

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

**600019**

**2014 Third Quarter Report**

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## 1 Important Notice

1.1 The Board of Directors and the Board of Supervisors of the Company, along with their directors, supervisors and senior executives, hereby guarantee that the Quarterly Report is free from false statement, misleading information or grave material omission, and assume relevant separate and joint responsibilities in regard to the truthfulness, the accuracy and the integrity of the contents of the Report.

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

Name of the absent director	Post of the absent director	Explanation of the absent director	Name of the mandatory
Zhao Zhouli	Director	Work	Dai Zhihao
Buck Pei	Outside Non-independent Director	Work	Yuh-chang Hwang

1.3 Chen Derong, principal of the Company and Chairman of the Board of Directors, Zhu Kebing, chief accountant, and Wang Juan, Director of the Finance Department in charge of the accounting affairs, attest to the truthfulness, accuracy and completeness of the financial statements in this Report.

1.4 The 3<sup>rd</sup> quarter financial statements have not been audited.

## 2 Major Financial Data and Change of Shareholders

2.1 Highlights of the Company

- A consolidated profit of RMB 2.47 billion has been realized during this reporting period, representing a quarter-on-quarter increase of 5.1%, and a year-on-year increase of 77.7%. From the beginning of the year to the end of the reporting period, a consolidated profit of RMB 6.94 billion has been realized, representing a year-on-year increase of 5.7%.
- From the beginning of the year to the end of the reporting period, a net cash flow from operating activity of RMB 22.21 billion has been realized, representing a year-on-year increase of 128.5%.
- Baosight Software became the first company to obtain the national standard qualification reorganization for its cloud services and solutions.
- The Company won the order to provide all of the heavy plates needed for the Yamal project, the world's largest liquefied natural gas project.
- The 1550 Cold Rolling Pickling Project of Zhanjiang Iron & Steel was officially kicked off, and the body structure of No.1 blast furnace has been capped ahead of the schedule.
- The Company released commitments to green planning and environmental protection, focusing on environment-friendly business operation and accelerating sustainable development.

2.2 Major financial data

Unit: RMB

Major financial data	At the end of the reporting period	At the end of last year		Increase/decrease from the beginning of this year after adjustment at the end of the reporting period (%)
		After adjustment	Before adjustment	
Total assets (RMB million)	229,197	226,707	226,668	1.10
Net assets attributable to shareholders of listed company (RMB million)	113,539	110,395	110,512	2.85
Major financial data	From the beginning of the year to the end of	From the beginning of last year to the end of the reporting		Increase/decrease from the previous year (%)

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	the reporting period (January to September)	period of last year		
		After adjustment	Before adjustment	
Net cash flow from operating activities (RMB million)	22,206	9,717	9,717	128.53
Major financial data	From the beginning of the year to the end of the reporting period (January to September)	From the beginning of the previous year to the end of the reporting period of the previous year		Increase/decrease from the previous year (%)
		After adjustment	Before adjustment	
Operating revenues (RMB million)	143,592	142,264	142,264	0.93
Net profit attributable to shareholders of the listed Company (RMB million)	5,010	4,642	4,642	7.94
Net profit attributable to shareholders of the listed Company less non-recurring gains and losses (RMB million)	4,798	4,675	4,675	2.63
Weighted average return-on-equity (%)	4.47	4.22	4.22	Up by 0.25 ppts
Basic earnings per share (RMB)	0.30	0.28	0.28	9.73
Diluted earnings per share (RMB)	0.30	0.28	0.28	9.73

Deducting non-recurring gains and losses:

Unit: RMB million

Item	Amount of the reporting period (July to September)	Amount from the beginning of the year to the end of the reporting period (January to September)
Profits and losses arising from disposal of non-current assets	-259	-336
In addition to the effective hedging business related to the Company's normal business, financial assets held for trading and profits & losses on the changes in fair value arising from financial assets held for trading, as well as returns on investment arising from disposal of financial assets held for trading, transaction financial liabilities, and available-for-sale financial assets	10	20
Other net non-operating incomes and expenditures other than the above items	522	607
Effect of income taxes	-68	-73
Effect of minority interest	-3	-6
Total	202	211

## 2.3 Principal business by segments

Unit: RMB million

Segment	Operating revenues	Operating costs	Gross margin	YoY change in gross margin
Steel manufacturing	93,243	83,652	10.3%	Up by 1.8 ppts
Processing and distribution	131,101	127,920	2.4%	Up by 0.3 ppts
Information technology	2,596	1,854	28.6%	Up by 4.0 ppts
E-commerce	10,560	10,519	0.4%	N/A
Chemical industry	7,207	6,533	9.4%	Down by 0.3 ppts
Finance	462	217	53.1%	Down by 0.5 ppts
Offset between segments	-101,235	-101,141	-	-
Total	143,934	129,554	10.0%	Up by 1.2 ppts

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

Unit: share

Total number of shareholders		448,125					
Top 10 shareholders							
Full Name	Increase/decrease in the reporting period	Total shares at the end of the period	Proportion (%)	Shares subject to conditional sales	Shares pledged or frozen		Shareholder nature
					Status	Number	
Baosteel Group Corporation	-	13,128,825,267	79.71	0	None	0	State-owned
CSOP Asset Management Limited - CSOP FTSE CHINA A50 ETF	+16,803,733	63,286,643	0.38	0	None	0	Other
Ping An Annuity Insurance Company - Ping An Annuity's Rich Stock Portfolio of Rich Pension Entrusted Management Product	+516,200	35,702,752	0.22	0	None	0	Other
Fidelity Investments Management (HK) Ltd. – customer funds	+275,600	26,389,783	0.16	0	None	0	Other
Bank of China Limited – Harvest Hushen 300 trading and open index securities investment funds	-1,638,464	24,451,029	0.15	0	None	0	Other
Morgan Stanley Investment Management Co., Ltd. – Morgan Stanley China A Share Fund	-4,731,700	23,708,496	0.14	0	None	0	Other
Tangshan Fangxin Investment Co., Ltd.	-	23,049,775	0.14	0	None	0	Other
Shenyin & Wanguo Securities Co., Ltd.- Client Account of Collateral Securities for Credit Trading	+9,826,795	21,612,590	0.13	0	None	0	Other

