

BAOSHAN IRON & STEEL CO., LTD

600019

2010 Third 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 *2010 Third Quarter Report* (hereinafter the *Report*) is free from false statement, misleading information or gave 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 If any director were absent from the board meeting, his (her) name shall be listed separately.

Name of absent director	Position	Reason for the absence	Name of assignee
Liu Zhanying	Director	Business	Ma Guoqiang

1.3 The third quarter financial report of the Company is unaudited.

1.4

The person in charge of the Company	He Wenbo, Chairman of the Board of Directors of the Company
The person in charge of accounting affairs	Chen Ying, Vice President of the Company
The person responsible for the accounting department	Wu Kunzong, Director of the Accounting Department of the Company

He Wenbo, Chairman of the Company, Chen Ying, the person in charge of accounting affairs and Vice President of the Company, and Wu Kunzong, the person responsible for the accounting department (Head of the Accounting Department), warrant the truthfulness and completeness of the financial statements in this report.

§ 2 COMPANY PROFILE

2.1 Accounting and financial highlights

Unit: Million RMB (unless otherwise noted)

	As at the end of the reporting period	As at the end of last year	Increase/decrease as of the reporting period as compared to the end of last year (%)
Total assets	215,767.48	201,142.78	7.27
Owner's equity (or shareholders' equity)	102,247.34	95,136.90	7.47
Net assets per share attributable to shareholders of listed company (RMB/share)	5.84	5.43	7.47
	From the beginning of the year to the end of the reporting period (January-September)		Year-on-year increase/decrease (%)
Net cash flow from operating activities	14,072.91		-25.67
Net cash flow per share from operating activities (RMB/share)	0.80		-25.67
	The reporting period (July-Septemb er)	From the beginning of the year to the end of the reporting period (January-Sept ember)	Year-on-year increase/decrease (%)
Net profit attributable to shareholders of the listed company	2,550.95	10,601.83	-15.96
Basic earnings per share (RMB/share)	0.15	0.61	-15.96
Basic earnings per share net of non-recurring gains and losses (RMB/share)	0.14	0.60	-16.65
Diluted earnings per share (RMB/share)	0.15	0.61	-15.96
Weighted average return on equity (%)	2.55	10.72	decreased by 0.74%
Weighted average return on equity net of non-recurring gains and losses (%)	2.54	10.60	decreased by 0.76%

Items after non-recurring gains and losses and amounts:

Unit: Million RMB

Item	Amount (January-September)
Profit and loss from disposal of non-current assets	-77
In addition to the normal operation with the company business effective hedging, trading of financial assets held, tradable financial liabilities arising from fair value changes in the profit and loss, as well as the disposition of financial assets and liabilities of financial	8

transactions and financial assets available for sale to obtain investment income	
Non-operating income/expenses other than above items	227
Effect from income tax	-40
Total	119

2.2 Total number of shareholders and particulars of the top 10 tradable shareholders without trading restriction as at the end of the reporting period

Unit: Share

Total number of shareholders at the end of the reporting period		635,248
Shares held by the top 10 tradable shareholders		
Name of shareholder (full name)	Number of tradable shares not subject to trading restriction held at the end of the reporting period	Type of share
Baosteel Group Corp.	12,953,517,441	Renminbi common shares
China Construction Bank- Yinhua Core Value Selected Stock Securities Investment Fund	150,010,002	Renminbi common shares
UBS AG	87,849,490	Renminbi common shares
Bank of Communications--E Fund 50 Index Fund	76,036,883	Renminbi common shares
China Resources SZITIC Trust Co., Ltd.--Chongyang Phase III Stock Investment. Collective Fund Trust Program	63,222,004	Renminbi common shares
Industrial and Commercial Bank of China--Shanghai Stock Exchange 50 ETF Index Securities Investment Fund	59,993,913	Renminbi common shares
Rugao Changrong Ore Storage Limited	57,229,512	Renminbi common shares
Shanghai International Trust CO., LTD.--T-0204	50,540,702	Renminbi common shares
Shanghai Chongyang Investment Management Co., Ltd.	43,885,574	Renminbi common shares
CITIC Securities—ICBC—CREDIT SUISSE (HONG KONG) LIMITED	37,399,605	Renminbi common shares

§ 3 SIGNIFICANT EVENTS

3.1 Particulars of and reasons for material changes in major accounting items and financial indicators of the Company

√ Applicable □ Not Applicable

In the third quarter of 2010, the growth in domestic demands on steel slowed down as a result of the continuous slow-down in economic activities due to the national policy in deepening the Economic Structural Adjustment. The effect of the country's export tax refund adjustment on steel export has been gradually released, resulting in a drop in steel export. The steel capacity utilization and steel output continued to decrease over the last few month since June due to demand slow-down, the country's reinforcement in energy-conservation and emission reduction, as well as the local electricity measures. Crude steel output in August saw a year-on-year drop. The domestic steel price started to drop quickly in the second quarter, touched bottom in mid-July, and then resumed slow increase. But the overall steel price in the third quarter hasn't recovered to the same level of the second quarter. In the meantime, the quarter-based price of the imported ore rose to the highest of the year. Consequently, the overall profitability of the steel industry in the third quarter experienced a sharp decline from the last quarter.

