efforts in areas of purchase, production, and sales. At the same time, tighter measures will be practiced in purchasing scale and settlement policy so as to lower the cost.

The net cash outflow from investment activities rose by 26.2% or Rmb 4.59 billion, mainly due to the payment of the first sum of investment for Luojing assets. Also, the expenditures in fixed assets and technical updating increased as compared to the first nine months of the previous year.

The net cash flow from financing activities rose by Rmb 20.28 billion. This was mainly a result of the Rmb 10 billion of convertible bonds issued by the company to meet the increase in capital expenditure and inventory carrying cost. As discount bills with interest paid by buyers were replaced by loans from credit financing, the amount from credit financing was up by over Rmb 10 billion, resulting in a drastic rise in net cash flow from financing activities.

(3) As compared to those at the end of the previous year,

The purchase of financial securities and return sale decreased by Rmb 5.76 billion as a result of the adjustment in investment scale conducted by Finance Company according to changes in interest rate in monetary market.

The inventory rose by 33.5% or Rmb 13.07 billion. The increase was due to, on the one hand, the larger scale of the company in production and sale, increased raw materials need, and added inventories by new production lines and, on the other, the increase in raw materials, semi-products, finished products, and spare parts due to the price escalations of ore, coals, scrap steel and other raw materials as well as

spare parts and accessories.

The loans and advances to customers rose by 143.4% or Rmb 1.17 billion due to the increase in loans by the Finance Company to the Group's internal companies.

The available-for-sale financial asset decreased by 54.8% or Rmb 0.88 billion due to the fair value impairment in the available-for-sale financial assets owned by the Baosteel International, a subsidiary of the company.

The fixed asset increased by 32.6% or Rmb 26.56 billion mainly as a result of the purchase of Luojing assets from Baosteel Group Pudong Steel on April 1, 2008. at the same time, the added capacity from the finished new projects added to the increase.

The short-term loan rose by 37.9% or Rmb 12.48 billion. This was a result of the increasing financing need caused by the increased scale in production and sales as well as inventory carrying cost. In the past three quarters, as the value of the Yuan was rising and the Fed was lowering the bank interest, the company took the measure of short-term loans in the US dollar to meet the fund need. In addition, as the exchange rate of the Yuan against the US dollar fluctuated and the one-sided appreciation of the Yuan against the US dollar was expected to change, the company practiced a measure of forward exchange rate to part of its debts in the dollar due after the year of 2009 to avoid the risk of fluctuation in rate of debt in the dollar, with the policy of the cost of integrated financing not higher than that of loans in the Yuan. The company will continue to optimize its debt structure to elude exchange risks by following the trends in exchange rate and market situation.

The financial institution deposit and deposit from or to other financial institutions fell by 57.2% or Rmb 6.57 billion mainly as a result of the decreased deposit in Finance Company by the Group.

The transactional liability decreased by 95.0% or Rmb 0.17 billion mainly due to the business transaction of the previous year's forward exchange businesses.

Notes-payable fell by 55.8% or Rmb 1.02 billion as a result of matured bills with interest paid by buyers.

The bond-payable rose by Rmb 7.7 billion, due to the issuing of the convertible bonds in the second Quarter of the year.

The long-term loan increased by Rmb 9.92 billion as a result of the purchase of the Luojing assets by means of payment by installment within five year without interest.

3.2 Explanation and analysis of significant events and their impacts and solutions

Applicable Not Applicable

3.3 Implementation of undertakings by the company, its shareholders and effective controller

Applicable Not Applicable

1. Baosteel Group undertook the following two commitments as at the establishment of the

Company:

(i) All related party transactions 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.

(ii) The Group will not directly participate in any business activity or directly own an interest in any business activity or entity that poses a competition to the Company. However, the Group can maintain its existing interest in other company (companies), as well as manage and develop this business which may or may not be in competition with the Company. The Group also promise that, when the Group or any of its subsidiary is about to engage in any new business, investment or research that may pose a possible competition to the Company, the Company enjoy the priority of being the first to develop or acquire the said business, investment or research.

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) The Group owns no less than 30% of the Company's issued shares.

In addition, on June 13, 2001, and September 6, 2002, the Group further pledged to uphold these two commitments after the Company's acquisition of the assets related to construction of its phase 3 project and all remaining assets thereof.

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

2. Commitments made in Issuance Prospectus by the Group

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

(ii) 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;

(iii) The Group is committed to helping dealing with the relevant property certificates for buildings and lands after the Company completed the mergers and acquisitions;

(iv) According to the estimated value of state-allocated land in the land administration departments and in compliance with the rules on transfer land fee by Shanghai Municipal Government and Majishan Government, the Company is predicted to pay no more than Rmb 563 million for the total transfer land fee for dealing with the transfer procedures of state-allocated land mentioned above. The Group has undertaken the following commitment: in the event of the total transfer land fee exceeding Rmb 563 million for the procedures, the Group will fully cover the exceeding amount for the relevant company in time.