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Huaxin Trust Co., Ltd.	+2,226,966	21,576,966	0.13	0	None	0	Other
GIC PRIVATE LIMITED	-1,306,527	19,499,559	0.12	0	None	0	Other
Top 10 holders of shares not subject to conditional sales							
Name	Number of shares not subject to conditional sales	Type and number of shares					
		Type	Number				
Baosteel Group Corporation	13,128,825,267	RMB ordinary share	13,128,825,267				
CSOP Asset Management Limited – CSOP FTSE CHINA A50 ETF	63,286,643	RMB ordinary share	63,286,643				
Ping An Annuity Insurance Company - Ping An Annuity's Rich Stock Portfolio of Rich Pension Entrusted Management Product	35,702,752	RMB ordinary share	35,702,752				
Fidelity Investments Management (HK) Ltd. – customer funds	26,389,783	RMB ordinary share	26,389,783				
Bank of China Limited – Harvest Hushen 300 trading and open index securities investment funds	24,451,029	RMB ordinary share	24,451,029				
Morgan Stanley Investment Management Co., Ltd. – Morgan Stanley China A Share Fund	23,708,496	RMB ordinary share	23,708,496				
Tangshan Fangxin Investment Co., Ltd.	23,049,775	RMB ordinary share	23,049,775				
Shenyin & Wanguo Securities Co., Ltd.- Client Account of Collateral Securities for Credit Trading	21,612,590	RMB ordinary share	21,612,590				
Huaxin Trust Co., Ltd.	21,576,966	RMB ordinary share	21,576,966				
GIC PRIVATE LIMITED	19,499,559	RMB ordinary share	19,499,559				
Remarks on affiliation, alliance or collusion among the aforementioned shareholders	The Company is not aware of any connected relationship among other shareholders mentioned above or any parties acting in concert specified in <i>Measures for the Administration of Acquisitions by Listed Companies</i> .						
Remarks on holders of preference shares with voting rights recovered and number of shares							

### **3 Significant Events**

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

√Applicable Not applicable

In the third quarter of 2014, due to a depressing macro economy in China and the lingering downturn pressure, the demand for iron and steel remained low. In the meantime, the market supply of raw materials was declining, prices of iron ore and billets falling to record lows, but the production capacity of steel plants remained high and the inventory kept growing, leading to continuous and obvious imbalance between supply and demand in the steel industry. In the third quarter, the iron ore price remained on a downward trend that has started since the beginning of the year, and by the end of the quarter, the iron ore 62% Fe (Platts index) had been down by 40.5% year on year to be under USD 80 for the first time in five years; during the third quarter, the price of steel products was breaking down from that of the second quarter; at the end of the third quarter, the year-on-year decrease rate in international steel CRU index and domestic steel CSPI index respectively reached 5.5% and 14.1%, and the steel price fell further. Overcapacity, low prices and meager profits have become normal in domestic steel industry.

In face of the difficulties in production organization due to external negative factors and internal scheduled and annual maintenance, to maximize the overall performance, the Company has been actively coordinating mutual materials supply, optimizing the resources flow, improving the product quality, strengthening the customer service, and giving guarantee priorities to the supply of key product categories and core users, thereby accomplishing all business tasks with relatively good records. During the reporting period, the Company produced 5.129 million tons of iron and 5.306 million tons of steel, and sold 5.363 million tons of steel products, realizing a total consolidated profit of RMB 2.47 billion, up by RMB 120 million from the second quarter, and RMB 1.08 billion year on year. The accumulated consolidated profit for the first three quarters totals RMB 6.94 billion, representing a year-on-year increase of RMB 370 million.

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

#### **Compared with the third quarter of 2013:**

Financial expenses had a year-on-year increase of RMB 170 million, mainly because the RMB central parity rate in the third quarter of 2014 was basically flat; while the 0.5% appreciation of RMB central parity rate in the same period last year led to a growth of financial expenses of RMB 210 million due to exchange gains/losses.

Income from investments had a year-on-year decrease of RMB 250 million (down by 100.4%), mainly due to the year-on-year reduction of returns on investments in upstream coal, energy industries.

Non-operating income had a year-on-year increase of RMB 410 million (up by 292.9%), mainly because the Company completed the removal and disposal of the precision steel tube plant, which was confirmed as part of the income from assets disposal.

#### **Compared with the first three quarters of 2013:**

(1) Net cash flow from operating activities increased by RMB 12.49 billion on a year-on-year basis, representing an increase of 128.5%. In the nine months of 2014, the Company made a net

profit of RMB 5.29 billion, depreciation and amortization of fixed assets of RMB 7.8 billion, other non-operational losses of RMB 860 million and cash from operating activities of RMB 13.95 billion. The occupation of inventory funds fell while the flow rose by RMB 1.99 billion; receivables from operating activities fell while the flow rose by RMB 2.26 billion; payables from operating activities rose and the flow increased by RMB 4.01 billion, realizing RMB 22.21 billion of net cash inflow from operating activities, RMB 12.49 billion more than that at the same period last year. Without regard to the impact of Finance Co., the net cash inflow from operating activities was RMB 22.52 billion, RMB 11.82 billion more than that at the same period last year. The year-on-year increase is caused by the following reasons:

- ① The year-on-year increase of RMB 480 million in net profit and the increase of flow;
- ② The year-on-year increase of RMB 110 million in depreciation and amortization and the increase of flow;
- ③ The year-on-year increase of RMB 960 million in financial expenses and the increase of flow;
- ④ The year-on-year increase of RMB 310 million in provision for impairment loss, investment losses and other items and the increase of flow;
- ⑤ Inventory was down by RMB 1.99 billion, while the inventory during the same period last year was up by RMB 2.32 billion. As a result, the year-on-year inventory flow increased by RMB 4.31 billion;
- ⑥ Receivables from operating activities decreased by RMB 2.64 billion, while the increase was RMB 1.71 billion for the same period last year. As a result, the year-on-year flow increased by RMB 4.34 billion;
- ⑦ Payables from operating activities increased by RMB 3.96 billion, while the increase was RMB 2.66 billion for the same period last year. As a result, the year-on-year flow increased by RMB 1.3 billion.

(2) The year-on-year increase in net cash outflow from investing activities was RMB 3.35 billion, representing a growth rate of 64.9%, mainly due to the payment for RMB 2.34 billion of land-transferring fees by the Company to obtain the land use right of west Luoqing area, while the construction expenditures of Zhanjiang project increased by RMB 5.16 billion; during the same period last year, the second capital subscription of RMB 3.2 billion for the PetroChina West-East Gas Pipeline III project was made.

(3) The year-on-year increase in net cash outflow from financing activities was RMB 9.08 billion, mainly because the Company's financing scale was down by RMB 5.38 billion from the beginning of the year, while last year the scale for the same period was up by RMB 7.19 billion from the beginning of the year, leading to a year-on-year increase in net outflow of RMB 12.58 billion; net expense on shares repurchase under the stock incentive plan was RMB 100 million, while the spending on shares repurchase for the same period last years was RMB 3.08 billion.