In view of market uncertainties at home and abroad, the Company adjusted the strategies for domestic and foreign markets timely, and carried out order-taking and order-processing actively. Through further structural optimization based on product profitability, the contract completion rate was increased. More efforts were made to consolidate the achievement in the first half of the year regarding cost reduction, and Delicacy Management was implemented in cost control of various types. In the third quarter, production of iron, steel, and sales of finished products totaled 5.807 million tons, 6.571 million tons, and 6.183 million tons respectively, realizing the consolidated revenue RMB51.14 billion, a rise of RMB 10.15 billion over that of the previous quarter and pre-tax profit RMB 2.98 billion which is 1.2 billion less than that of the same period of the previous year. In the first three quarters, pre-tax profit totaled RMB 13.81 billion, which is 8.74 billion higher than that of last year.

The fourth quarter will probably see a balance between the steel supply and demand and there is no strong incentive for big increase in the steel price. The long-term price of iron ore has declined slightly, but it remains quite high comparing to that of the previous years. As the Company's annual maintenance is scheduled in the fourth quarter, production volume will be affected. The Company will bring its strength into full play, endeavor to reduce the operational risks, and make more detailed measures for the chain of supply, production and sales so as to maintain a stable business performance.

Significant changes in and financial indicators of the Company as compared to the third quarter of 2009, along with their reasons, include:

Revenue from operations increased by RMB10.15 billion or 24.8%, as the Company benefited from the recovering market demand, the rise in sales price of iron and steel products as well as the optimized product composition.

Sales expense increased by RMB11.44 billion or 32.9%, as a result of the increased expenses on major raw materials including ore and major fuels.

Financial expense reduces by RMB0.34 billion or 81.9%, due to a rise in the RMB exchange rate against US dollar up to 1.3% (was 0.04% the same period last year), resulting in an increase of RMB0.36

billion exchange gains from the Company's dollar debt.

The losses of asset impairment reduced by RMB0.2 billion or 103.1% due to the recovery of the market at the end of the third quarter, and the rise of sales prices. The loss on decline in value of inventories was recovered by RMB 0.01 billion, while last year the same period RMB0.12 billion was set as the provision for the loss on decline in value of inventories.

The loss from impairment of assets was RMB 0.2 billion less than that of the previous year, a decrease of 103.1%, due to the recovery of the market at the end of the third quarter, and the rise of sales prices, resulting in a RMB0.01 billion gain on the reversal of inventory falling price loss. In the same period last year, RMB0.12 billion was set as the provision for the loss on decline in value of inventories.

The profit and losses on the changes in fair value increased by RMB 0.05 billion due to the due settlement of dollar forward transaction in the third quarter. After charging back to the previously confirmed profit and losses on the changes in fair value, the book entry shows that the profit and losses on the changes in fair value decreased by RMB0.05 billion, which is registered in the investment income accordingly.

Investment income decreased by RMB 0.11 billion or 74.1%, as the gains from investment in associates and joint ventures decreased and the gain from dollar forward transaction reduced as compared to the same period last year.

Investment income the companies being invested performed better than the same period of the previous year, bringing about an increase in both the dividend and the confirmed investment earnings.

Compared with that of the first to third quarters of 2009:

In the first three quarters of 2010, the Company seized the opportunity of market recovery to expand its scale of production and sales. As a result, the Company registered a total profit of RMB 13.81 billion, an amortization of fixed assets RMB 9.96 billion, and EBITDA RMB 24.95 billion. Due to the enlarged production and sales, as well as the increase in production cost and sales prices, the monthly revenue and cost rose by 33.9% and 28.7% respectively as compared to 2009, which resulted in a rise of RMB 6.65 billion in inventory cost, an increase of 22.6% compared with that at the beginning of the year 2010. In the reporting period, the net cash inflow from operating activities of the Company was RMB 14.07 billion

As compared with the same period last year, the Company's net cash inflow from operating activities decreased RMB 4.86 billion. Without considering the impact of Finance Co., the net cash inflow from operating activities of the Company was RMB 12.6 billion, RMB 9.9 billion lower than the same period last year. This is mainly because:

① In the period, the net profit increased from that of the previous year, and the net cash inflow from operating activities was RMB 7.02 billion higher than the previous year.

② At the same period of 2009, confronted with the global financial crisis, the Company's production and sales were both reduced, and the inventory reduced RMB 4.78 billion than the beginning of the 2009. In the reporting period, due to the recovery in production and sales, as well as the rise in purchase prices, the Company's inventory increased RMB 6.65 billion from the beginning of 2010, and the Company's net cash inflow from operating activities saw a decrease of RMB 11.43 billion.

③ The bond payable decreased by RMB 3.13 billion less as compared to that at the beginning of the year, mainly as a result of the Company's measure in optimizing debt structure by replacing the interest buyer-bearing notes financing with the USD financing. In the same period last year, the bond payable increased by RMB 3.73 billion as compared to that at the beginning of 2009, as a result of the interest

buyer-bearing notes financing measure. The net cash flow from operating activities decreased by RMB 6.86 billion as compared to that of the previous year.