(v) The estimated value for empty transferred land totals about Rmb 1.42 billion, taking up 34% of the total estimated land value. The Group has undertaken the following commitment: if the Company or its affiliated companies have to pay or add the transfer land fee for changing the empty transfer land into state transfer land that can be freely transferred and mortgaged, The Group agrees to fully compensate the Company for the land transfer fees.

(vi) The estimated value of the collective-owned land totals about Rmb 10 million, accounting for 0.2% of the total estimate. The Group has undertaken the following commitment: if the Company or its affiliated companies fail to legally occupy and utilize the collective-owned land because such land hasn't undertaken the state-owned land transfer procedures, The Group will cover all the economic losses for the Company or its affiliated companies.

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

3. Commitments the Group undertook during untradable share reform

In complying with the regulations in Notice of the China Securities Regulatory Commission on Piloting the Shareholder Structure Reform of Listed Companies, the Group shall not trade or transfer the holding shares at least within 12 months after getting the circulation right and would not start trading until 24 months later. Within 12 months after the 24-month period expires, the shares to be traded at stock exchanges shall not exceed 5% of the total shares at a price no less than Rmb 5.63 per share. Within three years after the company's shares got the circulation right, The Group's shareholding would not be lower than 67% of the total stock issuance. Nevertheless, Baosteel's increased shares after implementing non-tradable share reform will not be subject to such limits in trading or transferring.

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 June 28, 2005.

4. Commitments the Group undertook about New Factory Project of Handan Group

The Group sought the Company's opinion of investment on the New Factory Project of Handan Group on 7 August 2007 in written form of "Solicit Letter about Investment on the New Factory Project of Handan Group" and "Commitments about New Factory Project of Handan Group". The Company agreed that the Group could invest on the project, but retained that right to purchase the equity of the joint venture.

The Group promise that it would invest on the New Factory Project of Handan Group if the Company has decided to give up opportunity and that it would transfer its share of equity of the joint venture at a fair price in line with relative laws, regulations, and other documents and on basis of asset estimating results as conducted by an individual estimating organization.

These commitments stay in force under two conditions: (a) the company is listed at a stock exchange and (b) the 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 6 September 2007.

5. Commitments the Group undertook about Luoqing Land

Baosteel Group Shanghai Pudong Steel and Iron Co. Ltd. (hereafter, Pudong Steel), a wholly owned subsidiary of Baosteel Group, was offering its construction-in-progress and related fixed assets in Luoqing (hereafter, Luoqing Assets), which the Company intended to purchase. Luoqing 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), Rmb 2.8 billion as preliminarily estimated, need to be paid. The Group promises:

- (a) If the Company intends to purchase the Luoqing assets, the Group and/or Pudong Steel would help the Company go over the transfer procedures and other matters as required by the Company.
- (b) In the event of the total actual expense exceeding Rmb 2.8 billion for the procedures, the Group or Pudong Steel shall fully cover the exceeding amount in time, by means of paying the Company or 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 12 December 2007.

6. Further commitments the Group undertook about land use right in 2005 increase in share capital

In regard to policy change and the area of the land, the Group further undertook the following commitments in written form on April 11, 2008.

The economic loss caused by not being able to use the land due to the policy change by Baoshan District, including but not limited to the price of the land and its bank interest, removing expenses, and production delay, shall be compensated by the Group in time and in the full amount with 30 day.

The Group shall help the company when the company applies to relative official departments for lending the land use right of the stated land or to continue to use the land.

The aforementioned commitments were included in the *Explanations of Issuing of Convertible Corporate Bonds with Separated Transactions of Warrants and Bonds* published on the official website of Shanghai Stock Exchange (<http://www.sse.com.cn>) of June 18, 2008.

The Group did not commit any breach of the aforementioned commitments to the Company in the period covered.

7. Commitments the Group undertook about land use right in 2005 increase in share capital

(1) The Company intended to purchase, by using the capital from the 5 billion new shares, from Baosteel Group 23 pieces of state-allocated land and 14 pieces of empty land. After the transactions completed, the Company would go over the procedures of changing the state-allocated land into state-owned transferable land and changing the empty land into state-owned transferable land with no limits in right.

(2) The Company and related companies that came under control of the Company after the acquisition shall negotiate in an active manner with relevant administrative offices to go over the procedures, within 18 months after the land acquisition, of the certificates for using the state-owned land or for owning the estates of the aforementioned pieces of land. The land users of the aforementioned land shall be registered in the Company or related companies that came under control of the Company after the acquisition.

