



本钢板材股份有限公司
BENGANG STEEL PLATES CO.,LTD.

Annual Report 2010

(Prepared Under International Accounting Standard)

April 20, 2011

Important Statement

The Board of Directors and the directors of the Company guarantee that there are no significant omissions, fictitious or misleading statements carried in the Report and we will accept individual and joint responsibilities for the truthfulness, accuracy and completeness of the Report.

None of the directors, supervisors, and senior executives demonstrated uncertainty or disagreement about the truthfulness, accuracy, and completeness of this report.

All of the 6 directors presented the board meeting at which this annual report is examined and passed.

Shulun Pan Certified Public Accountants Co., Ltd. issued the standard auditing report without qualified opinion for the Company.

Chairman of the Board – Zhang Xiaofang, Chief Financial Officer – Mr. Cao Aimin, and Head of Accounting Dept. – Mr. Zuo Zhanguo hereby declare: the authenticity and integrality of the report are guaranteed.

This report is prepared both in English and Chinese. Should any conflict in interpreting, the Chinese version shall prevail.

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I. Company Profile

1. Legal Name of the Company in Chinese: 本钢板材股份有限公司

In English: BENGANG STEEL PLATES CO., LTD

Legal name in short form: BSP

2. Legal representative Yu Tianchen

3. Secretary of the Board: Zhang Jichen, Stock Affair Representative: Lu Xiaoyong

Contact address: No.16, Renmin Road, Pingshan District, Benxi City, Liaoning

Tel: 0414 - 7828360 7828734 Fax: 0414 - 7824158 7827004

Email: bgbczjc761@126.com

4. No.18 Guangtie Rd., Pingshan District, Benxi City, Liaoning

Office address: No.16, Renmin Road, Pingshan District, Benxi City, Liaoning, Post Code: 117000

Email: bgbc761@126.com

5. Information disclosure media stipulated by the company: China Securities Journal, Security Times, Hong Kong Commercial Daily

Annual reports also published online at:

<http://www.cninfo.com.cn>

Place where the annual report is prepared and ready for reference: Stock Affair Department, 16th Renmin Rd., Pingshan, Benxi, Liaoning

6. Stock listed in: Shenzhen Stock Exchange

(1) Short Form of A-Shares: BENGANGBANCAI Stock Code: 000761

(2) Short Form of B-Shares: BENGANGBAN-B Stock Code: 200761

7. Misc. Information

Initial business registration on: June 27 1997

Business registration renewed on: June 15, 2007

Business registration renewed with: Liaoning Commerce & Industry Administration Bureau

Business license number: 210000004931633

Taxation registration number: 210502242690243

Organization code: 24269024-3

Public accountant engaged by the Company: Shulun Pan Certified Public Accountants Co., Ltd.

Address: 4/F 61 Nanjing Rd. East, Huangpu, Shanghai

II. Financial Highlight

1. Gross profit and composition In RMB

Items	Indices
Total profit	1,004,624,635.03
Net profit	925,366,759.73
Net profit deducted non-recurring gain/loss	1,023,935,121.48
Main business profit	4,599,718,287.76
Other business profit	331,001,964.70
Operation profit	1,102,798,792.06
None business income / expense, net	-98,174,157.03
Cash flow generated by business operation, net	2,586,482,576.88
Net increasing of cash and cash equivalents	-112,458,855.03

Note: Non-recurring gain/loss excluded are

Gain/loss of non-current assets	-103,090,249.31
Government subsidies accounted into current gain/loss account, other than those closely related to the Company ' s common business, comply with the national policy and continues to enjoy at certain fixed rate or amount.	1,881,326.47
Gain/loss from debt reorganization	7,277,701.25
Other non-business income and expenditures other than the above	-4,242,935.44
Influenced amount of income tax	-394,204.72
Total	-98,568,361.75

2. Major accounting data and finance indices in the latest 3 years In RMB

Yuan

3.1 Major accounting data

	2010	2009	Increase/decrease (%)	2008
Turnover (yuan)	45,687,750,464.69	35,597,775,963.71	28.34%	38,702,329,077.52
Gross profit (RMB)	1,004,624,635.03	-1,324,544,203.59	175.85%	241,303,453.08
<i>Net profit attributable to shareholders of the listed company (yuan)</i>	925,366,759.73	-1,545,191,032.37	160.89%	165,089,865.35
Net profit attributable to the shareholders of the listed company and after deducting of non-recurring gain/loss(RMB)	1,023,935,121.48	-1,483,521,740.36	169.01%	164,428,397.60
Net Cash flow generated by business operation (RMB)	2,586,482,576.88	3,588,902,570.76	-27.93%	4,292,599,078.14
	End of 2010	End of 2009	Increase/decrease	End of 2008

			(%)	
Gross Assets (RMB)	35,871,741,948.24	34,821,686,467.03	3.02%	32,722,333,254.16
Owners' equity attributable to the shareholders of the listed company (yuan)	15,010,359,312.05	14,124,642,552.32	6.27%	15,826,633,584.69
Capital shares (shares)	3,136,000,000.00	3,136,000,000.00	0.00%	3,136,000,000.00

2.2 Major financial indices

	2010	2009	Increase/decrease (%)	2008
Basic earnings per share (Yuan/share)	0.295	-0.493	160.89%	0.0526
Diluted earnings per share (Yuan/share)	0.295	-0.493	160.89%	0.0526
Basic earnings per share less non-recurring gain/loss (Yuan/share)	0.327	-0.4731	169.01%	0.0496
Weighted average net income/asset ratio (%)	6.35%	-10.32%	16.67%	1.01%
Weighted average net income/asset ratio less non-recurring gain/loss(%)	7.03%	-9.91%	16.94%	1.01%
Net Cash flow per share generated by business operation (yuan/share)	0.82	1.1444	-28.35%	1.3688
	End of 2010	End of 2009	Increase/decrease (%)	End of 2008
Net asset per share attributable to the shareholders of the listed company (Yuan/share)	4.79	4.504	6.35%	5.0468

3. Supplementary form of the Cash Flow Statement

Profit of the report period	2010				2009			
	Net return on equity (%)		Earnings per share (RMB)		Net return on equity (%)		Earnings per share	
	On full amortizing basis	weighted average	Basic earnings per share	Diluted earnings per share	On full amortizing basis	weighted average	Basic earnings per share	Diluted earnings per share
Net profit	6.16%	6.35%	0.295	0.295	-10.94	-10.32	-0.4927	-0.4927
Earnings per share after deducting of non-recurring gain/loss	6.82%	7.03%	0.327	0.327	-10.5	-9.91	-0.4731	-0.4731

4. Differences between domestic and international accounting standard

	Net profit attributable to the shareholders of the listed company		Owners' equity to shareholders of the listed company	
	<i>Current term</i>	Amount of last term	End of term	Beginning of term
On IAS	925,366,759.73	-1,545,191,032.37	15,010,359,312.05	14,124,642,552.32
On domestic accounting standard	925,366,759.73	-1,545,191,032.37	15,010,359,312.05	14,124,642,552.32

Individual and total of adjustment according to IAS				
Total of differences between the IAS and domestic accounting standard	0.00	0.00	0.00	0.00
Statement on differences between the IAS and Chinese Accounting Standard	No difference between the domestic and international accounting standard.			

5. Change in shareholders' equity

RMB Yuan

Items	Share capital	Capital reserves	Surplus reserves	Retained profit	Total of shareholders' equity
Beginning of term	3,136,000,000	8,736,261,134.76	921,277,509.22	1,331,103,908.34	14,124,642,552.32
Increased this year		54,430,000.00		925,366,759.73	979,796,759.73
Decreased this year				94,080,000.00	94,080,000.00
End of term	3,136,000,000	8,790,691,134.76	921,277,509.22	2,162,390,668.07	15,010,359,312.05

Notes

1. Increasing of capital reserves was caused by receiving of government award in 2010 amounted to RMB54,430,000.00.
2. Retained profit has increased because: profit of the current term RMB925,366,759.73. and RMB94,080,000 was distributed.

III. Particulars About the Capital Share and Shareholders

1. Statement of change in capital shares

Statement of change in capital shares (Ended Dec. 31, 2010, in shares)

	Before the change		Changed (+,-)					After the change	
	Amount	Proportion	Issuing of new shares	Bonus shares	Transferred from reserves	Others	Sub-total	Amount	Proportion
I. Shares with trading limited conditions	2,038,410,050	65.00%						2,038,410,050	65.00%
1. State-owned shares									
2. State-owned legal person shares	2,038,400,000	65.00%						2,038,400,000	65.00%
3. Other domestic shares									
Incl. Non-government domestic legal person shares									
Domestic natural person shares									
4. Share held by foreign investors									
Incl. Shares held by foreign legal persons									
Foreign natural person shares									
5. Management shares	10,050	0.00%						10,050	0.00%
II. Shares without trading limited conditions	1,097,589,950	35.00%						1,097,589,950	35.00%
1. Common shares in RMB	697,589,950	22.24%						697,589,950	22.24%
2. Foreign shares in domestic market	400,000,000	12.76%						400,000,000	12.76%
3. Foreign shares in overseas market									
4. Others									
III. Total of capital shares	3,136,000,000	100.00%						3,136,000,000	100.00%

Change of conditional shares

in shares

Name of the shareholder	<i>Conditional shares at beginning of year</i>	Released this year	Increased this year	Conditional shares at end of year	Reason of condition	Date of releasing
Benxi Steel (Group) Ltd.	2,038,400,000	0	0	2,038,400,000	Share restructuring	December 31 2010
Total	2,038,400,000	0	0	2,038,400,000	-	-

Conditional current shares held by Bengang Group at the share relocation day was 575,200,000 shares. On August 28, 2006, the Company placed 2 billion shares privately to Bengang Group. Thus the conditional current shares held by Bengang Group increased to 2,575,200,000 shares. On April 29, 2008, 56,800,000 conditional shares held by Bengang Group were released for trading. And another 480,000,000 shares were released on April 30, 2009.

1567580 shares were sold thereof. At present, the total shares held by Bengang Group is 2573632420 shares.