The overall cash flow from operating activities was at a normal level.

The net cash outflow from investment activities was RMB 9.1 billion, RMB 3.62 billion less than in the same period last year. Without considering the impact of Finance Co., the net cash outflow from investment activities from the first to the third quarters in 2010 was RMB 9.26 billion, a fall of RMB 3.7 billion from the net cash outflow of RMB 12.97 billion in the same period last year. This was mainly due to the principle adopted by the Company in 2010, characterized by rigorous controlling investment in fixed assets. As a result, the cash paid to purchase fixed assets, intangible assets and other long-term assets was reduced by RMB 4.11 billion than in the same period last years.

The net cash outflow from financing activities was RMB 1.04 billion, a fall of RMB 6.72 billion as compared with the same period last year. Without considering the impact of Finance Co., the net cash outflow from financing activities was RMB 0.59 billion, a fall of RMB 9.81 billion from the net cash outflow of RMB 10.39 billion in the same period last year. In the period from January to September of 2010, in order to optimize the debt structure, the Company replaced the interest buyer-bearing notes financing with the USD financing, resulting in a net borrowing increase of RMB 3.52 billion, and a decrease of RMB 2.92 billion in interest buyer-bearing notes financing. As a result, the Company's active debt increased by RMB 0.6 billion.

Compared with that of the end of 2009:

Cash and Bank Balance increased by RMB3.70 billion or 66.5%, due to the concentrative amount cashed towards the end of the month.

Notes receivable increased by RMB2.29 billion or 34.2%, as a result of the rise in Company's business income.

Notes payable decreased by RMB3.15 billion or 64.8%, due to the decrease of interest buyer-bearing notes payable.

Tax payable increased by RMB1.1 billion or 116.6%. This is mainly because that the company income tax is paid in advance on a quarterly basis, and the figure of the end of 2009 includes the liquidation of anticipated tax return.

Long-term loans increased by RMB2.25 billion or 42.4%, due to the increased on long-term dollar loans based on the Company's judgment of the dollar exchange rate and interest rate.

3.2 Analysis and explanations of the progress of significant events and their impacts and solutions

☐ Applicable ☒ Not Applicable

3.3 Performances of the undertakings given by the Company, its shareholders and its ultimate controllers

☒ Applicable ☐ Not Applicable

1) Baosteel Group made the following two undertakings in the Prospectus:

- a) 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.
- b) The 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, 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. Should the 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, the Group has agreed to grant the Company pre-emptive rights 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. 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 3 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 made in Issuance Prospectus by Baosteel Group

- a) 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;
- b) 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;
- c) The 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) Commitments Baosteel Group undertook about Luojing 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 Luojing (hereafter, Luojing Assets), which the Company intended to purchase. Luojing Assets cover an area of 3.228 million m², for which Pudong Steel has paid some initial expenses, but not the land transfer expense. When the assets are to be purchased, the unpaid land transfer expense and the Pudong Steel's initial expenses as on the asset-assessing day (30 September 2007), RMB2.8 billion as preliminarily estimated, need to be paid. The Group promises:

- a) If the Company intends to purchase the Luojing 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 RMB2.8 billion for the procedures, Baosteel Group or Pudong Steel shall fully cover the exceeding amount in time, by means of paying the Company 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 12 December 2007.

4) Commitments Baosteel Group undertook about land use right in 2005 share capital increase

Baosteel Group issued a written statement to the Company on 11 April 2008 concerning the land use right and change in its area:

As regards to the piece of land whose use right has been suspended due to change in Baoshan land planning program, Baosteel Group shall fully cover the possible losses (including, but not limited to, the cost of the land and the interests involved, relocation expenses, and loss on production stoppage) due to loss of the land use right within 30 days.

Baosteel Group shall try its best to help when the Company applies to relevant official departments for the use right of the land in question or when the Company uses the land in the manner it is used now.

These commitments were included in Prospectus of Convertible Bonds with Call Warrants, publicly posted on official website of the Shanghai Stock Exchange (<http://www.sse.com.cn>) dated June 18, 2008.

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

- 5) Commitments the Company undertook about land use right in 2005 increase in share capital
- a) The Company intended to purchase from Baosteel Group 23 pieces of state-allocated land and 14 pieces of “idle running” land. After the completion of the transactions, the Company would go over the procedures of changing the state-allocated land into state-owned transferable land and changing the “idle running” land into state-owned transferable land with no limits in right.
 - b) 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.

The transfer procedures for a piece of land in Baoshan District covering an area of 581,000m², which involved in the in 2005 increase in share capital, 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 urban planning. 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 currently used. Currently on 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 Company.

3.4 Warnings and explanations as to the reasons for accumulated net loss expected to be recorded from the beginning of the year to the end of the next reporting period (if any) or material changes of it as compared to the same period of last year

√ Applicable □ Not Applicable

Compared with the year 2009, the demand of the domestic steel market saw an obvious recovery. In view of the Company’s expansion in its scale of production and sales, the rise of sales prices, the continuous optimization of product structure, and the reinforcement of the cost reduction achievements, it is estimated that the Company’s annual net profit attributable to shareholders of listed company will increase by 110% to 130% from that of 2009 (net profit attributable to shareholders of listed company in 2009 was RMB 5.816 billion).