While the Company has obtained the land use certificates for aforementioned lands, transfer procedures for a piece of land in Baoshan District covering an area of 581,000m² has not completed. The Company was informed that the piece had been planned by Shanghai Municipal Planning Bureau as part of the “land for landscapes” due to change in the overall plan. Yet, up to the date of disclosure of the *Report*, the Company has not been informed that the land should not be used in the way it is used. Furthermore, on the the land are workshops of bright steel plant and oxygen generating plant of Special Steel Branch of the Company rather than key operating workshops of the branch.

3.4 Forecast on possible loss on accrued net profit for the period from the beginning of the year to the end of next reporting period or warning on significant change from the same period last year and the reasons therefore

Applicable Not Applicable

3.5 Other significant events

3.5.1 Securities investment

Applicable Not Applicable

(Units: Share/Rmb million)

	Security code	Security name	Holdings as the end of period	Initial investment cost	Book value as at the end of period	Book value as at the beginning of period	Accounting type
01	0801106	08 Central Bank Bill 106	400,000	385.00	384.60	Not applicable ¹	Transactional financial assets
02	0801079	08 Central Bank Bill 79	300,000	297.48	299.61	Not applicable ²	Transactional financial assets
03	050207	05 China Develop Bank 07	200,000	201.41	199.84	Not applicable ³	Transactional financial assets
04	601699	Lu'an Environmental Energy	11,700,000	10.00	198.20	466.51	Financial assets available for sale
05	0801078	08 Central Bank Bill 78	200,000	193.94	193.94	Not applicable ⁴	Transactional financial assets
06	600508	Shanghai Energy	11,045,936	11.00	138.63	344.08	Financial assets available for sale
07	0801087	08 Central Bank Bill 87	120,000	116.12	116.27	Not applicable ⁵	Transactional financial assets
08	070422	07 Agricultural Development Bank of China 22	100,000	101.34	102.16	Not applicable ⁶	Transactional financial assets
09	070211	07 China Develop Bank 11	100,000	99.90	101.21	Not applicable ⁷	Transactional financial assets
10	0801101	08 Central Bank Bill 101	100,000	96.35	96.26	Not applicable ⁸	Transactional financial assets
Total			—	1,512.54	1,830.71	—	—

Note: While [1], [2], [4], [5], [6] and [8] were owned by the company later in time, the book value of [3] and [7] were not able to be accurately estimated due to change in the period.

Baoshan Iron & Steel Co., Ltd.

Legal Representative: Xu Lejiang

29 October 2008

§4 Appendixes

Consolidated Balance Sheet
For the Nine Months Ended 30 September, 2008

Baoshan Iron & Steel Company Limited Unit: yuan Money: Rmb Auditory type: unaudited

Items	As at 30 September, 2008	As at 31 December, 2007	
	Actual	Standard	Actual
CURRENT ASSETS			
Cash and cash equivalents	10,949,246,797.81	11,240,041,072.36	11,240,041,072.36
Funds lent to other financial institutions	-	42,366,680.00	42,366,680.00
Transactional financial assets	2,045,349,179.17	1,637,805,977.77	1,637,805,977.77
Notes-receivable	5,474,081,083.98	5,656,985,157.79	5,656,985,157.79
Trade receivable	6,546,167,950.98	6,311,642,149.53	6,311,642,149.53
Payment in advance	6,759,077,302.29	6,003,758,547.07	6,003,758,547.07
Interests receivable	15,536,175.79	18,236,632.06	18,236,632.06
Dividends receivable	-	22,045,889.41	22,045,889.41
Other receivables	1,754,876,704.15	866,340,183.83	866,340,183.83
Buying financial securities and return sale	-	5,755,900,000.00	5,755,900,000.00
Inventories	52,140,165,789.26	39,889,674,168.60	39,068,728,055.69
Total current asset	85,684,500,983.43	77,444,796,458.42	76,623,850,345.51
NON-CURRENT ASSETS			
Loans granted and cash advances	1,987,777,188.38	816,552,762.97	816,552,762.97
Available-for-sale financial assets	722,316,252.90	1,598,061,926.01	1,598,061,926.01
Long-term equity investment	4,119,889,438.57	3,754,348,861.50	3,754,348,861.50
Investment real estates	138,318,564.75	135,688,714.39	135,688,714.39
Fixed assets	108,111,831,213.97	90,173,804,262.59	81,551,754,350.99
Construction-in-progress	12,479,762,247.46	20,602,574,394.69	16,373,360,851.23
Project materials	1,438,426,095.83	754,629,512.45	754,629,512.45
Intangible assets	5,862,056,735.51	5,626,751,807.39	5,626,751,807.39
Long-term deferred expenses	104,322,519.33	95,353,256.42	95,353,256.42
Deferred income tax assets	1,054,816,159.37	878,126,575.62	878,126,575.62
Other non-current assets	128,778,697.95	127,316,292.44	127,316,292.44
Total non-current assets	136,148,295,114.02	124,563,208,366.47	111,711,944,911.41
TOTAL ASSETS	221,832,796,097.45	202,008,004,824.89	188,335,795,256.92