**Compared with the beginning of 2014 after adjustment:**

Monetary capital has increased by RMB 5.36 billion or 41.6% from the beginning of the year, mainly because the Company had a relatively good cash flow, and conducted low-risk and



value-added operations with good timing, securing the returns from stock funds. As Zhanjiang project proceeds, the monetary capital balance will be declining.

Financial assets measured at fair values and of which the variation is recorded into the profits and losses of the current period has increased by RMB 410 million or 1411.3% from the beginning of the year, mainly because the Finance Co.'s liquidity was improved and the monetary market fund increased.

Interest receivable has decreased by RMB 360 million or 49.2% from the beginning of the year, mainly because the Company received the installment interests from sales of relevant assets of the stainless steel and special steel business units in April.

Dividend receivable has decreased by RMB 30 million or 49.9% from the beginning of the year, mainly because Baosight Software received a return of RMB 30 million from invested entities.

Long-term receivables has decreased by RMB 4.5 billion or 33.3% from the beginning of the year, mainly because the RMB 4.5 billion receivable from the transfer of relevant assets of the stainless steel and special steel business units was reclassified as non-current assets due within one year.

Construction in progress has increased by RMB 6.38 billion or 42.0% from the beginning of the year, mainly because the project of Zhanjiang Iron & Steel received an investment increase of RMB 5.3 billion.

Intangible assets has increased by RMB 2.26 billion or 32.8% from the beginning of the year, mainly attributable to the addition of RMB 2.34 billion worth of intangible assets after the Company paid the land-transferring fees for the land use right of west Luoqing area.

Taking from banks and other financial institutions has decreased by RMB 300 million or 99.2% from the beginning of the year, mainly because the Finance Co.'s liquidity was improved and the taking from banks and other financial institutions was reduced.

Notes payable has increased by RMB 1.64 billion or 67.3% from the beginning of the year, mainly because the Company's purchase payment policy was adjusted, and the number of settled commercial papers increased.

Amount of financial assets sold under repurchase agreements has decreased by RMB 300 million or 45.2% from the beginning of the year, mainly because the central bank adjusted the rediscount line of the Company's notes, downsizing the notes rediscount business.

Tax payable has increased by RMB 580 million or 32.7% from the beginning of the year, mainly because the VAT payable increased compared to that at the beginning of the year and the quarterly advance payment of income tax increased.

Dividend payment has increased by RMB 30 million or 188.3% from the beginning of the year, mainly because the dividend payable to minority shareholders by Baosteel International increased.

Non-current liabilities due within one year has decreased by RMB 4.69 billion or 38.4% from the beginning of the year, mainly because RMB 10 billion worth of "08 Baosteel Bonds with Warrants" became due and the long-term liabilities due within one year were reclassified and

adjusted.

Long-term borrowings has increased by RMB 3.97 billion or 84.4% from the beginning of the year, mainly because the long-term borrowings of Zhanjiang Iron & Steel increased by RMB 6.18 billion and RMB 3.09 billion worth of long-term borrowings due within one year were reclassified and adjusted.

Other non-current liabilities has decreased by RMB 1.47 billion or 50.8% from the beginning of the year, mainly because the non-current liabilities due within one year were reclassified and adjusted.

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

Applicable Not applicable

### 3.3 Commitments and performance of the Company and shareholders with a shareholding proportion above 5%

Applicable Not applicable

#### 3.3.1 Commitments related with the initial public offering (IPO)

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

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

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

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

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

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

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

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

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

(2) The Company shall enjoy the priority of similar business opportunities acquired by Baosteel Group, who will not invest until the Company gives up the commercial opportunities.

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

### 3.3.3. Other commitments

Commitments Baosteel Group undertook about Luoqing Land:

Baosteel Group Shanghai Pudong Iron & Steel Co., Ltd. (hereinafter, Pudong Steel), a wholly owned subsidiary of Baosteel Group, was offering its construction-in-progress and related fixed assets in Luoqing (hereinafter, Luoqing Assets), which the Company intended to purchase. Luoqing Assets cover an area of 3.228 million m<sup>2</sup>, for which Pudong Steel has paid some initial expenses, but not the land transfer expense. When the assets are to be purchased, the unpaid land transfer expense and the Pudong Steel's initial expenses as on the asset-assessing day (September 30, 2007), RMB 2.8 billion as preliminarily estimated, shall be paid by the Company. Baosteel Group promises:

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

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

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

The land involved in the aforementioned commitments includes the West area of Luoqing project, the East area of Luoqing project and the Northern energy corridor. By the end of this reporting period, the Company has signed the grant contract of land use right of west Luoqing area, and paid a total of RMB 2.34 billion of land-transferring fees; paid the land cost of about RMB 20 million for the Northern energy corridor and obtained the land use warrant; as to the land use warrant for the east area, the Company is currently going through relevant procedures and no land-transferring fee has been paid.

Commitments Baosteel Group undertook about Desheng Nickel Project:

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

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

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

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

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

Applicable Not applicable

3.5 Impact of the New Accounting Standards on the Consolidated Financial Statements:

The impact of the New Accounting Standards on the balance sheet is:

The Company has adjusted other equity investments that were not controlled by it, jointly controlled by it or had major influence into financial instrument accounting, which increased the Company's available-for-sale financial assets at the beginning of 2014 by RMB 8.93 billion, and reduced the long-term equity investment by RMB 8.93 billion.

After adopting the new standards, the Company's total assets at the beginning of 2014 were increased by RMB 40 million; the total liabilities at the beginning of 2014 were increased by RMB 160 million; the owners' equity attributable to the parent company at the beginning of 2014 was reduced by RMB 120 million, among which the undistributed profit at the beginning of 2014 was reduced by RMB 100 million, and the surplus reserve reduced by RMB 20 million; the minority interest at the beginning of 2014 was reduced by RMB 80,000; the total liabilities and owners' equity at the beginning of 2014 were increased by RMB 40 million.

Other comprehensive income has been added to the balance sheet, while at the same time the presentation of capital reserve and translation differences arising from translation of financial statements denominated in foreign currencies has been adjusted correspondingly. Such presentation and statement adjustment has led to an increase of RMB 520 million in the Company's translation difference arising from translation of financial statements denominated in foreign currencies at the beginning of 2014, totaling the amount under this item at zero and thus removing this item from the statement for good; the capital reserve at the beginning of 2014 was increased by RMB 380 million; and other comprehensive income at the beginning of 2014 was reduced by RMB 910 million.

The impact of the New Accounting Standards on the income statement is:

Detailed items have been added under other comprehensive income in the income statement, without changing the amounts presented in the original statement.