3.5 Convertible Bond with Warrants

3.5.1 Top ten “08 Baosteel Bond” holders at the end of the reporting period

Number of “08 Baosteel Bond” holders at the end of the reporting period	11,908
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Top ten holders of the “08 Baosteel Bond”		
Holders	Bonds held at the end of the period (RMB)	Rate (%)
China Pacific Life Insurance Co., Ltd	1,690,577,000	16.91%
New China Life Insurance Co., Ltd	1,449,378,000	14.49%
Bank of Communications Co., Ltd.-ICBC Credit Suisse Asset Management Co., Ltd. Bond-type Securities Investment Fund	571,951,000	5.72%
National Council for Social Security Fund—305 Combo	499,158,000	4.99%
Taikang Life Insurance Co., Ltd-Investment-linked Insurance-Personal Insurance Investment-linked	429,938,000	4.30%
New China Life Insurance Co.,Ltd-Wanneng-Deyi Finance Bond and Fund Account	384,108,000	3.84%
China Petroleum Finance Co., Ltd.	377,073,000	3.77%
China Petroleum Finance Co., Ltd.	316,977,000	3.17%
China Life Insurance Co., Ltd.	309,661,000	3.10%
China Pacific Insurance Co., Ltd.	301,775,000	3.02%

3.5.2 The “Baosteel CWB1” Warrant Exercise Price Adjustments

Conversion Price Adjustment Date	Conversion Price after Adjustment	Disclosure Date	Disclosure Media	Remarks
15 June 2009	12.16	15 June 2009	<i>China Securities News, Shanghai Securities News, Securities Times, and the website: http://www.sse.com.cn</i>	Dividend Distribution
24 May 2010	11.80	24 May 2010	<i>China Securities News, Shanghai Securities News, Securities Times, and the website: http://www.sse.com.cn</i>	Dividend Distribution
Conversion Price at the end the reporting period		11.80		

Notes: As at the Market Close on 2 July 2010, the exercise schedule for “Baosteel CWB1” was ended with 113,785 equity warrants exercised, and an increase of 48,088 shares of the Company. A total capital of RMB 567,438.40 was raised, which will be used as stated in the prospectus. On 7 July 2010, the “Baosteel CWB1” warrants were delisted in Shanghai Stock Exchange.

3.5.3 The profitability, assets status and credit rating of Baosteel Group, the guarantee of the Company’s “08 Baosteel Bond”, have not experienced significant changes.

3.5.4 In the reporting period, the asset-liability ratio was 46.31%, an indication of a stable capital structure. In the coming years, the Company would repay its due bonds by its own capital and debt financing.

3.6 Implementation of Cash Dividend Distribution in the reporting period

☐Applicable ☒Not Applicable

By order of the Board
Baoshan Iron and Steel Co., Ltd
He Wenbo
Chairman
29 October 2010

§4 APPENDIX

4.1

Consolidated Balance Sheet

30 September 2010

Baoshan Iron & Steel Co., Ltd.		(RMB) Unaudited
Item	Closing balance (30 September 2010)	Opening balance (31 December 2009)
Current assets:		
Cash and cash equivalents	9,254,560,744.30	5,558,276,152.91
Held-for-trading financial assets	567,507,321.15	546,377,068.35
Notes receivable	8,959,353,454.41	6,674,251,784.05
Accounts receivable	6,688,375,339.03	5,566,287,279.15
Accounts in advance	5,295,232,448.96	4,099,365,175.79
Interests receivable	7,016,502.87	5,702,089.26
Other receivables	1,249,283,607.60	753,857,108.28
Buying back the sale of financial assets	595,773,274.96	-
Inventories	36,112,010,173.44	29,462,171,383.42
Sub total Of current assets	68,729,112,866.72	52,666,288,041.21
Non-current assets:	-	
Disbursement of entrusted loans and advances	4,200,678,383.05	4,132,276,993.30
Available-for-sale financial assets	781,268,590.67	1,056,020,521.34
Long-term equity investment	4,280,324,647.10	4,207,114,195.86
Investment property	125,099,576.16	130,535,317.25
Fixed assets	114,489,164,841.73	115,465,901,991.79
Construction in progress	13,710,917,381.42	13,746,832,781.17
Construction materials	339,288,796.09	689,829,883.01
Intangible assets	7,768,451,110.34	7,837,110,155.00
Long-term deferred expenses	20,865,325.28	34,538,554.27
Deferred income tax assets	1,201,302,310.20	1,054,669,754.72
Other non-current assets	121,011,164.18	121,664,327.46
Sub total Of non-current assets	147,038,372,126.22	148,476,494,475.17
Total assets	215,767,484,992.94	201,142,782,516.38