Consolidated Balance Sheet (Continued)
For the Nine Months Ended 30 September, 2008

Baoshan Iron & Steel Company Limited

Unit: yuan

Money: Rmb

Auditory type: unaudited

Items	As at 30 September, 2008	As at 31 December, 2007	
	Actual	Standard	Actual
CURRENT LIABILITIES			
Short-term borrowings	32,962,856,274.93	20,481,128,544.17	20,481,128,544.17
Financial institution deposits and deposits from or to other financial institutions	11,474,327,991.86	18,042,366,892.70	18,042,366,892.70
Transactional liabilities	8,796,001.50	174,951,938.47	174,951,938.47
Notes-payable	2,143,723,032.74	3,341,058,247.89	3,341,058,247.89
Trade payables	20,216,354,834.49	19,369,578,125.32	17,175,498,091.38
Receipts in advance	9,537,376,735.53	9,337,924,203.53	9,337,924,203.53
Accrued payroll	2,009,262,058.02	1,691,758,498.54	1,691,758,498.54
Taxes payable	1,787,526,306.16	1,064,638,899.65	1,064,638,899.65
Interests payable	724,041,191.12	510,345,030.65	510,345,030.65
Dividends payable	31,467,601.37	4,553,376.33	4,553,376.33
Other payables	1,272,711,915.56	1,051,898,821.40	1,051,898,821.40
Current portion of long-term amount due to holding company	800,000,000.00	800,000,000.00	800,000,000.00
Current portion of non-current liabilities	1,119,462,761.89	2,209,045,617.00	2,209,045,617.00
Total current liabilities	84,087,906,705.17	78,079,248,195.65	75,885,168,161.71
NON-CURRENT LIABILITIES			
Long-term borrowings	15,143,656,305.61	16,431,946,896.94	16,431,946,896.94
Bonds payable	7,700,459,276.59	-	-
Long-term payables	9,921,143,883.99	-	-
Long-term amount due to holding company	199,999,997.00	800,000,000.00	800,000,000.00
Special payables	19,794,307.35	25,434,461.51	25,434,461.51
Deferred income tax liabilities	252,839,142.59	495,343,584.26	495,343,584.26
Other non-current liabilities	161,563,542.27	96,907,084.32	96,907,084.32
Total non-current liabilities	33,399,456,455.40	17,849,632,027.03	17,849,632,027.03
Total liabilities	117,487,363,160.57	95,928,880,222.68	93,734,800,188.74
SHAREHOLDERS' EQUITY			
Stock capital	17,512,000,000.00	17,512,000,000.00	17,512,000,000.00
Capital reserves	36,871,033,771.51	45,123,935,138.80	33,645,805,604.77
Surplus reserves	15,796,900,214.28	15,796,900,214.28	15,796,900,214.28
Undistributed profit	27,982,285,454.70	21,620,790,256.82	21,620,790,256.82
Foreign currency translation difference	-150,987,595.42	-71,485,650.92	-71,485,650.92

Equity attributable to the parent company	98,011,231,845.07	99,982,139,958.98	88,504,010,424.95
Minority interests	6,334,201,091.81	6,096,984,643.23	6,096,984,643.23
Total shareholders' equity	104,345,432,936.88	106,079,124,602.21	94,600,995,068.18
TOTAL OF LIABILITIES & SHAREHOLDERS' EQUITY	221,832,796,097.45	202,008,004,824.89	188,335,795,256.92

Legal Representative: Xu Lejiang

Financial Controller: Chen Ying

Chief Accountant: Yuan Lei

Consolidated Profit Statement
For the Nine Months Ended 30 September, 2008

Baoshan Iron & Steel Company Limited Unit: yuan Money: Rmb Auditory type: unaudited