2. Share issuing and listing

The previous three times of share placing prior to the end of the report term.

(1) At June 10 – 12 1997, the Company issued 400 million domestic listing foreign shares(B-share) in Shenzhen Stock Exchange, the placing price was HKD2.38 when listed on July 8, 1997. On November 3, 1997, issued the domestic listing RMB common stock (A-Share) 120 million shares in Shenzhen Stock Exchange, issue price was RMB5.40, listing date was January 15th, 1998. On July 16th 1998, the 108 million employees' shares were approved to be listed in the stock exchange.

(2) On June 30, 2006, the Company issued 2 billion A shares privately to Bengang Group and use the proceeds to purchase the steel & iron assets of the Group. It was approved by China Securities Regulatory Commission on June 30th 2006. On August 28 2006, as approved by China Securities Depository & Clearing Corporation Ltd. Shenzhen Office, the registration and conditional placing procedures of the 2 billion new shares were completed. On September 28 2006, the privately placed shares were approved by Shenzhen Stock Exchange to be placed in the stock market on October 9th 2006. Category of the share: Renminbi common shares (A shares); amount placed: 2 billion shares; subscribing price: RMB4.6733 yuan/share; The newly placed shares are shares with limitation to sell. They are not able to be transferred in 36 months since the date when they are registered to the name of Bengang Group, i.e. August 28 2006.

3. Particulars about the shareholders and substantial controller

Top 10 shareholders

Total of shareholders		57,665			
Top 10 Shareholders					
Name of the shareholder	Properties of shareholder	Share proportion %	Total shares	Conditional shares	Pledged or frozen
Benxi Steel (Group) Ltd.	State-owned legal person	82.07%	2,573,632,420	2,038,400,000	
DREYFUS PREMIER INVESTMENT FDS INC.-DREYFUS GREATER CHINA FD	Overseas natural person	1.67%	52,237,245		

China Construction Bank – Shangtou Morgan China Advantage Securities Investment Fund	Domestic natural person	1.62%	50,846,952		
GOVERNMENT OF SINGAPORE INV. CORP.- A/C "C"	Overseas natural person	0.76%	23,980,148		
NOMURA TST N BK CO.,LTD ATTF ASIA ATTR DIV STK FD MTH FD	Overseas natural person	0.58%	18,049,086		
GSIC A/C MONETARY AUTHORITY OF SINGAPORE	Overseas natural person	0.33%	10,402,255		
KOREA EXCHANGE BANK(DB CHINA EQUITY FUND)	Overseas natural person	0.27%	8,524,216		
RENAISSANCE CHINA PLUS FUND	Overseas natural person	0.25%	7,760,556		
UBS AG LONDON BRANCH	Overseas natural person	0.19%	5,814,342		
DREYFUS EMERGING ASIA FUND	Overseas natural person	0.16%	5,018,024		

Top 10 holders of unconditional shares

Name of the shareholder	Amount of shares without trade limited conditions	Category of shares
Benxi Steel (Group) Ltd.	535,232,420	RMB common shares
DREYFUS PREMIER INVESTMENT FDS INC.-DREYFUS GREATER CHINA FD	52,237,245	Foreign shares placed in domestic exchange
China Construction Bank – Shangtou Morgan China Advantage Securities Investment Fund	50,846,952	RMB common shares
GOVERNMENT OF SINGAPORE INV. CORP.- A/C "C"	23,980,148	Foreign shares placed in domestic exchange
NOMURA TST N BK CO.,LTD ATTF ASIA ATTR DIV STK FD MTH FD	18,049,086	Foreign shares placed in domestic exchange
GSIC A/C MONETARY AUTHORITY OF SINGAPORE	10,402,255	Foreign shares placed in domestic exchange
KOREA EXCHANGE BANK(DB CHINA EQUITY FUND)	8,524,216	Foreign shares placed in domestic exchange
RENAISSANCE CHINA PLUS FUND	7,760,556	Foreign shares placed in domestic exchange
UBS AG LONDON BRANCH	5,814,342	Foreign shares placed in domestic exchange
DREYFUS EMERGING ASIA FUND	5,018,024	Foreign shares placed in domestic exchange
Notes to relationship or “ action in concert ” among the top ten shareholders.	It is unknown to the Company whether there is any related connection or ‘Action in Concert’ as described by Rules of Information Disclosing Regarding Changing of Shareholding Status of Listed Companies existing among the above shareholders.	

4. Particulars about the controlling shareholder

Name of controlling shareholder: Benxi Steel (Group) Co., Ltd.

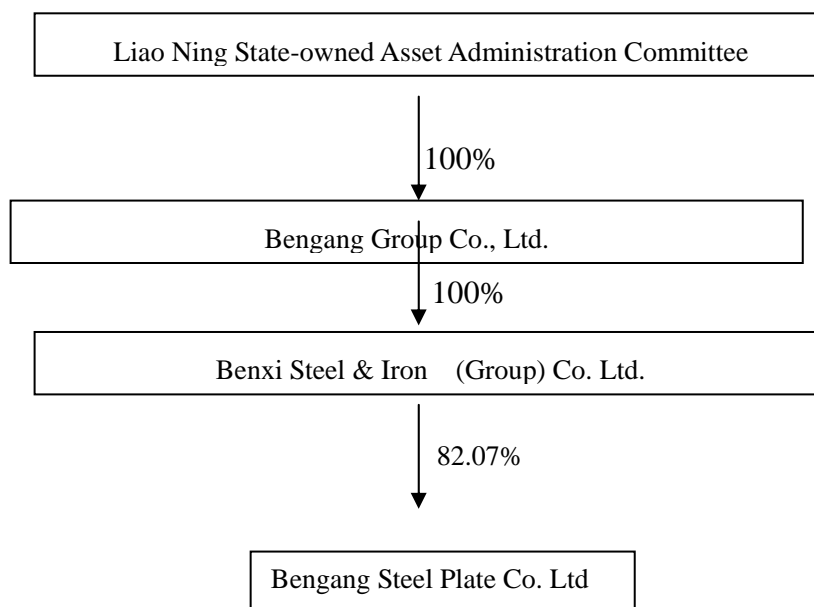
Legal representative: Yu Tianchen

Incorporation date: July 10, 1996

Registration Capital: RMB5.368 billion

Business scope: steel smelt, mine exploitation, panel rolling, oxygen manufacturing, pipe manufacturing, power generating, coal industry, special steel material manufacturing, heating, supply of the water, electricity, wind and gas, metal processing, electro mechanics builds, device manufacturing, architecture installation, railway, highway transportation, import and export trade, traveling industry, construction material , refractory material , measuring device instrument, goods and materials supply and marketing, development of real estate, scientific research, design , information service, property management, telecommunication, processing of waste iron, property leasing (to the extent of licensed to the subsidiary companies), exchange of steel material, and recycling of waste oils.

The property right and control relationship between the Company and substantial controller are shown as the following chart:



(1) There is no legal person shareholders holding shares more than 10% (including 10%) except for the controlling shareholder - Benxi Steel (Group) Co. Ltd.

(2) Top 10 holders of conditional shares

in shares

No.	Name of the holder	Shares with conditioned subscription	Date when trading is allowed	Newly added tradable shares	Conditions
1	Benxi Steel (Group) Ltd.	2,038,400,000	2011-01-01	2,038,400,000	Share restructuring

IV. Particulars about the Directors, Supervisors, Senior Management and Employees

1. Profiles of the directors, supervisors and senior executives of the Company, and their annual remunerations

Name	Position	Sex	Age	Job started	Job ended	Shares held at the beginning of term	Shares held at the end of term	Cause of change	Pays received from the Company in the report term (RMB0 '000) before tax	Take remuneration from shareholding or related parties?
Yu Tianchen	Chairman	M	58	Jul 26 2003	Jun 03 2013	13,400	13,400		0.00	Yes
Zhang Xiaofang	Vice Chairman	F	51	Jun 03 2010	Jun 03 2013	0	0		0.00	Yes
Cao Aimin	General Manager	M	44	Oct. 26, 2009	Jun 03 2013	0	0		30.00	No
Zhang Jichen	Secretary of the Board	M	54	Nov 6, 2007	Jun 03 2013	0	0		12.00	No
Tian Binfu	Independent Director	M	62	April 26, 2007	Jun 03 2013	0	0		5.00	No
Li Kai	Independent Director	M	54	April 15, 2009	Jun 03 2013	0	0		5.00	No
Wang Yiqiu	Independent Director	F	50	April 15, 2009	Jun 03 2013	0	0		5.00	No
Liu Junyou	Chairman of the supervisory committee	M	58	Jul 26 2003	Jun 03 2013	0	0		0.00	Yes
Zhao Wei	Supervisor	M	51	April 26, 2007	Jun 03 2013	0	0		0.00	Yes
Liu Engquan	Supervisor	M	56	May 18 2007	Jun 03 2013	0	0		0.00	Yes
Wang Pu	Supervisor	M	48	Jun 26, 2008	Jun 03 2013	0	0		10.00	No
Zhang Chuang	Supervisor	M	45	Jun 03 2010	Jun 03 2013	0	0		8.00	No
Zhang guohua	Vice General Manager	M	58	Mar 17, 2005	Jun 03 2013	0	0		12.00	No
Zhang Guiyu	Vice General Manager	M	50	Oct. 26, 2009	Jun 03 2013	0	0		12.00	No
Nai Zuoxin	Vice General Manager	M	51	Jun 03 2010	Jun 03 2013	0	0		12.00	No
Total	-	-	-	-	-	13,400	13,400	-	111.00	-

Note:

1. As of the end of report term, Mr. Yu Tiancheng was holding 13,400 shares of the Company, and no change occurred in the report term. None of other directors, supervisors or management is holding shares of the Company.

2. Annual remunerations for directors, supervisors and managements were paid in accordance with document 本板发(2007)56号 and other regulations.