Current liabilities:		
Short-term borrowings	24,075,892,699.73	24,274,429,785.95
Deposit taking and deposit in inter-bank market	7,767,114,494.30	7,018,610,678.45
Placements from banks and other financial institutions	-	34,141,000.00
Held-for-trading financial liabilities	14,005,601.15	6,285,024.95
Notes payable	1,707,935,100.06	4,855,355,992.37
Accounts payable	21,307,266,880.33	18,582,613,440.64
Advance receipts	11,574,744,775.32	11,045,412,382.55
Financial assets sold for repurchase	1,039,607,309.91	-
Staff remuneration payable	1,840,396,141.12	1,595,130,198.30
Taxes payable	157,338,171.34	-946,370,733.37
Interests payable	245,577,390.40	240,456,545.77
Dividends payable	35,771,768.51	16,683,769.64
Other payables	1,119,485,792.52	1,016,238,301.24
Non-current liabilities due within one year	3,462,532,204.89	2,982,960,014.44
Total current liabilities	74,347,668,329.58	70,721,946,400.93
Non-current liabilities:	-	
Long-term borrowing	7,542,356,094.00	5,294,932,134.33
Bonds payable	18,370,291,553.56	18,067,156,259.62
Long-term payables	5,331,279,179.99	5,092,440,941.36
Specific payables	283,630,000.00	110,914,331.45
Deferred income tax liabilities	220,508,863.09	265,472,181.46
Other non-current liabilities	947,143,915.60	370,619,491.07
Total non-current liabilities	32,695,209,606.24	29,201,535,339.29
Total liabilities	107,042,877,935.82	99,923,481,740.22
Owners' interest (Shareholders' equity):		
Paid-up capital (share capital)	17,512,048,088.00	17,512,000,000.00
Capital reserve	37,331,005,357.74	37,314,308,498.73
Special reserve	16,393,922.72	8,314,857.96
Surplus reserve	17,827,770,213.00	17,827,770,213.00
Retained earnings	29,683,422,347.63	22,583,995,111.41
Foreign currency translation differences	-123,297,759.99	-109,491,178.96
Total shareholders' equity attributable to the	102,247,342,169.10	95,136,897,502.14

parent company		
Minority interests	6,477,264,888.02	6,082,403,274.02
Total shareholders' equity	108,724,607,057.12	101,219,300,776.16
Total liabilities and owners' interest	215,767,484,992.94	201,142,782,516.38

The Accounting Statements from page 12 to page 23 are signed by the following persons in the capacities indicated.:

Legal representative:

He Wenbo

Financial controller:

Chen Ying

Chief accountant:

Wu Kunzong

Balance Sheet of the Parent Company

30 September 2010

Baoshan Iron & Steel Co., Ltd.		(RMB) Unaudited
Item	Closing balance (30 September 2010)	Opening balance (31 December 2009)
Current assets:		
Cash and Bank Balance	4,547,404,179.07	1,767,579,044.85
Held-for-trading financial assets	41,066.35	-
Notes receivable	15,633,263,898.24	15,028,797,350.34
Accounts receivable	5,950,997,462.29	5,730,373,097.21
Accounts in advance	2,011,176,944.18	1,929,570,050.69
Other receivables	296,539,988.61	238,860,829.07
Inventories	24,192,592,963.73	19,171,004,173.36
Total current assets	52,632,016,502.47	43,866,184,545.52
Non-Current assets:		
Long-term equity investment	27,332,485,961.81	25,526,158,150.03
Fixed assets	88,796,399,233.20	90,420,193,517.81
Construction in progress	10,196,254,386.14	11,032,212,912.66
Construction materials	38,113,948.39	11,097,125.42
Intangible assets	3,572,302,132.96	3,638,598,491.23
Long-term deferred expenses	4,624,724.35	17,085,879.05
Deferred income tax assets	331,441,985.11	316,582,323.96
Other non-current assets	117,905,780.14	117,905,780.14
Total non-current assets	130,389,528,152.10	131,079,834,180.30
Total assets	183,021,544,654.57	174,946,018,725.82
Current liabilities:		
Short-term borrowings	20,123,587,849.73	20,890,937,335.18
Held-for-trading financial liabilities	9,099,847.89	-
Notes payable	205,562,592.87	3,448,640,293.44
Accounts payable	16,952,163,022.71	14,053,098,945.89
Advance receipts	10,205,251,334.59	9,063,340,499.13
Staff remuneration payable	1,300,470,585.92	1,130,478,960.54
Taxes payable	293,649,017.80	-725,350,433.07
Interest payable	162,529,943.12	203,156,969.24
Other payables	235,819,268.28	316,477,072.22
Non-current liabilities due within one year	3,390,428,368.89	2,925,170,774.44
Other current liabilities	981,345,736.43	4,632,246,270.71
Total current liabilities	53,859,907,568.23	55,938,196,687.72
Non-current liabilities:		