Items	For three months from July to September, 2008	For three months from July to September, 2007	For the nine months ended 30 September, 2008		For the nine months ended 30 September, 2007
			Standard	Actual	
I. TOTAL REVENUE	56,363,581,743.66	50,119,142,076.74	159,792,019,800.16	160,005,183,810.52	144,242,945,046.07
Including: Business income	56,283,058,716.20	50,044,507,360.37	159,543,340,466.81	159,756,504,477.17	144,020,520,909.25
Interest income	80,520,253.43	71,615,029.39	239,218,780.26	239,218,780.26	216,807,624.58
Income from service fees and commissions	2,774.03	3,019,686.98	9,460,553.09	9,460,553.09	5,616,512.24
II. TOTAL COST	52,367,500,980.59	47,118,930,326.45	143,742,885,947.45	143,435,795,444.03	129,690,719,886.44
Including: Business costs	48,020,076,326.72	44,326,974,292.10	134,278,327,337.43	134,027,755,184.51	121,741,971,303.72
Interest expenses	86,023,569.17	119,499,224.19	296,416,829.10	296,416,829.10	328,150,391.54
Expenses on service fees and commissions	28,827.68	42,238.60	85,136.26	85,136.26	117,659.00
Sales taxes and surcharges	388,877,791.22	424,120,522.07	1,068,515,511.98	1,068,515,511.98	867,827,899.30
Sales expenses	543,967,145.20	522,512,292.61	1,528,125,091.46	1,518,008,305.35	1,478,302,600.01
Administrative expenses	1,499,641,174.22	1,277,832,292.22	4,251,989,646.33	4,205,588,081.94	3,439,148,022.72
Financial expenses	731,075,242.26	281,720,697.80	1,180,489,731.24	1,180,489,731.24	804,139,487.97
Losses on the asset impairment	1,097,810,904.12	166,228,766.86	1,138,936,663.65	1,138,936,663.65	1,031,062,522.18
Add: Net income from changes in fair value	25,762,377.14	185,170,649.17	-40,646,838.39	-40,646,838.39	108,537,048.40
Investment gains	153,242,612.03	470,396,892.48	748,433,539.39	748,433,539.39	1,341,811,221.37
Including: Gains from Investments in joint ventures and associates	103,024,005.45	159,603,824.27	522,479,581.08	522,479,581.08	617,409,146.42
III. TOTAL OPERATING PROFIT	4,175,085,752.24	3,655,779,291.94	16,756,920,553.71	17,277,175,067.49	16,002,573,429.40
Add: Non-operating income	65,214,720.77	88,864,546.09	137,608,443.68	137,608,443.68	153,472,940.85
Less: Non-operating expenses	245,174,805.54	44,979,276.39	406,654,022.34	406,654,022.34	256,499,679.00
Including: Losses on disposal of non-current assets	236,255,523.48	14,689,009.66	350,028,878.50	350,028,878.50	152,804,455.22
IV. PRE-TAX PROFIT	3,995,125,667.47	3,699,664,561.64	16,487,874,975.05	17,008,129,488.83	15,899,546,691.25
Less: income tax expenses	1,140,545,066.98	1,230,015,497.25	4,045,042,706.46	4,045,042,706.46	4,758,612,438.27
V. NET PROFIT	2,854,580,600.49	2,469,649,064.39	12,442,832,268.59	12,963,086,782.37	11,140,934,252.98
Net profit attributable to the parent company	2,845,984,238.35	2,388,513,712.33	12,490,695,197.88	12,490,695,197.88	10,548,236,292.38
Profits and losses attributable	8,596,362.14	81,135,352.06	472,391,584.49	472,391,584.49	592,697,960.60

to minority interests					
Net profit realized by acquired asset before acquisition	-	-	-520,254,513.78	-	-
VI. EARNINGS PER SHARE					
(1) Basic EPS	0.16	0.14	0.71	0.71	0.60
(2) Fully-diluted EPS	0.16	0.14	0.71	0.71	0.60

Legal Representative: Xu Lejiang

Financial Controller: Chen Ying

Chief Accountant: Yuan Lei

Consolidated Cash Flow Statement For the Nine Months Ended 30 September, 2008

Baoshan Iron & Steel Company Limited Unit: yuan Money: Rmb Auditory type: unaudited

Items	For the nine months ended 30 September, 2008		For the nine months ended 30 September, 2007
	Standard	Actual	
I. CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from sales of goods or rendering of services	178,085,561,102.53	178,298,725,112.89	168,803,615,612.79
Net increase in deposits from customers and deposits from or to financial institutions	39,546,140.00	39,546,140.00	-
Cash received from interests, service fees, and commissions	211,917,151.62	211,917,151.62	159,005,310.65
Tax refunds received	167,327,376.75	167,327,376.75	214,194,903.56
Cash received relating to other operating activities	405,906,528.68	405,906,528.68	969,242,385.47
Sub-total of cash inflow	178,910,258,299.58	179,123,422,309.94	170,146,058,212.47
Cash paid for goods purchased and labor services received	146,951,256,846.93	146,791,017,783.19	125,045,414,649.19
Net decrease in customer deposit and deposits from or to other financial institutions	6,567,950,010.41	6,567,950,010.41	3,063,781,896.05
Net decrease in deposits from or to other financial institutions	-	-	22,532,400.00
Net increase in customer deposit and deposits from or to other financial institutions	1,171,224,425.41	1,171,224,425.41	1,951,053,817.14
Net increase in deposit reserves in central bank and deposits from or to other financial institutions	279,684,874.56	279,684,874.56	-
Cash paid for interests, service fees, and	395,899,258.54	395,899,258.54	372,656,442.91
Cash paid to employees and for employees	4,969,889,406.80	4,924,588,859.94	4,517,684,225.17
Payments of all types of taxes	12,241,367,564.30	12,241,153,979.40	12,557,381,903.60