2. Profiles of directors, supervisors, and senior executives

Directors:

Yu Tianchen, Male, 58 of age, doctoral degree, senior engineer, Mr. Yu once held the position of Vice General manager of Bengang Group Co; Vice Chairman, vice secretary of Party Committee, General Manager of Bengang Group, and Chairman of Bengang Steel Plate Co., Ltd. Mr. Yu is now taking the position of chief secretary of Party Committee of Bengang Group Co. and chairman of the board of Bengang Steel Plate Co., Ltd.

Zhang Xiaofang, female, 51 of age, bachelors' degree, taking ongoing doctoral course, senior engineer and professor. Once she's the assistant to General Manager of Bengang Group; director, standing commissioner of CCP committee, vice general manager of Bengang Group. At present she's the vice chairman, vice chief secretary of CCP committee, and general manager of Bengang Group. Vice Chairman of Bengang Steel Plates Co., Ltd.

Cao Aimin, male, 44 of age, postgraduate degree, senior accountant. Once head of capital division of finance department, and director of department, the head of financial department of Bengang Group. Chief Accountant and Head of Planning and Finance Division; The Chief Accountant of Bengang Group. He's now the general manager of Bengang Steel Plates Co., Ltd.

Zhang Jichen, male, 54 of age, postgraduate degree, senior engineer. Once the vice director of planning department of Benxi Steel & Iron (Group) Co., Ltd.; vice director of Strategy Dept. and director of Policy Dept. Secretary of the Board of Bengang Steel Plate Co., Ltd.; At present he's the secretary of Board of the Company.

Tian Bingfu, male, 62 of age. He once was the vice chief of overseas Chinese office of Liaoning Provincial Government; vice director of policy study office of Shenyang CCP Committee; director of Shenyang Securities Regulatory Commission; investigator of Liaoning Securities Regulatory Commission. At present he's the Chief Secretary of Liaoning Public Company Association, and independent director of the Company since April 2007.

Mr. Li Kai, 53 of age, doctoral degree, professor. Once he was professor, dean, and doctoral instructor of Business School of North-east University; At present he's the dean of Business School of North-east University. He has been the independent director of the Company since April 2009.

Ms. Wang Yiqiu, 48 of age, master degree, professor. Once she was professor of Accounting Department of North-east University, and assistant to the president of the university; At present she's assistant to the president and head of Accounting Department of North-east University. She has been the independent director of the Company since April 2009.

Supervisors:

Liu Junyou, male, 58 of age, university education, senior political profession. Mr. Liu once held the position of vice secretary and director of Supervisory Bureau of discipline inspection commission of Benxi Government; Mr. Liu is now taking the position of the standing commissioner of Party Committee, ministry of office and discipline committee director of Bengang Group, chairman of the Supervisory Committee of the Company. At present he's the standing commissioner of CCP Committee of Bengang Group Co., Ltd., and Chairman of the Supervisory Committee of the Company.

Zhao Wei, male, 50 of age, master's degree, senior engineer. He once was the director of Business Planning Department, director of Development Strategy Department of Benxi Steel & Iron (Group) Co., Ltd. At present he's the director of Finance and Planning Department of Benxi Steel & Iron (Group) Co., Ltd.

Liu Enquan, male, 56 of age, college graduate, senior political profession. Once the chief of CCP committee office of No.2 Iron Factory, director of organization division, secretary of discipline committee of Benxi Steel & Iron (Group) Co., Ltd.; the vice director of personnel department of Benxi Steel & Iron (Group) Co., Ltd. At present he's the Chief secretary of the Party of Security Dept. of Benxi Steel & Iron (Group) Co., Ltd.

Wang Pu, male, 48 of age, college education, senior political profession. Once he was the office manager of the Trade Union of Bengang Group. At present he's the Chairman of Trade Union of Power Plant of the Company.

Zhang Chuang, male, 45 of age, master's degree, senior engineer. Once he was the head of Production Section and Planning Dept. of Iron Factory of the Company; At present he's the head of Production Section and Planning Dept. of Iron Factory of the Company.

Executives:

Zhang Guohua, Male, 58 of age, university graduate, certified accountant. Mr. Zhang was once the director, assistant to the Chief, and Deputy Chief of the accounting dept. of Benxi Steel & Iron (Group) Co., Ltd. Vice General Manager and Director of Planning and Accounting Dept. of the Company. He is now the Vice General Manager and Director of Securities Dept. of the Company.

Zhang Guiyu, male, 50 of age, university education, senior engineer. Once was assistant of factory manager, vice factory manager, factory manager and chief secretary of CCP of the Steel Plant; Vice general engineer of Bengang Group; director of Technical Center of Bengang Steel Plates Co., Ltd. He's now the vice general manager and head of Technical Center of the Company.

Nai Zuoxin, male, 51 of age, university graduate, senior engineer. Once he was the director of Limestone Mine of Benxi Steel & Iron (Group) Co., Ltd.; manager of Purchasing Center of the Company; at present he's the vice general manager of the Company and manager of Purchasing Center.

Note: None of the current directors (independent directors are not included) and supervisors is working full time or part time for organizations other than shareholding organizations.

3. Directors and supervisors elected or resigned, executives employed or dismissed in the report term

(1) The 4th term of Board of Directors has expired for its job term. At the Shareholders' Annual Meeting 2009 held on June 3, 2010, Mr. Yu Tianchen, Ms. Zhang Xiaofang, Mr. Cao Aimin, Mr. Zhang Jichen, Mr. Tian Binfu, Mr. Li Kai, and Mr. Wang Yiqiu were elected the directors of the 5th term of Board. Mr. Liu Junyou, Mr. Zhao Wei, Mr. Liu Enquan, Mr. Wang Pu, and Mr. Zhang Chuang were elected the supervisors of the 5th term of Supervisory Committee. The resolutions were released by China Securities Journal, Securities Times, and Hong Kong Commercial Daily dated June 4, 2010.

(2) At the 1st meeting of the 5th term of Board held on June 3, 2010, Mr. Yu Tianchen was elected the Chairman of the 5th term of Board, and Ms. Zhang Xiaofang was elected the Vice Chairman of the 5th term of Board. At the 1st meeting of the 5th term of Supervisory Committee held on the same day, Mr. Liu Junyou was elected Chairman of the 5th term of Supervisory Committee. Mr. Cao Aimin was engaged by the Board the General Manager of the Company; Mr. Zhang Jichen was engaged the Secretary of Board; Mr. Zhang Guohua, Mr. Zhang Guiyu, and Mr. Nai Zuoxin were engaged the Vice General Managers of the Company. Resolutions of the above meetings were released by China Securities Journal, Securities Times and Hong Kong Commercial Daily dated June 4, 2010.

4. Particulars about the employees

There are 24827 employees in position by the end of the report term.

(1) Classified by occupations: production people are 20775, count for 83.68%; sales people are 181, count for 0.73%; technology people are 1464, count for 5.90%; finance people are 100, count for 0.40% and administration people are 2307, count for 9.29%.

(2) Classified by education level: doctoral degree 7, account for 0.03%, postgraduate graduate 325, account for 1.31%, university graduates 3149, count for 12.68%; college graduates 6280, count for 25.30%; secondary vocational, technical and high school degree are 5930, count for 23.88%; others are 9136 and count for 36.80%.

(3) There are 17100 retired employees get pensions form the Company.

V. Administrative Structure

1. Company Administration

Since listed in the stock exchange, the Company has been following the laws, regulations and documents such as the Company Law, Securities Law, Listed Company Administration Rules, Shareholders' Meeting Criteria of Listed Companies, Guide of Lifting the Quality of Listed Company, and Instructions for Articles of Association of Listed Companies. The Company has been establishing and improving the administration structures. No behavior that violated the regulations and laws. The holding shareholder of the Company has been behaving according to the laws and regulations as well. No competition operation has been conducted against the Company. A long-term constrain system has been established to limit the holding shareholder's operation.

The Shareholders' Meeting has been functioning with clear responsibilities and meeting criteria. Arrangement was made and executed to enable public investors to participate in the decision-making process. Internet voting system was adopted on major decision-making events. The meetings were held according to the laws, regulations, documents of China Securities Regulatory Commission as well as the Articles of Association of the Company. The Board of Directors, the Supervisory Committee, and the executives of the Company were working under practical meeting rules. All of the directors, supervisors and executives were executing their duties diligently.

Administrative systems have been established regarding internal controlling, finance, decision-making over major investment, decision-making over related transactions, and other internal criteria. The systems are reviewed and assessed periodically, and relative information is released. The Company has also established internal restricting mechanism and responsibility tracking mechanism. Responsibilities are clearly undertaken and invalid decision-making is effectively restricted. Information disclosure regulations were established and executed to ensure authentic, precise, complete, timely, and fair information disclosure.

Special administrative operation of the Company

The Company has been pushing forward the special administrative operation for years as a long-term work.

According to the "Notice on Performing of Special Administrative Operation in Listed Companies" issued by China Securities Regulatory Commission. The Company has conducted all of the three stages of the operation, which was: self inspection, public inquiry, and improving practice. Focusing on the problems discovered in the special operation and the comments provided by Liaojing Office of China Securities Regulatory Commission, the Company conducted and completed the improving operations according to the plan.

According to the requirement of China Securities Regulatory Commission in term of the Year of Listed Company Administration Improving, the Company further reinforced construction of internal control system and established the introspection and assessment system in the Company.

To fully utilize the supervisory functions of the Auditing Committee on preparing of the financial reports, the Company established the "Annual Reporting Criteria of Auditing Committee of the Board".

To further improve the information disclosure system, reinforce the responsibility of person who in charge of information disclosure, and increase the quality of the annual reports, the Company has established the "Responsibility Tracking System for Major Errors in the Disclosing of Annual Report", "Regulations for Information Insiders", "Regulations for External Information Users", and "Independent Director Annual Report Criteria".

No problems discovered by the supervisory authorities remain unresolved at present. The Company will conduct the special administrative operation as a long-term work and push forward according to the regulations of China Securities Regulatory Commission as well as Shenzhen Stock Exchange.