### 3.5.1 Impact of Changes to the Accounting Standards for Enterprises—Long-term Equity Investments on the Consolidated Financial Statements (1)

Unit: Yuan Currency: RMB

Invested entity	Basic trading information	Shareholders' equity attributable to parent company as of January 1, 2013 (+/-)	December 31, 2013		
			Long-term equity investment (+/-)	Available-for-sale financial assets (+/-)	Shareholders' equity attributable to parent company (+/-)
Baovale Mineracao S.A.	Accounting subject adjustment		-103,282,213.00	+103,282,213.00	
Shanghai Luojing ORE Terminal Co., Ltd.	Accounting subject adjustment		-88,734,096.00	+88,734,096.00	
CAERI (Beijing) Vehicle Lightweight Technology Academy Limited	Accounting subject adjustment		-3,000,000.00	+3,000,000.00	

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PetroChina Northwest Joint Pipeline Company	Accounting adjustment	subject		-8,000,000,000.00	+8,000,000,000.00	
Yangtze River Economic United Development (Group) Co., Ltd.	Accounting adjustment	subject		-980,000.00	+980,000.00	
China Technology & Economy Investment Consulting Co., Ltd.	Accounting adjustment	subject		-2,333,975.53	+2,333,975.53	
Henan Longyu Energy Resources Co., Ltd.	Accounting adjustment	subject		-370,269,254.56	+370,269,254.56	
HNCC	Accounting adjustment	subject		-279,000,000.00	+279,000,000.00	
Henan Zhenglong Coal Industry Co., Ltd	Accounting adjustment	subject		-45,569,714.27	+45,569,714.27	
NCBC	Accounting adjustment	subject		-5,600,000.00	+5,600,000.00	
Anhui Huishang Group Co., Ltd.	Accounting adjustment	subject		-3,000,000.00	+3,000,000.00	
China Resources Land (Beijing) Limited.	Accounting adjustment	subject		-1,618,750.00	+1,618,750.00	
CISDI Engineering Co., Ltd.	Accounting adjustment	subject		-9,508,999.34	+9,508,999.34	
Jinchuan Information & Automation Engineering Co., Ltd.	Accounting adjustment	subject		-1,000,000.00	+1,000,000.00	
Shanghai Huayi Information Technology Co., Ltd.	Accounting adjustment	subject		-3,000,000.00	+3,000,000.00	
Global Ore Pte Ltd	Accounting adjustment	subject		-11,815,792.20	+11,815,792.20	
Total	-			<b>-8,928,712,794.90</b>	<b>+8,928,712,794.90</b>	

Notes on the impact of changes to the Accounting Standards for Enterprises—Long-term Equity Investments on the consolidated financial statements (1):

The Company has adjusted other equity investments that were not controlled by it, jointly controlled by it or had major influence from long-term equity investments adopting the cost accounting into available-for-sale financial assets accounting.

## 3.5.2 Impact of Changes to the Accounting Standards for Enterprises–Wages and Salaries of Employees

Unit: Yuan Currency: RMB

Employee salary payable as of July 1, 2014 (+/-)	Shareholders' equity attributable to parent company as of July 1, 2014 (+/-)
+155,874,848.19	-116,828,406.63

Notes on the impact of changes to the Accounting Standards for Enterprises–Wages and Salaries of Employees:

**Termination Benefit:** According to the Company's current HR management policy, employees conforming to the stipulated conditions can apply to handle procedures of "to be retiring" and "retiring ahead of schedule", and during the period from the completion of the "early retirement" procedure to the official retirement confirmation, the Company shall pay certain amount annually according to relevant standards. According to the Standards, the Company shall handles the early retirement fees of the aforesaid qualified employees in comparison to the termination benefit. According to the Standards and the Guide, starting from December 31, 2013, for employees who have completed the "early retirement" procedure, the Company shall convert the annual amount that has to be paid based on certain actuarial model, confirm the employee salary payable correspondingly, and make retroactive adjustment while taking into consideration the impact of income taxes. Such adjustment has increased the employee salary payable at the beginning of 2014 (termination benefit) by RMB 160 million, and the beginning balance of termination benefit has been adjusted to RMB 260 million, which is presented respectively under the employee payable salary and other non-current liabilities according to the payment terms.

**Post-employment Benefit:** According to its current compensation and benefits policy and system, the Company does not have a clear post-employment benefit program with defined benefit plan for its active staff; for some of its formal employees (those who left or retired before January 1, 2008), according to relevant precedent regulations, the Company has to undertake certain amount of retirement subsidy; and since adopting the occupational pension system in 2008, the Company has not developed a post-employment benefit program with defined benefit plan for newly retired employees. As for the relevant expenses to be paid by the Company for those left or retired before January 1, 2008, the Company is now communicating and calculating with relevant departments, and concrete processing methods of such expenses will be handled and disclosed by the Company according relevant policy requirements after relevant regulatory policies are clarified in the future. No adjustment was made in the third quarterly report of 2014.

Baoshan Iron & Steel Co., Ltd.  
Legal Representative: Chen Derong  
October 30, 2014

## 4 Appendix

## Consolidated Balance Sheet

September 30, 2014

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

Item	Closing Balance	Opening Balance	
		After adjustment	Before adjustment
Current assets:			
Monetary capital	18,237,290,130.54	12,881,234,298.49	12,881,234,298.49
Financial assets measured at fair values and of which the variation is recorded into the profits and losses of the current period	434,315,373.79	28,738,843.94	28,738,843.94
Notes receivable	9,908,904,529.75	12,147,274,807.14	12,147,274,807.14
Accounts receivable	10,238,319,978.63	11,274,903,876.09	11,274,903,876.09
Prepayments	3,639,618,957.23	3,063,667,270.70	3,063,667,270.70
Interest receivable	375,764,286.97	740,275,608.57	740,275,608.57
Dividend receivable	30,487,153.28	60,887,153.28	60,887,153.28
Other receivables	1,635,467,922.20	1,644,745,236.41	1,644,745,236.41
Financial assets purchased under resale agreements	100,000,000.00	91,000,000.00	91,000,000.00
Inventory	29,134,619,787.35	31,086,740,188.46	31,086,740,188.46
Non-current assets due within one year	6,100,000,000.00	4,760,000,000.00	4,760,000,000.00
Other current assets	200,465,844.00	277,031,463.05	277,031,463.05
Total current assets	80,035,253,963.74	78,056,498,746.13	78,056,498,746.13
Non-current assets:			
Loans and advances to customers	3,242,603,257.73	3,071,913,823.54	3,071,913,823.54
Available-for-sale financial assets	10,148,370,902.53	9,937,855,702.19	1,009,142,907.29
Long-term receivables	9,013,594,268.36	13,514,754,636.88	13,514,754,636.88
Long-term equity investment	4,883,576,005.19	4,752,296,908.77	13,681,009,703.67
Investment properties	455,600,927.80	475,625,029.59	475,625,029.59
Fixed assets	82,474,113,667.55	86,218,213,718.97	86,218,213,718.97
Construction in progress	21,549,515,802.18	15,173,486,763.50	15,173,486,763.50
Materials for construction of fixed assets	184,466,764.11	232,296,401.98	232,296,401.98
Intangible assets	9,136,392,891.31	6,878,417,865.39	6,878,417,865.39
Long-term prepaid expenses	1,110,553,808.97	886,044,247.32	886,044,247.32
Deferred income tax assets	1,966,345,039.88	2,091,746,791.60	2,052,778,079.55
Other non-current assets	4,996,714,866.86	5,418,157,904.40	5,418,157,904.40
Total non-current assets	149,161,848,202.47	148,650,809,794.13	148,611,841,082.08
Total assets	229,197,102,166.21	226,707,308,540.26	226,668,339,828.21