Long-term borrowings	7,404,715,500.00	5,109,205,094.33
Bonds payable	18,370,291,553.56	18,067,156,259.62
Long-term payables	5,331,279,179.99	5,092,440,941.36
Specific payables	277,630,000.00	104,914,331.45
Deferred income tax liabilities	113,937,140.90	113,926,874.31
Other non-current liabilities	646,266,661.81	92,685,803.47
Total non-current liabilities	32,144,120,036.26	28,580,329,304.54
Total liabilities	86,004,027,604.49	84,518,525,992.26
Owners' interest (Shareholders' equity):		
Paid-up capital (share capital)	17,512,048,088.00	17,512,000,000.00
Capital reserve	36,929,447,573.76	36,781,341,171.72
Surplus reserve	17,827,770,213.00	17,827,770,213.00
Retained earnings	24,748,251,175.32	18,306,381,348.84
Total owners' (shareholders') equity	97,017,517,050.08	90,427,492,733.56
Total liabilities and owners' equity (shareholders' equity)	183,021,544,654.57	174,946,018,725.82

Legal representative:

He WenboFinancial controller: **Chen Ying**

Chief accountant:

Wu Kunzong

3.5

Consolidated Profit Statement

January to September 2010

Baoshan Iron & Steel Co., Ltd.**(RMB) Unaudited**

Item	The reporting period July-September 2010	July-September 2009	January-September 2010	January-September 2009
I. TOTAL OPERATING REVENUE	51,208,934,940.37	41,033,920,857.61	149,144,302,610.77	106,514,822,913.14
Including: Business income	51,139,731,317.03	40,985,586,847.24	148,951,644,641.03	106,367,956,690.60
Interest income	66,724,383.91	46,497,601.18	189,824,432.62	144,928,362.21
Income from service fees and commissions	2,479,239.43	1,836,409.19	2,833,537.12	1,937,860.33
II. TOTAL OPERATING EXPENSE	48,286,009,344.74	36,971,081,551.03	135,945,059,103.77	102,263,039,924.18
Including: Business cost	46,267,136,661.04	34,823,478,388.03	129,640,002,224.06	96,898,770,374.22
Interest expense	40,541,294.39	-84,196,129.81	120,105,221.06	83,687,185.20
Expense on service fees and commissions	52,274.47	52,832.26	168,335.90	135,358.88
Sales tax and surcharge	94,585,368.10	100,277,654.59	410,850,444.51	460,420,256.93
Sales expense	456,754,766.42	369,317,643.37	1,254,030,314.14	1,002,845,300.07
Administrative expense	1,358,094,969.18	1,157,990,831.58	3,606,785,735.36	3,185,525,197.19
Financial expense	74,819,043.29	413,713,660.18	714,864,069.96	1,306,375,110.40
Loss on the asset impairment/ (reversal)	-5,975,032.15	190,446,670.83	198,252,758.78	-674,718,858.71
Add: Net (loss)/gain from change in fair value	407,728.55	-51,802,863.48	-2,916,436.28	-113,744,488.82
Investment gains	39,960,775.74	154,136,783.11	466,443,806.00	785,461,098.60
<i>Including: Gains from investment in joint ventures and associated entities</i>	<i>37,220,536.76</i>	<i>108,624,257.19</i>	<i>285,758,049.95</i>	<i>130,294,197.68</i>
III. TOTAL OPERATING PROFIT	2,963,294,099.92	4,165,173,226.21	13,662,770,876.72	4,923,499,598.74
Add: Non-operating income	65,058,773.83	68,020,977.32	263,149,344.88	274,996,491.56
Less: Non-operating expense	51,678,810.46	55,422,683.86	113,760,281.88	125,217,244.30
<i>Including: Loss from disposal of non-current assets</i>	<i>44,187,997.33</i>	<i>8,819,828.57</i>	<i>77,531,480.15</i>	<i>36,369,620.93</i>
IV PRE-TAX PROFIT	2,976,674,063.29	4,177,771,519.67	13,812,159,939.72	5,073,278,846.00
Less: Income tax expense	341,690,944.66	952,527,014.30	2,859,447,926.84	1,076,454,281.69
V. NET PROFIT	2,634,983,118.63	3,225,244,505.37	10,952,712,012.88	3,996,824,564.31
Net profit attributable to the parent company	2,550,949,731.16	3,035,565,517.94	10,601,827,236.22	3,704,584,433.90
Including: Profit/loss of minority shareholders	84,033,387.47	189,678,987.43	350,884,776.66	292,240,130.41
VI. EARNINGS PER SHARE				
Basic EPS	0.15	0.17	0.61	0.21
Diluted EPS	0.15	0.17	0.61	0.21
VII. OTHER	138,897,684.66	52,053,025.91	-187,947,271.28	195,727,952.23

CONSOLIDATED INCOME				
VIII. COMPREHENSIVE CONSOLIDATED INCOME	2,773,880,803.29	3,277,297,531.28	10,764,764,741.60	4,192,552,516.54
Consolidated income attributed to parent company	2,687,337,674.65	3,084,539,195.13	10,428,325,002.92	3,885,886,035.26
Consolidated income attributed to minority shareholders	86,543,128.64	192,758,336.15	336,439,738.68	306,666,481.28