2. Establishing and functioning of independent director working system

In viewing of further improve the administration structure and reinforce the constrain and supervisory system over the directors and executives, the Company produced the Independent Directors' Working Criteria according to the Instructions for Independent Director System of Listed Companies issued by China Securities Regulatory Commission, and was passed by the Shareholders' Meeting. Beside the power and duties provided by the laws and regulations, the independent directors also have the special power and duties over issues such as major related transactions, engaging and dismissing of CPAs, calling for provisional shareholders' meetings, calling for board meetings, and employing external auditing or consulting institutions independently. Independent directors may issue independent opinions on issues including nominations, engaging and dismissing of directors and executives, remunerations of the directors and executives, capital interchange, and those which regarded as impacting the interests of mid-small shareholders. To ensure that the independent directors may execute their duties and liabilities independently and diligently in producing and disclosing of the annual reports, the Company produced the "Annual Work Report Criteria of Independent Directors" according to the regulations of CSRC and Shenzhen Stock Exchange, and with regarding to the practical operation of annual report of the Company.

At the end of each fiscal year, the management shall report to each of the independent directors about the business situation and progress of major events. Meanwhile, the Company shall arrange field inspection for the independent directors. The financial officer shall provide the independent directors the working schedule and relative information about the annual auditing works before the CPA starts their works in the Company, and shall arrange at least one meeting for the independent director and the CPA before the CPA provides their initial auditing opinions. Problems discovered in the auditing process shall be discussed at the meeting.

In the report term, the independent directors have executed their duties setout by the laws, regulations, and the Articles of Association of the Company, presented at the boarding meetings and shareholders' meetings, made remarkable contribution in protecting the legal interests of the Company and the whole shareholders. The independent directors have provided professional suggestions to important decision-making processes, and executed the special power and duties in supervising the management. They provided independent opinions on the related transactions. All of the proposals regarding related transactions were examined and approved by the independent directors before being submitted to the board meeting or the shareholders' meeting.

Independent directors' presenting of board meetings

Name of Independent Director	Times to attend	Actually attended	Attended by mean of telecom	Presented by proxy	Absented	Not attend the meetings for successively 2 times
Tian Binfu	4	3	1	0	0	No
Li Kai	4	3	1	0	0	No
Wang Yiqiu	4	2	1	1	0	No

Note: No dissenting opinion was issued by the independent directors on any of the issues discussed at the Board Meetings.

3. Separation status in such aspects as personnel, assets, financial affairs, institution, business, etc between the Company and controlling shareholders.

The Company is separated from the controlling shareholder in aspects of personnel, assets, financial affairs, institution, business, etc. and has its own independent and complete business operation.

(1) In business operation: the Company has its own production and business planning, financial affairs check and calculate, personnel, raw material supplies and products selling business system independently and completely, .

(2) In personnel: The Company and controlling shareholder are separate in such aspects as labor, personnel and salary management. Such senior executives as company's chairman, general manager, vice general manager, secretary of Board of Directors, etc. get salary from the Company, and have not held the important position other than a director in shareholding party.

(3) In Asset: The Company is separated from the controlling shareholder's clearly in asset. The Company has its own independent purchase, production, and marketing system.

(4) In organization: The internal operations of the Company are independent; organization structuring and working function are totally independent.

(5) In finance: The company has independent financial & accounting department, the accounting and financial management system were are complete and operated independently, and has bank account and pay taxes independently.

4. Statement of the Board on internal control responsibilities

The Board of Directors deems that:

The Company has established a mature legal person structure and internal control system which satisfied the requirements of the Basic Rules of Enterprise Internal Control. The control system has been operated effectively and working to control management risks, protecting legal benefits of shareholders, and contribute to healthy development. The Board of Directors examined the Introspection Report on Internal Control 2010 and regarded it as reflecting the business situation frankly, precisely and completely without false record, misleading statement or major omission.

5. Horizontal competition and related transactions

(1) In year 2006, the Company conducted private share placing and listing of the whole iron & steel business. For the restriction of conditions at that time, Puxiang Cool Rolling Co., Ltd. (Sino-foreign Joint Venture) under Bengang Group was not included. It has products that form horizontal competition with the Company.

During the period of the 12th 5-year-plan, the Company will pursue to resolve the above competition in a legal approach as soon as possible.

(2) Related transactions occurred in the report term are described in part IX. Major related transactions.

The party that has related transactions with the Company is Bengang Group and legal entities directly or indirectly under control of it. Bengang Group is the parent company of the Company and is the substantial controller of the Company.

Related transactions with the related parties are conducted under the market principle with maximum benefit and economy efficiency. They are reflecting professional cooperation and double win situation.

Related transactions are conducted openly, fairly, and justly without impairing any interests of both parties. At examining of the related transactions at the Board meetings, the related directors waived from voting, and independent directors provided opinions.

6. During the period, the Company had not established any new evaluation and incentive scheme for the executives.

VI. Particulars about the Shareholders' Meeting

The Company held shareholders' annual meeting once in the report term, and a provisional meeting was convened..

The Shareholders' Annual Meeting 2009 was held on June 3, 2010, and the resolutions were released by China Securities Journal, Securities Times, and Hong Kong Commercial Daily dated June 4, 2010.

The 1st Shareholders Provisional Meeting 2010 was held on September 17, 2010, the Operation Report of Routine Related Transactions 2009 was examined at the meeting. The resolutions were released by China Securities Journal, Securities Times, and Hong Kong Commercial Daily dated September 18, 2010.

VII. Report of the Board of Directors

1. Review of Company's operation during the period of report

2010 is the final year of the 11th 5-year-plan, and also the milestone period of the Company's development. In the past one year, with the great effort of the leadership and the whole employees, the Company has overcome multiple negative impacts and achieved historical achievements. Output of the main products are:

Products	Output volume (x 10K ton)	Increased over same period of last year
Pig iron	982.07	7.09 % ;
Crude steel	1,004.52	11.14 %
Hot-rolled plates	928.76	14.46 %
Cool-rolled plates	166.35	22.89%
Special steel	64.05	51.06%
Sales income	RMB45.68 billion	28.34 %
Profit	RMB1.004 billion	175.85 % ;

The following works were done throughout the year:

The Company has been seizing the market trend and expanded market share with cool-mind and strength. Throughout year 2010, both the domestic and overseas market were in complicated and fluctuating situation with frequent vibration of prices. The Company has been following the principle of benefit maximizing and grab every opportunity.

a. Collecting of market information to seize market trend. Marketing policies were adjusted synchronal to the changes of market situation.

b. Strengthen product composition and attract customers with newly developed products. Special steel products have increased by 24.2% over the same period of last year. The “double-high” products have increased by 51.5% as well. 62 new type steel products were developed. Success in developing of hot-rolled X100 spiral welded pipe has not only provided primary data to producing of national standard for X100 pipe steel but also laid a good foundation for future invading of global oil and gas transmitting pipe market. Baking hardened steel sheet product developed by cool-rolling has been adopted by Shanghai GM and Beijing Hyundai. Heavy duty gear steel, crankshaft steel, bearing steel, and gas tank steel produced by Special Steel have formed a high-end product line.

c. Product certification. 4 high-strength steel products and 2 models of automobiles have been through certifying procedures. 27 specifications under 6 types of hot-rolled acid washed plates have passed the certifications of 8 customers including Brilliant Auto.

d. Customer composition adjustment was reinforced and established long-term strategic collaboration with multiple well-known enterprises in the country. This has been benefiting the developing of technical support teams, providing customized services, reinforce communication with customers, accelerated quality upgrading, and won the trust of customers.

e. Reinforce of export. Facing the difficulties brought by eliminating of some tax refunding policies by the national government, the Company has been adjusting its exporting strategies and achieved continuous increase of overseas contracts, and created best record in the Company’s history and in the industry of the whole country.

The Company has been making scientific and rational arrangement of production, do all efforts to approach higher productivity. Business targets were achieved through overcoming of severe weather conditions and significant increasing of special steel products in the market.

a. Reinforce of material and fuel supply. The purchasing system adopted flexible measures to fully satisfy the needs of production. Great difficulties have been overcome by the logistic section and provided solid support to production.

b. Both of the production systems of iron and steel were further strengthened to breakthrough the bottleneck of productivity. Great importance has been attached to stable operation of blast furnaces and quality of raw materials. As the result, the records of monthly and daily production have been broken continuously.

c. Reinforce of high-tech and high-value-adding products. Focusing on a number of difficulties attached to special steel products, the production, technical, and quality control sections have been working together and make fine arrangement of production. 100% accomplishing of contracts was realized. Furthermore, advantages of the three hot-rolling lines of the Hot-rolling Factory have been fully developed and contributed considerable profitability to the Company.

d. Great importance has been attached to effective operation of equipment. Multiple advanced facilities were adopted to reinforce maintaining of key sections of equipment, which ensured 98.9% of equipment usable rate, which was 1.7% higher than planned; 1.28‰ of accident rate, which was 0.53‰ lower than planned. Three overall maintaining operations were conducted successfully to provide strong support to high productivity.

e. Sufficient supporting facilities. Supporting facilities regarding supplying of water, power, airflow, and gas were well organized to fully satisfy the needs of production.

Focusing on future market competition, accelerate construction of key projects. To provide a solid foundation for the Company’s future development, the Company has been fully accelerating the reconstruction projects and with great attention laid on quality control. As of the end of report term, the air-compressor station, the three hood type furnaces, dephosphorizing converter, and the 60K oxygen generator have been put into production, the blast furnace 5# gas power station were online. All of the projects other than billet edge scarfing and Dandong stainless steel have been completed within the year.