Items	For the nine months ended 30 September, 2008		For the nine months ended 30 September, 2007
	Standard	Actual	
Cash payments relating to other operating activities	3,546,051,349.53	3,367,022,887.17	3,412,110,913.88
Sub-total of cash outflow	176,123,323,736.48	175,738,542,078.62	150,942,616,247.94
Net cash flows from operating activities	2,786,934,563.10	3,384,880,231.32	19,203,441,964.53
II. CASH FLOWS FROM INVESTING ACTIVITIES			
Cash received from returns of investments	4,319,311,340.04	4,319,311,340.04	7,325,374,850.94
Cash received from returns on investments	472,916,619.05	472,916,619.05	930,186,861.17
Net cash received from the disposal of fixed assets, intangible assets and other long term assets	103,264,052.27	103,264,052.27	85,817,046.17
Net cash and cash equivalents received from the disposal of subsidiaries and other operating entities	3,473,632.00	3,473,632.00	681,571,176.05
Other cash received relating to investing activities	325,875,377.97	325,875,377.97	98,458,402.02
Sub-total of cash inflow	5,224,841,021.33	5,224,841,021.33	9,121,408,336.35
Cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets	21,755,563,818.41	22,353,509,486.63	16,323,584,424.71
Cash paid for investments	4,785,596,566.46	4,785,596,566.46	8,863,149,486.72
Net cash and cash equivalents paid for subsidiaries and other operating entities	-	-	963,455,425.00
Other cash payments relating to investing activities	193,258,097.06	193,258,097.06	488,686,074.11
Sub-total of cash outflow	26,734,418,481.93	27,332,364,150.15	26,638,875,410.54
Net cash flows from investing activities	-21,509,577,460.60	-22,107,523,128.82	-17,517,467,074.19
III. CASH FLOWS FROM FINANCING ACTIVITIES			
Cash received by absorbing investments	26,829,500.00	26,829,500.00	303,729,446.98
<i>Including: Cash received by subsidiaries in absorbing minority shareholders' investments</i>	26,829,500.00	26,829,500.00	303,729,446.98
Cash received from debts	54,945,831,863.41	54,945,831,863.41	51,243,314,226.24
Cash received relating to other financing activities	9,940,000,000.00	9,940,000,000.00	-
Sub-total of cash inflow	64,912,661,363.41	64,912,661,363.41	51,547,043,673.22
Cash paid for repayments of debts	43,567,619,613.26	43,567,619,613.26	50,728,255,334.80
Cash paid for distribution of dividends or profits, or cash payments for interests	8,055,846,351.74	8,055,846,351.74	7,418,725,499.30
<i>Including: Dividends subsidiaries paid to minority shareholders</i>	139,258,696.43	139,258,696.43	160,206,376.73
Cash payments relating to other financing activities	657,139,115.08	657,139,115.08	1,050,000,003.00
Sub-total of cash outflow	52,280,605,080.08	52,280,605,080.08	59,196,980,837.10
Net cash flows from financing activities	12,632,056,283.33	12,632,056,283.33	-7,649,937,163.88

Items	For the nine months ended 30 September, 2008		For the nine months ended 30 September, 2007
	Standard	Actual	
IV. EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	-235,788,158.24	-235,788,158.24	-23,951,686.25
V. NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	-6,326,374,772.41	-6,326,374,772.41	-5,987,913,959.79
Add: Cash and cash equivalents at beginning of period	15,109,489,268.58	15,109,489,268.58	18,174,138,117.06
VI. BALANCE OF CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	8,783,114,496.17	8,783,114,496.17	12,186,224,157.27

Legal Representative: Xu Lejiang

Financial Controller: Chen Ying

Chief Accountant: Yuan Lei

Balance Sheet of the Company
For the Nine Months Ended 30 September, 2008

Baoshan Iron & Steel Company Limited Unit: yuan Money: Rmb Auditory type: unaudited