**Consolidated Balance Sheet (Continued)**

September 30, 2014

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

Item	Closing Balance	Opening Balance	
		After adjustment	Before adjustment
Current liabilities:			
Short-term borrowings	34,033,833,030.46	34,470,625,308.28	34,470,625,308.28
Deposits from customers and interbank	8,189,731,608.43	7,598,875,519.12	7,598,875,519.12
Taking from banks and other financial institutions	2,461,000.00	300,000,000.00	300,000,000.00
Financial liabilities measured at fair values and of which the variation is recorded into the profits and losses of the current period	30,478,107.37	-	-
Notes payable	4,065,866,602.49	2,429,960,640.68	2,429,960,640.68
Accounts payable	19,801,443,051.39	18,175,471,239.50	18,175,471,239.50
Receipts in advance	11,566,439,529.87	11,971,576,846.67	11,971,576,846.67
Financial assets sold under repurchase agreements	365,458,701.08	666,961,287.43	666,961,287.43
Employee benefits payable	2,252,458,407.94	1,686,154,325.44	1,696,560,100.99
Taxes payable	2,364,657,446.24	1,781,381,390.45	1,781,381,390.45
Interest payable	267,102,150.97	226,797,561.21	226,797,561.21
Dividends payable	40,562,469.28	14,070,461.91	14,070,461.91
Other payable	1,482,628,221.24	1,225,243,921.84	1,225,243,921.84
Non-current liabilities due within one year	7,533,688,715.87	12,227,658,084.57	12,227,658,084.57
Other current liabilities	-	1,848,866,666.64	1,848,866,666.64
Total current liabilities	91,996,809,042.63	94,623,643,253.74	94,634,049,029.29
Non-current liabilities:			
Long-term borrowings	8,671,275,406.58	4,702,446,502.87	4,702,446,502.87
Bonds payable	3,038,568,816.99	3,502,708,347.20	3,502,708,347.20
Special payable	271,075,095.10	739,598,541.24	739,598,541.24
Deferred income tax liabilities	309,077,485.88	304,859,283.39	304,859,283.39
Other non-current liabilities	1,419,978,570.24	2,885,027,906.15	2,718,747,282.41
Total non-current liabilities	13,709,975,374.79	12,134,640,580.85	11,968,359,957.11
Total liabilities	105,706,784,417.42	106,758,283,834.59	106,602,408,986.40
Owners' equity			
Capital stock	16,471,724,924.00	16,471,724,924.00	16,471,724,924.00
Capital reserve	33,194,830,619.30	33,350,118,379.49	32,966,712,988.03
Other comprehensive income	-974,561,781.53	-904,557,341.68	-
Surplus reserve	24,506,211,231.20	24,506,211,231.20	24,528,201,377.92
Special reserve	27,890,810.41	22,160,961.06	22,160,961.06
Retained earnings	40,312,506,499.09	36,949,711,208.20	37,044,549,468.11
Translation differences arising from	-	-	-521,151,950.22



*Baoshan Iron & Steel Co., Ltd.*

translation of financial statements denominated in foreign currencies			
Total owners' equity attributable to the parent company	113,538,602,302.47	110,395,369,362.27	110,512,197,768.90
Minority interests	9,951,715,446.32	9,553,655,343.40	9,553,733,072.91
Total owners' equity	123,490,317,748.79	119,949,024,705.67	120,065,930,841.81
Total liabilities and owners' equity	229,197,102,166.21	226,707,308,540.26	226,668,339,828.21

Legal representative: Chen Derong

Person in Charge of the Accounting Body: Zhu Kebing

Chief Accountant: Wang Juan

## Balance Sheet of Parent Company

September 30, 2014

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

Item	Closing Balance	Opening Balance	
		After adjustment	Before adjustment
Current assets:			
Monetary capital	11,119,087,521.96	6,290,586,489.64	6,290,586,489.64
Notes receivable	14,424,282,332.74	12,214,208,950.73	12,214,208,950.73
Accounts receivable	9,153,009,472.40	10,715,045,629.19	10,715,045,629.19
Prepayments	1,527,220,730.36	1,079,542,213.71	1,079,542,213.71
Interest receivable	425,707,357.79	729,665,753.38	729,665,753.38
Other receivables	298,612,934.39	327,858,990.20	327,858,990.20
Inventory	13,874,426,647.83	17,033,352,986.60	17,033,352,986.60
Non-current assets due within one year	4,500,000,000.00	4,730,392,547.84	4,730,392,547.84
Total current assets	55,322,346,997.47	53,120,653,561.29	53,120,653,561.29
Non-current assets:			
Available-for-sale financial assets	8,195,996,309.00	8,195,996,309.00	-
Long-term receivables	11,073,532,930.56	15,573,532,930.56	15,573,532,930.56
Long-term equity investment	45,188,353,623.05	36,711,176,253.46	44,907,172,562.46
Fixed assets	49,330,762,303.76	51,969,984,620.58	51,969,984,620.58
Construction in progress	3,718,317,584.84	2,798,593,355.74	2,798,593,355.74
Materials for construction of fixed assets	26,599,377.40	25,174,314.02	25,174,314.02
Intangible assets	3,809,164,799.10	1,505,904,482.93	1,505,904,482.93
Long-term prepaid expenses	71,108,138.97	1,511,118.40	1,511,118.40
Deferred income tax assets	650,054,922.95	695,124,505.59	658,474,261.06
Other non-current assets	1,096,138,163.44	1,096,036,325.53	1,096,036,325.53
Total non-current assets	123,160,028,153.07	118,573,034,215.81	118,536,383,971.28
Total assets	178,482,375,150.54	171,693,687,777.10	171,657,037,532.57