Full accelerating of administration innovation and strict control on business costs.

a. Administration innovation was fully accelerated to achieve best efficiency. Assessments were conducted three times a month and quarterly to pursue 10% of reducing in administration cost. Purchasing procedures were further refined to reduce the annual clearance quota by RMB0.89 billion. Quality control innovation was conducted and realized 93.89% of satisfaction ratio of quality indexes. The Provincial Governor Prize was awarded to the Company during the year. A triple-grade measuring network was established to realize measurement innovation. A number of measurement difficulties were overcome and provided precise data to cost accounting process.

b. Factory site environmental improving operations. A special leading team was founded to conduct all operations regarding security, material inflow and outflow, vehicle routes and administration operations. Through cleaning of illegal constructions, the environmental condition has been changed significantly.

c. Energy efficiency operations have been conducted and achieved the lowest record of energy consuming per ton of steel, which was 33kg lower than planned, and 4.6% lower than previous year. Some 250k ton standard coal will be saved throughout a year, and reduced cost by RMB0.25 billion. Water consuming per ton of steel has reduced by 0.83 ton, 3.6% lower than last year. Blast furnace gas leaking reduced by 3.2%. Negative energy consuming has realized with converters. TRT has produced 0.29 billion kwh of power, which was a 28% of increase and reduced power cost by RMB35 million. Dry coke cooling has contributed 0.165 billion kwh and reduced power cost by RMB87 million.

d. Energy saving and pollution eliminating. A number of environment protection reforming were accomplished including dedusting systems and material yard reconstruction. The standard-satisfying rate of environment protection facilities was over 97%, and the pollution pass rate was 96.91%, which was a 0.18% higher than last year.

e. Accelerating of IT projects. An IT system has been constructed and optimized including 12 subsystems including the accounting system, production and sales integrated system, ERP engineering accounting, and HRM system. QA office system has been fully completed and a paperless work system has been developed.

f. Asset clearing works were reinforced. Inventory check was conducted on all of the spare parts, and large amount material and fuel in stock, covering 100% of all stock with 98% of accuracy. This helped to reduce costs and making of rational inventory policies.

Reinforce of security and safety management. In the report term, the Company has been concentrating on implementing of the Act of Safe Production, and realized the “triple zero” target.

a. Adopted strict performance assessment and responsibility tracking regulations to clarify responsibilities of leadership at every level.

b. Reinforced monitoring over major risks and hazard factors especially hazard chemical materials, coal, and gas. Measurements were taken to eliminate most of the risky factors. 8764 risky items were eliminated comparing with the primary assessment conducted in 2007, and 30 major risky items were eliminated.

c. Training programs were provided to increase the sense and skill of safe operation. Special training programs were provided to special operational workers and section leaders. Namely 7245 special operators, 2623 common workers, and 2133 section leaders were through the training program.

d. Counter-emergency drills were performed. 110 pre-plans were prepared and revised to cope with possible emergent situations. Over 30 drills were conducted. Meanwhile, the Company conducted anti-terrorism drills focusing on 13 key units, which were vital to national security.

(2) Main business and operation situation

The Company is engaged in the production and processing of steel smelting, panel rolling. It has not been changed during the report term. The major businesses layout, the profitability of the major businesses, market status, asset and profit structure, and cash flow status are as the followings:

A. Segments of main business on industries and products

In RMB 10 thousand Yuan

Segments on industries						
On industry or product	Turnover	Operation cost	Gross profit ratio (%)	Change of income over last year %	Change of cost over last year %	Gross profit ration increased/decreased
Industry	4,022,835.73	3,562,863.90	11.43%	31.19%	22.96%	5.92%
Segments on products						
Steel plate	3,960,642.41	3,503,887.14	11.53%	41.17%	29.19%	8.20%
Steel billet	331.45	257.22	22.40%	-99.85%	-99.82%	-12.25%
Others	61,861.87	58,719.54	5.08%	55.22%	43.21%	7.96%

B. Geographic distribution of products

Regions	Major business turnover	Proportion in major business income	Main business profit	Proportion in major business profit
North-east	961,999.60	23.91%	168,944.03	36.73%
North	590,558.04	14.68%	62,999.48	13.70%
East	1,403,740.92	34.89%	116,611.65	25.35%
Northwest	11,356.17	0.28%	1,211.45	0.26%
Southwest	-	0.00%	-	0.00%
Mid-south	444,662.85	11.05%	45,076.45	9.80%
Export	610,518.14	15.18%	65,128.78	14.16%
Total	4,022,835.73	100.00%	459,971.83	100.00%

C. Geography segment

In RMB 10 thousand Yuan

Regions	Major business turnover	Major business turnover increased/decreased over corresponding term
Northeast	961,999.60	-21.01%
North	590,558.04	9.69%
East	1,403,740.92	60.08%
Northwest	11,356.17	238.98%
Southwest	-	-100.00%
Mid-south	444,662.85	102.76%
Export	610,518.14	190.68%
Total	4,022,835.73	31.19%

D. Major suppliers and clients

Total of purchases from top 5 suppliers	15,654,024,008.09	Portion in total purchasing	40.64%
Total of sales to top 5 buyers	14,206,139,598.92	Portion in total sales	31.05%

E. Asset and profit composition

Items	2010	Portion %	2009	Portion %	Changed over the previous year %
Gross Assets	35,871,741,948.24		34,821,686,467.03	-	3.02%
Account receivable	344,857,035.57	0.96%	578,413,768.04	1.66	-40.38%
Other account receivable	106,040,016.05	0.30%	93,630,458.88	0.27	13.25%
Inventories	10,297,600,688.08	28.71%	8,075,674,235.63	23.19	27.51%
Fixed assets	18,856,618,212.00	52.57%	17,962,489,063.75	51.58	4.98%
Construction in process	1,619,227,102.66	4.51%	1,826,180,938.13	5.24	-11.33%
Short-term loans	2,295,236,500.00	6.40%	2,845,850,700.00	8.17	-19.35%
Long-term borrowings	4,824,024,138.39	13.45%	2,869,036,104.26	8.24	68.14%

F. Change of expenses and income tax

Items	2010	2009	Changed over the previous year %
Sales expense	509,685,325.26	360,767,124.18	41.28%
Administrative expense	2,861,539,520.37	2,425,505,704.09	17.98%
Financial expenses	235,727,287.85	127,807,649.76	84.44%
Income tax	79,302,591.21	220,646,828.78	-64.04%

Note: Cause of changes

Sales expense was RMB509,685,325.26 which were freight and tariffs. It has increased by RMB148,918,201.08 and 41.28% over last year, which was caused by increasing of export.

Administrative expense was RMB2,861,539,520.37 in the report term, which comprises wages, insurances, fixed asset repairing fee, and office expenses. It increased by RMB436,033,816.28 and 17.98% over the same period of last year, which was caused by increasing of wage and fixed asset repairing fees.

Financial expenses increased by RMB107,919,638.09 and 84.44%, which was mainly caused by increasing of interest expenses.

Income tax has decreased by RMB141,344,237.57 and 64.06% which was caused by realizing of impairment provision on deferred income tax asset provided in previous term, and caused increase of income tax - deferred income tax; the Company made profit this year, thus the income tax has increased.

F. Cash flow compositions

Items	2010	2009	Changed over the previous year %
Cash flow generated by business operation, net	2,586,482,576.88	3,588,902,570.76	-27.93%
Net cash flow generated by investment	-3,859,198,308.56	-3,822,105,795.87	0.97%

Net cash flow generated by financing	1,158,215,856.75	-245,437,522.18	571,90%
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G. Particulars about the controlled subsidiaries

Tianjin Bengang Steel & Iron Trade Co., Ltd., Wuxi Bengang Steel & Iron Sales Co., Ltd., Nanjing Bengang Material Co., Ltd. are the seven sales companies acquired from Bengang Group or held by subsidiaries. They are mainly engaged in sales of metal materials and steel materials.

In 2009, the Company newly founded 3 fully-owned subsidiaries, they are Guangzhou Bengang Steel & Iron Trade Co., Ltd, Shanghai Bengang Metallurgy Technologies Co., Ltd., Bengang Steel Plate Liaoyang Ore Ball Co., Ltd., they are mainly involved in manufacturing and sales of metal materials, steel, and ore ball.

In year 2010, two subsidiaries were established by the Company, they are Bengang Stainless Cool-rolling Dandong Co., Ltd. and Dalian Benruitong Automobile Material Technologies Co., Ltd. Both of them are involved in sales of stainless steel and steel plates.

2. Prospects

(1) Industrial trend and market competition

To realize the development target of the 12th 5-year-plan, the Company must start at a higher point in 2011. It is vital for the development of the coming five years. Therefore the Company is preparing for a more harder fight.

2011 is again a year full of challenges and opportunities. The deep influences of global financial crisis is still existing, the iron & steel industry is still in over production situation, prices of upstream products are increasing, great pressure on cost control, energy saving requirements are more strict. Meanwhile the Company has its own problems such as low rate of self-owned resources, weaker capital operation, relative lower product innovation, and unbalanced production chain.

(2) Opportunities and challenges confronting the Company

While being aware of the challenges and difficulties, the Company also sees the opportunities and advantages. Recovering of global economy, expanding of domestic demand, implementing of national policies on improving domestic economy and recovering of northeast industry bases, encouraging of high-end steel and iron products, and the Company's own advantages in product composition and equipment may greatly increase the Company's position in the market. These are the potential powers the Company may develop and apply. We are confidence to realize a new peak of business performance in 2011, and a good start for the 12th 5-year-plan.

(3) Business policies of year 2011

Administration innovation will be fully accelerated. Great effort will be spent on market research, economy efficiency lifting, product structure adjustment, scientific production organizing, quality lifting, and cost reducing to ensure realizing of annual targets and lay a sound foundation for the 12th 5-year-plan.

General targets: output of 9.9 million ton pig iron, 10.02 million ton of crude steel, 9.06 million ton of hot-rolled plate, 1.84 million ton of cool-rolled plate, 700 thousand ton of special steel, 80% of "double-high" rate, and "triple zero" of production safety.

According to the above policies, the following works will be attached with great importance in year 2011:

- I. Well organize production focusing on the annual targets;

- II. Reinforce marketing approach, expanding high-end market share;
- III. Further adjust product composition, strengthen technical innovation;
- IV. Accelerate construction of key projects, lay a good foundation for future development;
- V. Keep on administration innovation, deepen internal reformation;
- VI. Reinforce energy saving and pollution decreasing approach, eliminate out-of-date equipment;
- VII. Reinforce production safety to provide a steady development environment;
- VIII. Keep in people-oriented direction, to concentrate manpower.