Items	As at 30 September, 2008	As at 31 December, 2007
CURRENT ASSETS		
Cash and cash equivalents	4,368,732,600.18	3,659,934,530.73
Transactional financial assets	56,615,744.68	-
Notes-receivable	13,409,694,523.05	10,993,001,720.67
Trade receivable	7,079,643,477.88	6,010,777,708.33
Payment in advance	3,994,690,962.88	2,810,923,087.16
Other receivables	272,824,704.26	122,023,519.66
Inventories	31,805,714,559.15	22,778,966,990.43
Other current assets	4,649,346,078.63	68,087,268.83
Total current asset	65,637,262,650.71	46,443,714,825.81
NON-CURRENT ASSETS		
Long-term equity investment	24,150,441,082.74	23,952,201,476.75
Fixed assets	91,339,403,800.15	65,798,759,689.08
Construction-in-progress	7,727,135,984.20	14,226,726,407.56
Project materials	134,278,566.40	381,692,709.04
Intangible assets	3,299,156,160.45	3,238,928,842.77
Long-term deferred expenses	11,372,904.23	8,433,400.00
Deferred income tax assets	476,671,370.42	364,046,936.55
Other non-current assets	117,905,780.14	117,905,780.14
Total non-current assets	127,256,365,648.73	108,088,695,241.89
TOTAL ASSETS	192,893,628,299.44	154,532,410,067.70

Balance Sheet of the Company (Continued)
For the Nine Months Ended 30 September, 2008

Baoshan Iron & Steel Company Limited Unit: yuan Money: Rmb Auditory type: unaudited

Items	As at 30 September, 2008	As at 31 December, 2007
CURRENT LIABILITIES		
Short-term borrowings	31,275,575,203.20	19,098,467,610.40
Transactional liabilities	-	169,079,726.70
Notes-payable	381,176,889.94	2,443,880,799.76
Trade payables	16,974,918,633.05	14,787,610,367.43
Receipts in advance	9,447,123,658.90	6,002,323,261.29
Accrued payroll	1,423,505,612.97	1,189,785,632.15
Taxes payable	1,888,544,116.55	896,603,279.49
Interests payable	681,714,765.85	410,262,308.22
Other payables	341,042,336.91	309,391,877.88
Current portion of long-term amount due to holding company	800,000,000.00	800,000,000.00
Current portion of non-current liabilities	1,067,406,607.89	2,221,496,401.00
Total current liabilities	64,281,007,825.26	48,328,901,264.32
NON-CURRENT LIABILITIES		
Long-term borrowings	16,677,913,849.61	19,314,476,336.94
Bonds payable	7,700,459,276.59	-
Long-term payables	9,921,143,883.99	-
Long-term amount due to holding company	199,999,997.00	800,000,000.00
Special payables	12,866,115.20	19,434,461.51
Deferred income tax liabilities	133,329,056.56	119,175,120.39
Other non-current liabilities	4,670,772.90	1,326,558.12
Total non-current liabilities	34,650,382,951.85	20,254,412,476.96
Total liabilities	98,931,390,777.11	68,583,313,741.28
SHAREHOLDERS' EQUITY		
Stock capital	17,512,000,000.00	17,512,000,000.00
Capital reserves	36,940,106,054.99	33,175,934,758.11
Surplus reserves	15,796,900,214.28	15,796,900,214.28
Undistributed profit	23,713,231,253.06	19,464,261,354.03
Total shareholders' equity	93,962,237,522.33	85,949,096,326.42
TOTAL OF LIABILITIES & SHAREHOLDERS' EQUITY	192,893,628,299.44	154,532,410,067.70