Legal representative:
He Wenbo

Financial controller:
Chen Ying

Chief accountant:
Wu Kunzong

Parent Company Profit Statement

January-September 2010

Baoshan Iron & Steel Co., Ltd.**(RMB) Unaudited**

Item	The reporting period July-September 2010	July-September 2009	January-September 2010	January-September 2009
I. TOTAL OPERATING REVENUE	40,256,292,706.31	33,768,499,049.50	119,636,343,589.56	83,336,481,736.18
Less: Business cost	36,962,195,536.54	29,347,573,350.78	105,047,024,012.86	76,610,524,874.90
Business Taxes and Surcharges	51,966,137.09	70,416,756.12	273,642,388.74	286,479,657.20
Sales expense	199,727,098.52	164,637,861.58	557,848,438.58	444,495,777.66
Administrative expense	922,546,950.25	728,770,789.69	2,347,964,850.45	1,905,311,445.15
Financial expense	-16,433,388.69	402,528,237.74	490,437,926.09	1,335,892,045.70
Loss on the asset impairment	-23,247,831.27	98,242,771.37	112,501,039.57	421,540,396.73
Add: Net (loss)/gain from change in fair value ("-" for loss)	-9,058,781.54	-51,467,731.56	-9,058,781.54	-114,598,750.74
Investment gains ("-" for loss)	1,043,756,887.91	197,813,432.44	1,378,034,545.92	1,175,716,780.34
<i>Including: Gains from investment in joint ventures and associated entities</i>	<i>45,406,096.12</i>	<i>103,462,763.68</i>	<i>301,573,846.42</i>	<i>119,888,337.14</i>
II. TOTAL OPERATING PROFIT ("-" for loss)	3,194,236,310.24	3,102,674,983.10	12,175,900,697.65	3,393,355,568.44
Add: Non-operating income	23,682,628.50	12,131,386.04	185,801,897.16	152,227,472.22
Less: Non-operating expense	49,685,031.23	34,989,920.95	86,472,004.87	65,761,265.66
<i>Including: Loss from disposal of non-current assets</i>	<i>49,185,031.23</i>	<i>3,084,467.70</i>	<i>73,693,040.93</i>	<i>16,259,893.27</i>
III. PRE-TAX PROFIT ("-" for loss)	3,168,233,907.51	3,079,816,448.19	12,275,230,589.94	3,479,821,775.00
Less: Income tax expense	175,476,098.54	745,103,913.00	2,330,960,763.46	581,462,760.97
IV. NET PROFIT ("-" for loss)	2,992,757,808.97	2,334,712,535.19	9,944,269,826.48	2,898,359,014.03
V. OTHER CONSOLIDATED INCOME	-6,364,619.90	-172,715.30	-9,008,276.05	-333,519.20
VI. COMPREHENSIVE CONSOLIDATED INCOME	2,986,393,189.07	2,334,539,819.89	9,935,261,550.43	2,898,025,494.83

Legal representative:
He WenboFinancial controller:
Chen YingChief accountant:
Wu Kunzong

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Consolidated Cash Flow Statement

January-September 2010

Baoshan Iron & Steel Co., Ltd.**(RMB) Unaudited**

Item	January-September 2010	January-September 2009
I. CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from sales of goods or rendering of services	169,235,768,045.24	120,056,625,059.29
Net increase in deposits from customers and from or to financial institutions	748,513,068.97	-
Net decrease in deposit reserves in central bank and deposits from or to other financial institutions	-	368,487,850.61
Cash received from interests, service fees, and commissions	190,125,352.08	154,748,691.78
Tax refunds received	98,236,366.21	157,368,808.40
Net increase in financial assets sold for repurchase	1,039,607,309.91	894,886,168.41
Cash received relating to other operating activities	1,314,009,911.02	482,244,723.90
Sub-total of cash inflows	172,626,260,053.43	122,114,361,302.39
Cash paid for goods purchased and labor services received	144,700,859,158.88	86,169,281,700.09
Net decrease in deposits from customers and from or to financial institutions	-	3,262,313,919.16
Net increase in customer loans and cash advances	59,065,866.65	1,571,714,223.85
Net increase in deposit reserves in central bank and deposits from or to other financial institutions	269,679,065.32	-
Net decrease in borrowing from banks and other financial institutions	33,505,500.00	-
Cash paid for interests, service fees and commissions	84,237,044.32	61,881,843.11
Cash paid to employees and for employees	5,519,183,646.64	5,264,284,467.79
Payment of taxes	6,312,909,947.84	4,008,687,109.57
Cash payments relating to other operating activities	1,573,910,988.51	2,842,208,847.69
Sub-total of cash outflows	158,553,351,218.16	103,180,372,111.26
Net cash flows from operating activities	14,072,908,835.27	18,933,989,191.13
II. CASH FLOWS ARISING FROM INVESTING ACTIVITIES		
Cash received from returns of investments	3,163,803,145.19	3,997,632,993.08
Cash received from returns on investments	399,506,402.48	755,070,125.90
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets	25,042,773.73	29,226,279.22
Cash received from disposal of subsidiary or other operating business units	-	-
Cash received relating to other investing activities	34,759,213.32	15,509,385.88