(4) Capital demand and financial resources

In year 2011, capital expense will mainly be operational cash outflow, which is predicted to RMB43.8 billion. Project investment will be RMB4.46 billion. Main projects are: projects carried over from previous years including energy-saving reengineering of converter system, 180 ton dephosphurization converter, billet flame cleaning, silicon steel project, Galvanized automobile steel sheet production line, phase II of waste steel, 200K ton stainless steel cool-rolling line, and IT project, and newly launched projects including cool-rolling line of Cool Rolling Factory III, continuous cast slab scarfing machine, new energy control center, reconstruction of coke furnace No.3, moisture adjustment of coke furnace No.8, 9, enlarging of waste water processing section, Nanshan iron ore yard, and reconstruction of water desalt system.

The operation and investing capital is mainly from sales income and bank loans.

(5) Main risks and countermeasures

The global economy is in recovering process, thus the uncertain factors such as fluctuation energy price and market demand still bring risks to the production cost and profitability. Although the Company has achieved great progress in product structure adjusting, its risk-resistance ability needs to be lifted. The Company will face great market pressure in a certain period of time.

Through years of technical reconstruction, the Company has achieved great progress in production techniques. But there is still gap with the leading enterprises in the world.

To handle the aforesaid risks, the Company will enhance internal management, quality control, and marketing territory. Adjust product structure, increase output of “double high” products, enrich product lines, and develop profit-making points. Carry on cost controlling policies, further enhance initial cost controlling, enforce process cost control, keep promote collective bidding in purchasing approach, make sure the cost controlling system will be effectively operated in the Company, to form the advantages in cost control and enforce the Company in market competition.

(6) Investment of the Company

A. The holding subsidiaries

Company invested in	Reg. Add.	Legal representative	Business Scope	Registered Capital	Shareholding %	Relationship to the Company	Consolidated or not
Xiamen Bengang Steel & Iron Sales Ltd.	Xiamen	Zhang Guoming	Wholesale and retaining of metal materials, steel, pig iron, electro-mechanic products, hardware, electronics	500K Yuan	100	Subsidiary	Consolidated
Tianjin Bengang Steel & Iron Trading Ltd.	Tianjin	Liu Chuang	Sales of steel, pig iron, chemical materials (except for hazardous chemicals and easy-to-make poison chemicals), construction materials, and mineral products	3 mil. Yuan	100	Subsidiary	Consolidated
Wuxi Bengang Steel & Iron Sales Co., Ltd.	Wuxi	Wen Yonggan	Sales of metal materials, chemical materials and products (dangerous products excluded), general machinery and accessory, electronic machinery and instruments, and hardware	1 mil. Yuan	100	Subsidiary	Consolidated
Nanjing Bengang Material Sales Ltd.	Nanjing	Pang Zonghua	Sales of construction materials, chemical materials (dangerous products excluded), hardware, (exclude gas engine scooters), electronic products, hot rolled plate, cool rolled plate, and pig iron. Process of metal materials.	1.15 mil Yuan	100	Subsidiary	Consolidated
Yantai Bengang Iron and Steel Sales Ltd.	Yantai	Wang Lixin	Wholesale, retailing, construction materials, fire-resistance materials, steel, chemical products (except for dangerous products)	500K Yuan	100	Subsidiary	Consolidated
Harbin Bengang Steel & Iron Sales Ltd.	Harbin	Fei Jixi	Metal materials, construction materials, hardware (except for wireless phone equipment), electro-mechanic products, home electronics.	500K Yuan	100	Subsidiary	Consolidated
Changchun Bengang Iron and Steel Sales Ltd.	Changchun	Wang Jun	Sales of steel, pig iron, electronic machinery and instruments, general machinery, construction material	500K Yuan	100	Subsidiary	Consolidated
Guangzhou Bengang Trade Co., Ltd.	Guangzhou	Wu Shaogang	Whole sale and retail: steel and iron products, chemical products; import and export of goods and technologies	1 mil. Yuan	100	Subsidiary	Consolidated
Shanghai Bengang Metallurgy Tech. Ltd.	Shanghai	Fei Jixi	Technical development, consulting, service in metallurgy industry, sales of steel, plate, metal material and hardware.	5 million	100	Subsidiary	Consolidated
Bengang Steel Plate Liaoyang Orel Ball Co., Ltd.	Liaoyang	Zhang Shiming	Developing of ore mine, production and processing, house rent, machine process, rubber belt, equipment maintenance	10 million	100	Subsidiary	Consolidated
Dalian Benruitong Automobile Material Technologies Co., Ltd.	Dalian	Wang Shu	Sales of steel plates	100 million	65	Subsidiary	Consolidated
Bengang Stainless Cool-rolling (Dandong) Co., Ltd.	Dandong	Yu Tianchen	Production and sales of stainless steel	260 million	100	Subsidiary	Consolidated

B. Non-financing capital usage in the report term

In the report term, using of non-financing funds were as the followings:

In year 2010, the Company has invested RMB2.48805 billion in technical reconstruction projects.

1. IT project: planned for RMB274.64 million of investment, started in 2005. RMB40.19 million invested in 2010. Accumulated to RMB183.99 million at the end of 2010 (including: RMB159.55 million transferred from construction-in-process to fixed assets). Scheduled to be completed in 2012.
2. Super thin cool rolling reengineering project: planned for RMB1126.19 million of investment, started in 2006. RMB7.63 million invested in 2010. Accumulated to RMB1.01605 billion at the end of 2010 (including RMB970.36 million of construction in process transferred to fixed assets). Scheduled to be completed in 2010.
3. Relocating and reengineering project of coking furnace (coking furnace 8# 9#): planned for RMB1.42571 billion, started in 2006. Accumulated to RMB1.41534 billion at the end of 2010. Has been completed in 2010.
4. Reengineering of billet plate continuous casting line: planned for RMB1.99740 billion, started in 2007. RMB166.04 million was invested in 2010. Accumulated to RMB2.10469 billion at the end of 2010. Has been completed in 2010.
5. Energy saving and environmental reengineering project of 180 ton converter system: planned for RMB1.37584 billion, started in 2007. RMB339.39 million was invested in 2010. Accumulated to RMB635.88 million at the end of 2010 (including RMB533.99 million transferred from construction in process to fixed asset). Scheduled to be completed in 2012.
6. Dandong stainless steel cool rolling project: planned with investment of RMB1.5147 billion, started in 2008. RMB555.52 million invested in 2010. Accumulated to RMB724.69 million at end of 2010. Scheduled to complete in 2011.
7. 60K oxygen generator project: planned with RMB673.23 million, started in 2008. RMB385.64 million invested in 2010, accumulated to RMB508.02 million at end of 2010. Has been completed in 2010.
8. Cool rolled silicon steel project: planned with RMB603.35 million, started in 2009. RMB322.18 million invested in 2010 and accumulated to RMB381.30 million at the end of 2010. Scheduled to be completed in 2011.
9. Dedusting system reconstruction project: planned with investment of RMB34.60 million, started in 2010. RMB36.02 million invested in 2010 and completed within the year.
10. Reconstruction of coal boiler to use gas: planned with investment of RMB135.17 million, started in 2010. RMB121.62 million invested in 2010 and completed within the year.
11. Furnace 5# TRT reconstruction: planned with investment of RMB61 million, started in 2010. RMB49.99 million invested in 2010 and completed in the year.
12. Plate billet edge scarfing project: planned for RMB207.63 million of investment, started in 2010. RMB87.60 million invested in 2010. (including RMB0.44 million of construction in process transferred to fixed assets). Scheduled to be completed in 2011.

(7) Routine works of the Board

A. Particulars about the board meetings and resolutions

The Board of Directors held 4 meetings in the report term as the followings:

The 19th meeting of the 4th term of Board was held on April 23, 2010. Resolutions were released by China Securities Journal, Securities Times, and Hong Kong Commercial Daily dated April 27, 2010.

The 1st meeting of the 5th term of Board was held on June 3, 2010. Resolutions were released by China Securities Journal, Securities Times, and Hong Kong Commercial Daily dated June 4, 2010.

The 2nd meeting of the 5th term of Board was held on August 20, 2010. Resolutions were released by China Securities Journal, Securities Times, and Hong Kong Commercial Daily dated August 24, 2010.

The 3rd meeting of the 5th term of Board was held on October 25, 2010. Resolutions were released by China Securities Journal, Securities Times, and Hong Kong Commercial Daily dated October 26, 2010.

B. Execution of the resolutions of Shareholders' Meeting by the Board

Execution of the profit distribution plan of 2009

As approved by the Shareholders' Annual Meeting 2009 held on June 3, 2010, the profit distribution plan for year 2009 was: Basing on the total capital shares of 3,136,000,000 shares at present, cash dividend of RMB0.30 is distributed to each 10 shares (tax included). RMB0.27 is practically distributed to each 10 shares after tax to the public individual A-share holders, investment foundations, and qualified overseas organization investors; RMB0.27 is distributed to non-residential enterprise B share holders, no payment made on behalf for other B shareholders. According to the Articles of Association, dividend for foreign investors' shares (B-shares) was distributed in Hong Kong Dollar at the middle rate published by People's Bank of China at the 1st working day after this dividend plan was adopted by the shareholders' meeting (June 4, 2010), i.e. 1 HKD = 0.8766 RMB. (Dividend for B-shares are free of tax temporarily.)

The Dividend Distribution Announcement for Year 2009 was released on July 13, 2010 by China Securities Journal, Securities Times, and Hong Kong Commercial Daily. And was implemented thereafter.

Dividend distribution in last three years:

In RMB Yuan

Dividend year	Cash dividend (tax included)	Net profit attributable to the owners of the PLC in the consolidated statement	Percentage in net profit attributable to owners of the PLC in the consolidated statement	Distributable profit of the year
2009	94,080,000.00	-1,545,191,032.37	-6.09%	1,331,103,908.34
2008	156,800,000.00	165,089,865.35	94.98%	3,033,094,940.71
Year 2007	1,003,520,000.00	1,698,949,701.78	59.07%	3,985,462,287.28
Dividend accumulated in the latest three years over the average annual net profit (%)				393.42%

Establishing and functioning of the Auditing Committee of the Board

To fully develop the active role of the special committees in management and making of major decisions, increase the decision-making efficiency and quality, the Board established four special committees and adopted the Auditing Committee Working Criteria.