Legal Representative: Xu Lejiang

Financial Controller: Chen Ying

Chief Accountant: Yuan Lei

Profit Statement of the Company
For the Nine Months Ended 30 September, 2008

Baoshan Iron & Steel Company Limited

Unit: yuan

Money: Rmb

Auditory type: unaudited

Items	For three months from July to September, 2008	For three months from July to September, 2007	For the nine months ended 30 September, 2008	For the nine months ended 30 September, 2007
I. TOTAL REVENUE	44,267,824,322.32	33,915,563,313.52	123,128,979,780.66	102,825,792,895.19
II. TOTAL COST	41,897,322,355.69	31,811,437,801.31	110,344,470,550.23	91,424,820,268.52
Including: Business costs	39,291,379,306.40	29,931,418,551.52	104,717,775,201.25	86,477,740,476.10
Sales taxes and surcharges	304,617,593.43	357,939,065.86	805,455,041.13	693,134,977.06
Sales expenses	192,953,613.92	189,125,994.43	546,272,382.30	554,393,052.54
Administrative expenses	971,140,160.37	792,479,701.21	2,635,544,704.32	2,098,297,634.28
Financial expenses	673,135,810.23	255,163,802.76	1,019,843,545.33	768,939,235.23
Losses on the asset impairment	464,095,871.34	285,310,685.53	619,579,675.90	832,314,893.31
Add: Net income from changes in fair value	42,174,748.87	-5,172,927.43	225,695,471.38	-175,041,262.05
Investment gains	135,867,176.36	77,132,351.32	589,468,569.54	436,535,202.50
<i>Including: Gains from Investments in joint ventures and associates</i>	112,335,870.68	114,280,790.55	551,154,889.94	386,151,769.65
III. TOTAL OPERATING PROFIT	2,548,543,891.86	2,176,084,936.10	13,599,673,271.35	11,662,466,567.12
Add: Non-operating income	13,935,740.14	70,577,377.47	33,570,355.44	90,318,214.79
Less: Non-operating expenses	112,631,881.73	19,593,824.89	178,560,723.70	188,727,007.42
<i>Including: Losses on disposal of non-current assets</i>	111,899,566.94	19,017,036.03	156,273,449.75	134,404,456.48
IV. PRE-TAX PROFIT	2,449,847,750.27	2,227,068,488.68	13,454,682,903.09	11,564,057,774.49
Less: income tax expenses	578,495,143.48	708,645,586.28	3,076,513,004.06	3,603,055,529.25
V. NET PROFIT	1,871,352,606.79	1,518,422,902.40	10,378,169,899.03	7,961,002,245.24

Legal Representative: Xu Lejiang

Financial Controller: Chen Ying

Chief Accountant: Yuan Lei

Cash Flow Statement
For the Nine Months Ended 30 September, 2008

Baoshan Iron & Steel Company Limited Unit: yuan Money: Rmb Auditory type: unaudited

Items	For the nine months ended 30 September, 2008	For the nine months ended 30 September,
I. CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from sales of goods or rendering of services	135,780,205,902.28	121,953,923,607.68
Cash received relating to other operating activities	295,795,790.10	351,150,780.87
Sub-total of cash inflow	136,076,001,692.38	122,305,074,388.55
Cash paid for goods purchased and labor services received	113,350,194,859.07	83,409,518,592.27
Cash paid to employees and for employees	3,342,112,348.31	3,319,508,326.21
Payments of all types of taxes	8,663,315,644.14	9,904,896,261.34
Cash payments relating to other operating activities	1,335,282,287.78	1,853,097,118.39
Sub-total of cash outflow	126,690,905,139.30	98,487,020,298.21
Net cash flows from operating activities	9,385,096,553.08	23,818,054,090.34
II. CASH FLOWS FROM INVESTING ACTIVITIES		
Cash received from returns of investments	261,957,393.30	45,905,392.05
Cash received from returns on investments	297,307,191.81	260,878,456.69
Net cash received from the disposal of fixed assets, intangible assets and other long term assets	35,714,395.81	64,782,081.19
Net cash and cash equivalents received from the disposal of subsidiaries and other operating entities	3,473,632.00	138,426,700.00
Other cash received relating to investing activities	178,553,472.09	64,472,104.30
Sub-total of cash inflow	777,006,085.01	574,464,734.23
Cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets	15,579,017,229.22	13,657,806,360.67
Cash paid for investments	-	560,690,072.27
Net cash and cash equivalents paid for subsidiaries and other operating entities	-	2,841,404,301.17
Other cash payments relating to investing activities	193,258,097.06	66,965,196.84
Sub-total of cash outflow	15,772,275,326.28	17,126,865,930.95
Net cash flows from investing activities	-14,995,269,241.27	-16,552,401,196.72

III. CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from borrowing	55,720,279,585.59	59,711,266,016.48
Cash received from issuing bonds	9,940,000,000.00	-
Cash received relating to other financing activities	216,492,497.46	861,790,223.09
Sub-total of cash inflow	65,876,772,083.05	60,573,056,239.57
Cash paid for repayments of debts	46,124,821,836.17	59,671,111,862.21
Cash paid for distribution of dividends or profits, or cash payments for interests	7,972,323,993.30	7,295,987,111.17
Cash payments relating to other financing activities	5,238,397,924.88	1,089,952,106.96
Sub-total of cash outflow	59,335,543,754.35	68,057,051,080.34
Net cash flows from financing activities	6,541,228,328.70	-7,483,994,840.77
IV. EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	-222,257,571.06	-8,079,890.36
V. NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	708,798,069.45	-226,421,837.51
Add: Cash and cash equivalents at beginning of period	3,659,934,530.73	1,855,539,400.90
VI. BALANCE OF CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	4,368,732,600.18	1,629,117,563.39

Legal Representative: Xu Lejiang

Financial Controller: Chen Ying

Chief Accountant: Yuan Lei