Sub-total of cash outflows	3,623,111,534.72	4,797,438,784.08
Cash paid for the purchase and construction of fixed assets, intangible assets and other long-terms assets	9,482,110,194.83	13,653,458,039.12
Cash paid for investments	3,206,697,736.40	3,782,062,371.13
Cash payments relating to other investing activities	34,203,679.27	83,564,019.63
Sub-total of cash outflows	12,723,011,610.50	17,519,084,429.88
Net cash flows from investing activities	-9,099,900,075.78	-12,721,645,645.80
III. CASH FLOWS ARISING FROM FINANCING ACTIVITIES		
Cash received by absorbing investments	223,084,738.40	83,837,950.35
<i>Including: Cash received by subsidiaries from minority shareholders' investments</i>	<i>222,517,300.00</i>	<i>83,837,950.35</i>
Cash received from debts	46,165,342,963.17	56,221,105,872.78
Cash received from issuing convertible bonds	-	9,910,000,000.00
Cash received relating to other financing activities	-	4,039,677.57
Sub-total of cash inflows	46,388,427,701.57	66,218,983,500.70
Cash paid for repayment of debts	43,109,922,570.14	69,026,061,715.72
Cash paid for distribution of dividends or profits, or cash payments for interests	4,321,997,882.99	4,338,448,356.96
<i>Including: Dividends subsidiaries paid to minority shareholders</i>	<i>110,638,938.77</i>	<i>129,310,273.19</i>
Cash payments relating to other financing activities	-	615,028,079.01
Sub-total of cash outflows	47,431,920,453.13	73,979,538,151.69
Net cash flows from financing activities	-1,043,492,751.56	-7,760,554,650.99
IV. EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	-7,136,698.50	7,567,702.24
V. NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	3,922,379,309.43	-1,540,643,403.42
Add: Balance of cash and cash equivalents at beginning of the period	4,824,082,906.98	6,272,564,999.67
VI. BALANCE OF CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	8,746,462,216.41	4,731,921,596.25

Legal representative:

He Wenbo

Financial controller:

Chen Ying

Chief accountant:

Wu Kunzong

Parent Company Cash Flow Statement

January-September 2010

Baoshan Iron & Steel Co., Ltd.**(RMB) Unaudited**

Item	January-September 2010	January-September 2009
I. CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from sales of goods or rendering of services	138,792,924,113.42	90,780,238,096.19
Cash received relating to other operating activities	1,277,349,659.28	529,782,242.18
Sub-total of cash inflows	140,070,273,772.70	91,310,020,338.37
Cash paid for goods purchased and labor services received	117,796,499,821.03	70,103,324,931.04
Cash paid to employees and for employees	3,770,063,498.42	3,637,231,781.03
Payment of taxes	4,328,482,651.79	1,918,023,454.60
Cash payments relating to other operating activities	361,320,993.79	1,509,660,011.25
Sub-total of cash outflows	126,256,366,965.03	77,168,240,177.92
Net cash flows from operating activities	13,813,906,807.67	14,141,780,160.45
II. CASH FLOWS ARISING FROM INVESTING ACTIVITIES		
Cash received from returns of investments	15,250,305.25	-
Cash received from returns on investments	1,280,491,937.36	1,144,858,382.83
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets	2,869,525.75	12,703,761.22
Cash received relating to other investing activities	32,787,999.36	18,620,380.65
Sub-total of cash inflows	1,331,399,767.72	1,176,182,524.70
Cash paid for the purchase and construction of fixed assets, intangible assets and other long-terms assets	5,484,645,547.44	9,795,247,977.94
Cash paid for investments	1,683,589,800.00	960,000,000.00
Cash payments relating to other investing activities	34,203,679.27	83,564,019.63
Sub-total of cash outflows	7,202,439,026.71	10,838,811,997.57
Net cash flows from investing activities	-5,871,039,258.99	-9,662,629,472.87
III. CASH FLOWS ARISING FROM FINANCING ACTIVITIES		
Cash received by absorbing investments	567,438.40	-
Cash received from debts	42,218,106,342.82	55,360,622,523.72
Cash received from issuing convertible bonds	-	9,910,000,000.00
Cash received relating to other financing activities	166,475,092.72	3,426,246,935.44
Sub-total of cash inflows	42,385,148,873.94	68,696,869,459.16
Cash paid for repayment of debts	39,712,071,584.92	69,712,710,606.19
Cash paid for distribution of dividends or profits, or cash payments for interests	4,136,998,026.58	4,116,838,580.83
Cash payments relating to other financing activities	3,709,688,985.74	670,510,752.01

Sub-total of cash outflows	47,558,758,597.24	74,500,059,939.03
Net cash flows from financing activities	-5,173,609,723.30	-5,803,190,479.87
IV. EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	10,567,308.84	-8,166,244.33
V. NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	2,779,825,134.22	-1,332,206,036.62
Add: Balance of cash and cash equivalents at beginning of the period	1,767,579,044.85	3,182,690,342.86
VI. BALANCE OF CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	4,547,404,179.07	1,850,484,306.24

Legal representative: He Wenbo Financial controller: Chen Ying Chief accountant: Wu Kunzong