The Auditing Committee is responsible for the inspection of internal control system, major related transactions, financial information, and disclosure; coordinating, supervising, and inspection of the internal and external auditing works. According to related regulations of China Securities Regulatory Commission, the Company has produced the "Working Criteria of Annual Report of the Auditing Committee", which stipulated that Auditing Committee is responsible to discuss and decide the schedule for the auditing works with the CPA, make sure the CPA submit the auditing report on schedule, investigate the annual financial report, the meeting minutes submitted to the Board of Directors, the summary report of auditing works of the CPA, and provide suggestion in

replacing or extending the services of the CPA. During the preparation, auditing, and disclosing of Annual Report 2010, the Auditing Committee has inspected the financial information, the internal control system, and overlook the legal operation of the Company. It communicated with Shulun Pan Certified Public Accountants Co., Ltd. before they started auditing work in the Company and made them finish the work on time. Meanwhile, the Auditing Committee provided evaluation opinion in every aspect and quality of the works done by the CPA, and agreed to extend the service of Shulun Pan Certified Public Accountants Co., Ltd. to year 2011.

Establishing of external information user administration regulations

The Company has produced the “External Information User Administration Regulations” to further regulate the information management and disclosure. The directors, supervisors, executives, and related clerks are responsible for keeping secret of the information during preparing the periodic reports and planning of major operations. Before the releasing of periodic reports and provisional reports, they are not allowed to leak any of the information to outsiders or particular person in any form and through any channel. Providing of information to outside users according to the law, shall not earlier or more than the official disclosing time and date of the express business information disclosure. The Company may deny the request for information disclosure from outside companies without supporting of relative laws and regulations. When the Company is required by laws or regulations to submit particular information, the related clerks shall be filed as insiders, and remind in writing the outside clerks to take the responsibilities of keeping secret.

Establishing of internal information user administration regulations

The Company has produced the “Information Insider Administration Regulations” aiming to reinforce the sense of legal operation of the directors, supervisors, and executives, prevent illegal trade of the Company’s shares taking advantage of inside information, and prevent short-term trade in six months and sensitive periods. The regulations has stated that all of the persons who may have access to undisclosed information are responsible for keeping secret of such information. All leaking of information, under-table trade, or collaborated manipulating of share price are illegal. The Company, the directors, the supervisors, the executives and relative insider shall use necessary measures to limit the number of people getting access to the information before they are disclosed to the lowest. The holding shareholder or the substantial controller may not use its power or dominating position to require the Company, the directors, the supervisors, or the executives to provide undisclosed information to them. People get access to the internal information shall not trade or suggest other people to trade the shares of the Company before the relative information is officially disclosed. If major negative influence of loss caused by leaking of information to outside, or by taking advantage of the information to trade or suggest others to trade the shares of the Company, the responsible person shall subject to discipline punishment and/or penalty. Within 30 days prior to releasing of the periodical reports, and 10 days prior to releasing of announcement of business performance predictions or other major events, the Company will perform inspection on the share trading by the directors, supervisors and executives of the Company, aiming to restrict them from illegal trading of the Company’s shares using the inside information. As long as major impairment or loss occurred to the Company due to illegal leaking of information or illegal operation by an information insider, the responsible person will be subject to punishment and penalty under the Company’s call.

No trading of the Company’s shares by information insider before releasing of major information disclosure which may greatly influence the Company’s share price in the report term. No such people under inspection or penalty of the authorities in the report term.

(8) Profit distribution or common reserve capitalization plan of the current year

As audited by Shulun Pan Certified Public Accountants Co., Ltd., the Company made profit in year 2010. The net profit of the year was RMB925,269,882.53, plus the retained profit of RMB1,331,156,069.63 at beginning of year, and deduct RMB94,080,000 of dividend distributed for the previous year, the profit distributable to the shareholders is RMB2,162,390,668.07.

The dividend plan for year 2010 is: upon the total capital shares amounted to 3,136,000,000 shares

at December 31st 2010, RMB1.00 (tax included) of dividend will be distributed upon each 10 shares to the whole shareholders. The dividend for common shares is totaled to RMB313,600,000 this time. The balance of RMB1,848,790,668.07 will be carried over to the next fiscal year.

(9) Other issues

A. The Company appoints China Securities Journal, Securities Times, and Hong Kong Commercial Daily as the official information disclosure presses, which remain unchanged in the year.

B. Special statement of the CPA on the capital adoption by the controlling shareholder and other related parties

Pursuant to the “Notice on regulations about capital transaction with related parties and providing of external guarantees” (证监发「2003」56号) issued by China Securities Regulatory Commission, the CPA issued the “Special statement of the CPA on the capital adoption by the controlling shareholder and other related parties”. As of December 31, 2010, no capital adoption by the controlling shareholder and other related parties was discovered.

C. Opinions of the independent directors: “Through investigation, the external guarantees occurred in 2010 and accumulated there before are zero, and no illegal providing of guarantee happened. Capital transactions with the controlling shareholder and other related parties under its control were normal business transactions. No illegal adoption of capital happened.”

VIII. Report of the Supervisory Committee

1. Works of the Supervisory Committee in the report term

The Supervisory Committee convened 4 meetings during the report term:

The 15th meeting of the 4th term of Supervisory Committee was held on April 23, 2010, resolutions adopted were the followings:

- Supervisory Committee's Work Report 2009;
- Annual Report 2009 and Summary;
- Financial Settlement Report 2009;
- Profit Distribution Proposal 2009;
- The 1st Quarterly Report 2010;
- Proposal on Engaging of CPA for year 2010;
- Proposal of Investment Outline 2010;
- Proposal on Routine Related Transactions;
- Introspection Report on Internal Control System;
- Proposal of Electing the New Term of Supervisory Committee;
- Proposal on Adopting the Responsibility Tracking Scheme of Major Error in Annual Reports;
- Proposal on Adopting the Administration Criteria of Information Insiders;
- Proposal on Adopting the Administration Criteria of External Information User;
- Proposal on Providing of Inventory Impairment Provision, Bad Debt Provision, and Fixed Assets Impairment Provision;
- Proposal on Calling of Shareholders' Annual Meeting 2009.

The resolutions were disclosed on April 27, 2010 by China Securities Journal, Securities Times, and Hong Kong Commercial Daily.

The 1st meeting of the 5th term of Supervisory Committee was held on June 3, 2010. The following resolutions were adopted:

- The Proposal to Elect Mr. Liu Junyou Chairman of the 5th Term of Supervisory Committee;
- Proposal of External Investment Plan;
- Proposal of Adjusting the Depreciation Scheme of Some Fixed Assets;
- Proposal on Routine Related Transactions 2009.

The resolutions were disclosed on June 3, 2010 by China Securities Journal, Securities Times, and Hong Kong Commercial Daily.

The 2nd meeting of the 5th term of Supervisory Committee was held on August 20, 2010, the resolutions adopted were the followings:

- Interim Report 2010 and the Summary;
- Proposal of Calling the Shareholders' Annual Meeting 2010

The resolutions were released by China Securities Journal, Securities Times, and Hong Kong Commercial Daily dated August 20, 2010.

The 3rd meeting of the 5th term of Supervisory Committee was held on October 25, 2010 by mean of telecommunication. The 3rd Quarterly Report 2010 was examined and adopted.

2. Independent opinions of the Supervisory Committee on particular issues in 2010

The Supervisory Committee of the Company performed its duties according to the Company Law,

Securities Law and the Articles of Association focusing on legality of daily operation, financial operation, etc. It was to protect the overall interests of the Company and the masses of shareholders, the Supervisory Committee issued the independent opinion on the relevant issues in report term as follows:

(1) Legality of business operation

The Supervisory Committee attended and observed Company's shareholder meetings and every conference of Board of Directors, and played an important role on resolution's formulated, implemented guarantee function during the report term. The Supervisory Committee of the Company considered that the production of the Company was in good condition of operation. Company directors accorded with Company's article and regulation while carrying out company's work and did not violate laws and regulations, Article Association or any behavior that harmful to the interests of the Company and shareholder. The Supervisory Committee of the Company considered, the Company's management of production and operation had responsible as devoted to their duty, had not violated laws and regulations, Article Association or any behavior harmful to the interests of the Company and shareholder while carrying out company's work, the Company made the proper strategy of business and Company's management is doing well and with high-efficiency.

(2) Inspection on financial operation

The finance statement was audited by Shulun Pan Certified Public Accountants Co., Ltd. and they issued standard auditor's report without qualified opinion, the finance report of the Company was frankly, objectively, and precisely reflecting the status of finance and business performance of the Company.

(3) Related transactions

Related transactions were done on fair base according to contracts or agreements, no interest of the Company was violated.

(4) Opinions on the Introspection Report on Internal Control prepared by the Board

The Supervisory Committee deems that the Company has been following with the regulations of China Securities Regulatory Commission and Shenzhen Stock Exchange as well as the basic rules of internal control. The internal control system has been improved continuously to support normal business operation and guard the assets of the Company. The Company has established a mature internal control system with internal auditing department and specialized stuffs to ensure effective monitoring on important activities of the Company. No behavior was found violating the "Instructions for Internal Control of PLCs" of Shenzhen Stock Exchange and the Company's own internal control rules. Therefore the Supervisory Committee deems that the introspection report is reflecting the Company's situation completely, truthfully, and precisely, and holds no contradictive opinion.

IX. Significant Events

1. In the report period, the Company didn't involve in any material lawsuits or arbitrations.
2. No bankruptcy or reorganizing issues occurred in the report term needs to be disclosed.
3. In the report term, the Company holds no shares of other PLCs, nor shares of financial institutions such as commercial banks, security dealers, insurance companies, trust companies, or future companies, and made no trading of other PLCs' shares.
4. In the report term, the Company conducted none of purchasing, selling of assets, nor merger of enterprises.
5. In the report term, the Company conducted no implementation of share option incentive program.
6. Material related transactions in the report term:

- **Statement on the necessity and consistency of related transactions**

To keep a steady supply of resources, the Company still needs to purchase major materials such as mineral powder from the Group. On the other hand, the power supply department and purchasing department still provides power and parts to the Group. For some companies under the controlling of the Group need to purchase finished products from the Company for further process. Therefore the sales to the Group and accepting of labor and training services will last for a period of time.