**Balance Sheet of Parent Company (Continued)**

September 30, 2014

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

Item	Closing Balance	Opening Balance	
		After adjustment	Before adjustment
Current liabilities:			
Short-term borrowings	11,211,317,844.36	8,496,748,388.00	8,496,748,388.00
Financial liabilities measured at fair values and of which the variation is recorded into the profits and losses of the current period	30,478,107.37	-	-
Notes payable	994,046,577.03	223,523,900.29	223,523,900.29
Accounts payable	29,097,638,918.73	27,193,534,207.87	27,193,534,207.87
Receipts in advance	10,204,770,046.66	9,032,674,462.93	9,032,674,462.93
Employee benefits payable	1,701,412,996.60	1,212,923,259.50	1,191,134,290.92
Taxes payable	2,787,801,344.49	2,111,635,461.99	2,111,635,461.99
Interest payable	38,611,518.31	69,588,411.99	69,588,411.99
Other payable	717,511,827.37	467,707,218.89	467,707,218.89
Non-current liabilities due within one year	5,229,625,000.00	11,003,934,462.35	11,003,934,462.35
Other current liabilities	5,550,835,249.45	1,690,778,800.40	1,690,778,800.40
Total current liabilities	67,564,049,430.37	61,503,048,574.21	61,481,259,605.63
Non-current liabilities:			
Long-term borrowings	1,876,987,039.38	4,267,830,000.00	4,267,830,000.00
Special payable	242,308,397.29	710,710,498.45	710,710,498.45
Deferred income tax liabilities	302,407,284.28	302,407,284.28	302,407,284.28
Other non-current liabilities	737,550,366.53	717,218,814.64	592,406,805.09
Total non-current liabilities	3,159,253,087.48	5,998,166,597.37	5,873,354,587.82
Total liabilities	70,723,302,517.85	67,501,215,171.58	67,354,614,193.45
Owners' equity			
Capital stock	16,471,724,924.00	16,471,724,924.00	16,471,724,924.00
Capital reserve	32,652,454,086.50	32,740,187,169.30	32,731,184,064.17
Other comprehensive income	-14,830,571.97	-9,003,105.13	-
Surplus reserve	24,506,211,231.20	24,506,211,231.20	24,528,201,377.92
Special reserve	81,672.71	-	-
Retained earnings	34,143,431,290.25	30,483,352,386.15	30,571,312,973.03
Total owners' equity	107,759,072,632.69	104,192,472,605.52	104,302,423,339.12
Total liabilities and owners' equity	178,482,375,150.54	171,693,687,777.10	171,657,037,532.57

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

## Consolidated Income Statement

January-September 2014

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

Item	Current-period (July – September 2014)	Same period last year (July – September 2013)	From the beginning of the year to the end of this reporting period (January – September 2014)	Same period last year (January – September 2013)
I. Total operating income	46,088,814,360.38	46,245,017,595.49	143,881,425,468.69	142,504,434,698.35
Including: operating income	45,993,284,960.35	46,163,983,520.18	143,591,686,824.84	142,263,572,778.77
Interest income	94,899,954.66	80,454,468.16	286,810,872.20	238,188,014.68
Fee and commission income	629,445.37	579,607.15	2,927,771.65	2,673,904.90
II. Total operating costs	43,882,902,025.80	44,998,234,434.18	137,410,598,516.27	136,446,520,355.30
Including: operating costs	41,158,945,589.43	42,647,002,263.19	129,363,199,056.08	129,913,745,724.11
Interest expense	65,184,691.81	57,141,180.61	190,790,340.05	172,278,626.38
Fee and commission expenses	162,644.32	147,001.53	500,035.25	464,978.05
Business taxes and levies	101,383,323.46	68,736,946.65	388,718,315.88	325,374,813.93
Selling expense	533,200,521.59	463,404,612.13	1,478,130,267.45	1,337,551,628.38
Administrative expense	1,890,348,939.18	1,795,296,021.29	5,363,325,316.35	4,698,854,103.92
Financial expense	62,127,841.50	-104,683,644.95	608,115,965.98	-355,571,588.93
Impairment losses of assets	71,548,474.51	71,190,053.73	17,819,219.23	353,822,069.46
Add: Gains/losses from changes in fair values	4,893,569.41	-2,017,684.28	-14,374,160.10	24,138,529.11
Investment income	-878,536.14	247,460,106.30	216,951,556.23	538,840,920.92
Including: Income from investments in associates and joint ventures	26,345,477.73	58,955,052.31	106,195,691.17	110,458,199.53
III. Operating profit	2,209,927,367.85	1,492,225,583.33	6,673,404,348.55	6,620,893,793.08
Add: Non-operating income	552,649,431.30	140,673,633.29	763,576,633.74	327,176,680.90
Less: Non-operating expenses	290,178,315.61	241,552,456.07	493,208,794.09	378,713,120.05
Including: Losses from disposal of non-current assets	259,986,157.21	226,527,612.80	360,726,130.34	312,420,107.26
IV. Total profit	2,472,398,483.54	1,391,346,760.55	6,943,772,188.20	6,569,357,353.93
Less: income tax expense	505,979,997.11	357,932,809.34	1,651,712,608.56	1,722,165,373.33
V. Net profit	1,966,418,486.43	1,033,413,951.21	5,292,059,579.64	4,847,191,980.60
Net profit attributable to shareholders of the parent Company	1,855,952,414.22	938,718,044.31	5,009,967,783.29	4,641,521,566.64
Minority interests	110,466,072.21	94,695,906.90	282,091,796.35	205,670,413.96

**Consolidated Income Statement (Continued)**

January-September 2014

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

Item	Current-period (July – September 2014)	Same period last year (July – September 2013)	From the beginning of the year to the end of this reporting period (January – September 2014)	Same period last year (January – September 2013)
VI. Net after-tax other comprehensive income	-61,593,272.39	48,511,240.89	-71,455,025.64	-469,480,935.58
(I) Other comprehensive incomes that cannot be reclassified into profit or loss in future	-	-	-	-
1. Re-measuring the changes of net liabilities or net assets of the defined benefit plan	-	-	-	-
2. Proportion held in the invested entities' other comprehensive incomes that cannot be reclassified into profit or loss under the equity law	-	-	-	-
(II) Other comprehensive incomes that will be reclassified into profit or loss in future	-61,593,272.39	48,511,240.89	-71,455,025.64	-469,480,935.58
1. Proportion held in the invested entities' other comprehensive incomes that will be reclassified into profit or loss under the equity law	-15,359,320.76	3,827,365.97	755,043.29	-8,109,747.27
2. Profit or loss caused by changes in the fair value of available-for-sale financial assets	59,035,531.86	28,451,503.21	-22,186,936.18	-301,112,666.58
3. Profit or loss from reclassifying held-to-maturity investments as available-for-sale financial assets	-	-	-	-
4. Valid part of cash flow hedging profit or loss	-	-	-	-
5. Translation difference arising from translation of financial statements denominated in foreign currencies	-105,269,483.49	16,232,371.71	-50,023,132.75	-160,258,521.73
6. Others	-	-	-	-
VII. Total comprehensive income	1,904,825,214.04	1,081,925,192.10	5,220,604,554.00	4,377,711,045.02
(I) Total comprehensive income attributable to the owner of parent	1,808,824,810.80	983,737,492.13	4,939,963,343.44	4,172,055,068.91

*Baoshan Iron & Steel Co., Ltd.*

company				
(II) Total comprehensive income attributable to minority interests	96,000,403.24	98,187,699.97	280,641,210.56	205,655,976.11
VIII. Earnings per share:				
(I) Basic earnings per share	0.11	0.06	0.30	0.28
(II) Diluted earnings per share	0.11	0.06	0.30	0.28

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

**Income Statement of Parent Company**  
January-September 2014

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

Item	Current-period (July – September 2014)	Same period last year (July – September 2013)	From the beginning of the year to the end of this reporting period (January – September 2014)	Same period last year (January – September 2013)
I. Total operating income	25,617,145,755.97	27,895,897,874.26	82,287,939,372.52	87,026,395,750.80
Less: Operating cost	22,654,322,094.24	25,857,708,583.01	73,503,297,268.31	79,223,727,925.80
Business taxes and levies	42,354,362.02	27,247,244.07	206,216,379.83	190,613,573.64
Selling expense	166,953,150.35	147,910,836.85	480,054,480.96	450,605,128.22
Administrative expense	1,315,786,775.83	1,348,244,261.85	3,679,420,135.76	3,363,980,318.52
Financial expense	-238,836,462.30	-296,028,284.97	-326,102,265.65	-1,058,393,790.17
Impairment losses of assets	617,826.16	33,130,402.86	-192,285,540.55	-339,350,571.28
Add: Gains/losses from changes in fair values	1,213,404.00	-	-30,478,107.37	20,789,685.96
Investment income	914,192,557.35	555,305,328.88	1,153,049,429.04	629,757,940.83
Including: Income from investments in associates and joint ventures	21,437,940.35	18,707,469.69	62,671,400.98	54,690,389.00
II. Operating profit	2,591,353,971.02	1,332,990,159.47	6,059,910,235.53	5,845,760,792.86
Add: Non-operating income	493,077,028.55	32,119,834.48	618,917,628.66	84,512,046.74
Less: Non-operating expenses	276,622,976.44	195,807,664.98	388,604,749.88	291,201,375.95
Including: Losses from disposal of non-current assets	252,004,488.70	187,776,680.36	330,704,210.77	261,028,712.47
III. Total profit	2,807,808,023.13	1,169,302,328.97	6,290,223,114.31	5,639,071,463.65
Less: income tax expense	206,213,463.76	164,808,164.13	982,971,717.81	1,165,869,391.55
IV. Net profit	2,601,594,559.37	1,004,494,164.84	5,307,251,396.50	4,473,202,072.10

**Income Statement of Parent Company (Continued)**

January-September 2014

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

Item	Current-period (July – September 2014)	Same period last year (July – September 2013)	From the beginning of the year to the end of this reporting period (January – September 2014)	Same period last year (January – September 2013)
V. Other comprehensive income	-15,379,343.03	-1,674,861.87	-5,827,466.84	-7,980,285.58
(I) Other comprehensive income that cannot be reclassified to profit or loss in future	-	-	-	-
1. Re-measuring the changes of net liabilities or net assets of the defined benefit plan	-	-	-	-
2. Proportion held in the invested entities' other comprehensive incomes that cannot be reclassified into profit or loss under the equity law	-	-	-	-
(II) Other comprehensive incomes that will be reclassified into profit or loss in future	-15,379,343.03	-1,674,861.87	-5,827,466.84	-7,980,285.58
1. Proportion held in the invested entities' other comprehensive incomes that will be reclassified into profit or loss under the equity law	-15,379,343.03	-1,674,861.87	-5,827,466.84	-7,980,285.58
2. Profit or loss caused by changes in the fair value of available-for-sale financial assets	-	-	-	-
3. Profit or loss from reclassifying held-to-maturity investments as available-for-sale financial assets	-	-	-	-
4. Valid part of cash flow hedging profit or loss	-	-	-	-
5. Translation difference arising from translation of financial statements denominated in foreign currencies	-	-	-	-
6. Others	-	-	-	-
VII. Comprehensive income	2,586,215,216.34	1,002,819,302.97	5,301,423,929.66	4,465,221,786.52

Legal representative: Chen Derong Person in Charge of the Accounting Body: Zhu Kebing

Chief Accountant: Wang Juan



**Consolidated Cash Flow Statement**

January-September 2014

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

Item	Current-period (January – September 2014)	Same period last year (January – September 2013)
<b>I. Cash flows from Operating Activities:</b>		
Cash receipts from sale of goods and rendering of services	168,718,215,140.74	163,567,953,056.33
Net increase in customers' deposit and deposits from banks and other financial institutions	590,238,160.61	-
Cash receipts from interest, fees and commissions	289,011,698.66	243,787,030.61
Receipts of tax refunds	147,435,980.14	119,234,759.47
Net increase in financial assets sold under repurchase agreements	-	109,229,692.15
Other cash receipts relating to operating activities	991,234,924.58	623,558,424.60
<b>Sub-total of cash inflows from operating activities</b>	<b>170,736,135,904.73</b>	<b>164,663,762,963.16</b>
Cash payments for goods purchased and services received	134,045,107,665.02	140,197,353,857.95
Net decrease in taking from banks and other financial institutions	297,539,000.00	600,000,000.00
Net increase in loans and advances to customers	208,508,342.58	235,705,375.53
Net decrease in customers' deposit and deposits from banks and other financial institutions	-	66,057,641.47
Net increase in balance with the central bank and due from banks and other financial institutions	190,926,169.66	208,350,308.32
Cash payments for interest, fees and commissions	139,980,516.62	115,778,531.83
Cash payments to and on behalf of employees	6,559,173,836.80	6,174,608,173.64
Payments of various types of taxes	5,294,376,709.81	5,485,452,142.23
Net decrease in financial assets sold under repurchase agreements	301,502,586.35	-
Other cash payments relating to operating activities	1,493,134,249.70	1,863,548,210.86
<b>Sub-total of cash outflows from operating activities</b>	<b>148,530,249,076.54</b>	<b>154,946,854,241.83</b>
<b>Net Cash Flows from Operating Activities</b>	<b>22,205,886,828.19</b>	<b>9,716,908,721.33</b>
<b>II. Cash Flows from Investing Activities:</b>		
Cash receipts from recovery of investments	1,026,172,022.11	2,151,198,826.37
Cash receipts from investment income	302,336,071.60	686,903,902.37
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets	123,644,327.16	115,406,818.74
Other cash receipts relating to investing activities	5,683,333,749.72	5,848,885,532.13
<b>Sub-total of cash inflows from investing activities</b>	<b>7,135,486,170.59</b>	<b>8,802,395,079.61</b>
Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets	14,307,191,056.34	8,740,005,521.34
Cash payments to acquire investments	1,253,624,600.74	5,191,279,927.57
Other cash payments relating to investing activities	82,089,142.30	30,792,491.35
<b>Sub-total of cash outflows from investing activities</b>	<b>15,642,904,799.38</b>	<b>13,962,077,940.26</b>
<b>Net Cash Flows from Investing Activities</b>	<b>-8,507,418,628.79</b>	<b>-5,159,682,860.65</b>

**Consolidated Statement of Cash Flow (Continued)**

January-September 2014

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

Item	Current-period (January – September 2014)	Same period last year (January – September 2013)
<b>III. Cash Flows from Financing Activities:</b>		
Cash receipts from capital contributions	309,846,783.44	107,000,506.59
Including: cash receipts from capital contributions by minority shareholders of subsidiaries	<i>309,846,783.44</i>	<i>107,000,506.59</i>
Cash receipts from borrowings	52,364,223,567.41	63,916,625,751.53
Cash receipts from issuing bonds	-	1,792,750,000.00
Other cash receipts relating to financing activities	90,622,051.00	-
<b>Sub-total of cash inflows from financing activities</b>	<b>52,764,692,401.85</b>	<b>65,816,376,258.12</b>
Cash repayments of borrowings	57,748,509,352.24	58,516,296,578.33
Cash payments for distribution of dividends or profits or settlement of interest expenses	2,927,644,971.05	3,240,057,172.70
Including: payments for distribution of dividends or profits to minority owner of subsidiaries	<i>148,222,163.39</i>	<i>113,473,241.37</i>
Cash payments for repurchase of the Company's shares	187,734,750.08	3,083,474,132.00
<b>Sub-total of cash outflow from financing activities</b>	<b>60,863,889,073.37</b>	<b>64,839,827,883.03</b>
<b>Net Cash Flows from Financing Activities</b>	<b>-8,099,196,671.52</b>	<b>976,548,375.09</b>
<b>IV. Effect of Foreign Exchange Rate Changes on Cash</b>	<b>-24,418,104.06</b>	<b>-10,821,293.53</b>
<b>V. Net Increase in Cash and Cash Equivalents</b>	<b>5,574,853,423.82</b>	<b>5,522,952,942.24</b>
<b>Add: Opening balance of Cash and Cash Equivalents</b>	<b>11,598,852,396.93</b>	<b>7,632,107,621.86</b>
<b>VI. Closing Balance of Cash and Cash Equivalents</b>	<b>17,173,705,820.75</b>	<b>13,155,060,564.10</b>

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

## Cash Flow Statement of Parent Company

January-September 2014

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

Item	Current-period (January – September 2014)	Same period last year (January – September 2013)
<b>I. Cash flows from Operating Activities:</b>		
Cash receipts from sale of goods and rendering of services	94,930,723,186.96	99,275,479,686.70
Cash receipts of tax refunds	99,632,634.49	-
Other cash receipts relating to operating activities	293,472,513.27	361,447,673.19
<b>Sub-total of cash inflows from operating activities</b>	<b>95,323,828,334.72</b>	<b>99,636,927,359.89</b>
Cash payments for goods purchased and services received	71,895,629,209.30	81,250,008,766.49
Cash payments to and on behalf of employees	4,001,555,426.86	3,722,329,056.95
Payments of various types of taxes	2,948,553,623.89	3,647,775,769.23
Other cash payments relating to operating activities	564,293,802.52	672,801,426.02
<b>Sub-total of cash outflows from operating activities</b>	<b>79,410,032,062.57</b>	<b>89,292,915,018.69</b>
<b>Net Cash Flows from Operating Activities</b>	<b>15,913,796,272.15</b>	<b>10,344,012,341.20</b>
<b>II. Cash Flows from Investing Activities:</b>		
Cash receipts from recovery of investments	24,400,000,000.00	7,800,000,000.00
Cash receipts from investment income	1,227,661,641.70	776,062,873.21
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets	108,362,853.63	82,669,246.09
Other cash receipts relating to investing activities	5,907,102,378.87	5,854,294,479.09
<b>Sub-total of cash inflows from investing activities</b>	<b>31,643,126,874.20</b>	<b>14,513,026,598.39</b>
Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets	6,013,952,909.56	4,173,316,170.47
Cash payments to acquire investments	32,876,829,984.00	11,964,836,958.00
Other cash payments relating to investing activities	82,089,142.30	30,792,491.35
<b>Sub-total of cash outflows from investing activities</b>	<b>38,972,872,035.86</b>	<b>16,168,945,619.82</b>
<b>Net Cash Flows from Investing Activities</b>	<b>-7,329,745,161.66</b>	<b>-1,655,919,021.43</b>
<b>III. Cash Flows from Financing Activities:</b>		
Cash receipts from borrowings	21,855,480,177.44	29,172,964,133.06
Other cash receipts relating to financing activities	4,223,809,427.27	-
<b>Sub-total of cash inflows from financing activities</b>	<b>26,079,289,604.71</b>	<b>29,172,964,133.06</b>
Cash repayments of borrowings	27,648,481,886.41	25,509,078,905.48
Cash payments for distribution of dividends or profits or settlement of interest expenses	2,001,544,005.81	2,575,872,198.44
Cash payments for repurchase of the Company's shares	187,734,750.08	3,083,474,132.00
Other cash payments relating to financing activities	-	1,283,939,847.19
<b>Sub-total of cash outflow from financing activities</b>	<b>29,837,760,642.30</b>	<b>32,452,365,083.11</b>
<b>Net Cash Flows from Financing Activities</b>	<b>-3,758,471,037.59</b>	<b>-3,279,400,950.05</b>
<b>IV. Effect of Foreign Exchange Rate Changes on Cash</b>	<b>2,920,959.42</b>	<b>67,473,912.30</b>
<b>V. Net Increase in Cash and Cash Equivalents</b>	<b>4,828,501,032.32</b>	<b>5,476,166,282.02</b>
<b>Add: Opening balance of Cash and Cash Equivalents</b>	<b>6,290,586,489.64</b>	<b>2,036,143,946.73</b>

<b>VI. Closing Balance of Cash and Cash Equivalents</b>	<b>11,119,087,521.96</b>	<b>7,512,310,228.75</b>
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Legal representative: Chen Derong    Person in Charge of the Accounting Body: Zhu Kebing

Chief Accountant: Wang Juan