To fully adopt the overseas marketing channels the Group has, the Company accepted the import & export services from Bengang International Trading Ltd. which is under full possession of the Group.

- **No non-operational capital adoption happened between the Company and the controlling shareholder or other related parties.**
- **No related transactions happened in the report term in term of external joint investment with related parties.**

7. Major contracts and fulfilling

(1) The Company has never been involved in such events as keeping as custodian, contracted or leased any other company's assets and vice versa in the report period.

(2) No providing of external guarantee occurred in the report term.

(3) No providing or accepting of cash asset management to or from other parties occurred during the report term.

(4) No other material contract engaged in the report term.

8. Commitment issues made by share holders with 5% or above share equities occurred in or last to the report term.

Shareholder	Commitments	Fulfilling status	Fulfilling of commitments
Benxi Steel (Group) Co., Ltd.	1. After launching of the share relocation program, Bengang Group has committed not to trade or transfer its shares in 24 months since the day when they are allowed to trade in the stock exchange, and not more than 5% of the total	Under processing	From the day of the share equity relocation was implemented till the day when this report is released, none of the shares of the

	<p>capital share of the Company between the 24th month and the 36th month.</p> <p>2. Bengang Group committed not to put the newly placed shares in the market or sell to others in 36 months since the date when the share registration is done.</p> <p>3. From completion day of this acquisition up to the end of 2010, Bengang Group will hold not lower than 65% of the Company's shares (Except for selling to strategic investors by way that is allowed by national policies. However the acceptor shall carry over the original commitment.)</p>		<p>Company held by Bengang Group was traded in the market or transferred to others. None of the shares newly placed to the Group for acquiring of the steel & iron assets of the Group was traded in the market or transferred to others. No situation occurred that the Group is not fulfilling or not completely fulfilling the commitments.</p>
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9. The Company extended the services of Shulun Pan Certified Public Accountants Co., Ltd. as CPA of the Company. The annual pay was RMB2.8 million. Shulun Pan Certified Public Accountants Co., Ltd. has been providing auditing services to the Company for successively four years.

10. In the report term, none of the directors, supervisors, executives, shareholders, substantial dominators, buyer of the Company was investigated by relative departments, executed by legal & discipline departments, delivered to legal departments, appeared for crime, investigated or punished by China Securities Regulatory Commission, restricted to security market, criticized publicly, regarded as improper person, punished by other executive departments, or publicly condemned by the Stock Exchange.

11. No other significant issues occurred during the report term as determined by the Board of Directors or as provided by Article 67 of the Securities Law, or Article 17 of Information Disclosing Rules for Company Placed Shares Publicly

12. Reception of investigation and visiting

In the report term, the Company properly executed "Investor Management Instruction" issued by China Securities Regulatory Commission, and "Fair Information Disclosure Instruction" issued by Shenzhen Stock Exchange, accepted investigations, inquiring, and visiting of organization investors and individual investors. All information provided are those have already been disclosed in regular and provisional reports and announcements. The Company never provided, disclosed or leaked any major information to any particular object that is closed to the public.

Time/date	Place	Way	Visitors	Main content involved and material provided
Jan 14, 2010	Office of the secretary of Board	Field research	Guojin Securities etc.	Production and operation situation
Jan 16, 2010	Office of the secretary of Board	Field research	China Merchants Securities	Production and operation situation
Mar 5, 2010	Office of the secretary of Board	Field research	CITIC Securities	Production and operation situation
Mar 17, 2010	Office of the secretary of Board	Field research	Xihua Asset, Yinhua Foundation, etc.	Production and operation situation
May 14 2010	Office of the secretary of Board	Field research	Ping'an Securities	Production and operation situation
June 10, 2010	Office of the secretary of Board	Field research	Orient Securities	Production and operation situation
July 13, 2010	Office of the secretary of Board	Field research	North-east Security	Production and operation situation

X. Financial Report

- 1. Financial Statements (Attached hereafter)**
- 2. Notes to the Financial Statements (Attached hereafter)**

XI. Documents For Reference

- 1. Financial Statements signed and stamped by the legal representative, CFO, and accounting manager;**
- 2. Original copy of the Auditors' Report under the seal of the CPA and signed by and under the seal of certified accountants.**
- 3. All of the original copies of documents and announcements that have been published on China Securities Journal, Securities Times, and Hong Kong Commercial Daily.**

**The Board of Directors of
Bengang Steel Plate Co., Ltd.
Chairman of the Board: Zhang Xiaofang
April 20, 2011**

Bengang Steel Plates Co., Ltd.

AUDITORS' REPORT AND FINANCIAL STATEMENTS

(From 1 January 2010 to 31 December 2010)

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AUDITORS' REPORT

PCPAR(2011) No.

All Shareholders of Bengang Steel Plates Co., Ltd.:

We have audited the accompanying financial statements of Bengang Steel Plates Co., Ltd. (hereinafter referred to as "the Company") which comprise the consolidated balance sheet and balance sheet as at 31 December 2010, the consolidated income statement and income statement, the consolidated statement of changes in equity and statement of changes in equity, the consolidated statement of cash flow and statement of cash flow for the year then ended, and notes to the financial statements.

Management's Responsibility for the Financial Statements

The Company's management is responsible for the preparation of financial statements in accordance with Accounting Standards for Business Enterprises -Basic Standard and specific accounting standards and the Accounting Regulations for Business Enterprises issued by the Ministry of Finance of the People's Republic of China. This responsibility includes (1) designing, implementing and maintaining the internal control relevant to the preparation of the financial statements that are free from material misstatement, whether due to fraud or error; (2) selecting and applying appropriate accounting policies; and (3) making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Auditing Standards for Certified Public Accountants of China. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain a reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider the internal control relevant to the entity's preparation of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's opinion

In our opinion, the financial statements of Bengang Steel Plates Co., Ltd. comply with the requirements of the Accounting Standards for Business Enterprises and the Accounting Regulations for Business Enterprises and present fairly, in all material respects, the consolidated financial position and financial position of the Company as at 31 December 2010, and the consolidated results of operations and results of operations and the consolidated cash flows and cash flows of the Company for the year then ended.

BDO SHULUN PAN CERTIFIED PUBLIC
ACCOUNTANTS CO., LTD.

Certified Public Accountants
Registered in the People's Republic
Of China

Jinmei Zhu

Shanghai, the People's Republic of China

Xue Wu

18 April 2011

This auditor's report and the accompanying notes to the financial statement are English translation of the Chinese auditors' report. In case of doubt as to the presentation of these documents, the Chinese version shall prevail.

BENGANG STEEL PLATES CO., LTD.
BALANCE SHEET
As at 31 December 2010
(Expressed in Renminbi unless otherwise indicated)

Assets	Note	Ending Balance	Opening Balance
Current assets			
Cash at bank and on hand		1,358,651,762.79	2,795,043,926.41
Financial assets held for trading			
Notes receivable		1,822,459,543.49	1,692,464,732.45
Accounts receivable	11(1)	400,131,072.92	736,508,549.83
Prepayments		744,919,442.64	1,134,073,791.54
Interests receivable			
Dividends receivable			
Other receivables	11(2)	220,725,711.61	210,275,779.87
Inventories		9,814,369,793.69	7,701,138,465.80
Non-current assets due within one year			
Other current assets		182,211,823.73	182,211,823.73
Total current assets		14,543,469,150.87	14,451,717,069.63
Non-current assets			
Available-for-sale financial assets			
Held- to-maturity investment			
Long-term receivable			
Long-term equity investment	11(3)	878,655,407.17	539,708,177.17
Investment properties			
Fixed assets		18,438,736,612.00	17,518,704,793.06
Construction in progress		889,881,763.38	1,826,180,938.13
Project material		15,638,434.32	137,969,772.11
Disposal of fixed assets			
Productive biological assets			
Oil and gas assets			
Intangible assets			
Development expenditure			
Goodwill			
Long-term deferred expenses			
Deferred tax assets		189,470,501.84	210,573,821.71
Other non-current assets			
Total non-current assets		20,412,382,718.71	20,233,137,502.18
Total assets		34,955,851,869.58	34,684,854,571.81

The notes to the financial statements attached form part of these financial statements.

Legal Representative

Chief Financial Officer:

Chief Accountant

BENGANG STEEL PLATES CO., LTD.
BALANCE SHEET (Continued)
As at 31 December 2010
(Expressed in Renminbi unless otherwise indicated)

Liabilities and Equities	Note	Ending Balance	Opening Balance
Current Liabilities			
Short-term loans		2,295,236,500.00	2,845,850,700.00
Financial liabilities held for trading			
Notes payable		1,260,376,722.11	4,238,076,393.71
Accounts payable		8,189,917,528.20	6,401,502,740.43
Advance from customers		2,831,031,113.85	2,418,365,310.33
Employee benefits payable		184,669,271.84	245,128,249.09
Current tax liabilities		-651,410,574.54	-99,007,033.77
Interests payable			
Dividends payable			
Other payables		631,026,887.30	747,373,431.76
Non-current liabilities due within one year		1,013,263,228.43	960,040,053.18
Other current liabilities			
Total current liabilities		15,754,110,677.19	17,757,329,844.73
Non-current liabilities			
Long term loans		4,314,024,138.39	2,869,036,104.26
Bonds payable			
Long-term payable			
Special accounts payable			5,666,666.67
Contingent liabilities			
Deferred tax liabilities			
Other non-current liabilities		120,469,446.22	1,048,650.00
Total non-current liabilities		4,434,493,584.61	2,875,751,420.93
Total liabilities		20,188,604,261.80	20,633,081,265.66
Shareholder's equity:			
share capital		3,136,000,000.00	3,136,000,000.00
Capital reserve		8,790,691,134.76	8,736,261,134.76
Less: treasury shares			
Special reserves			
Surplus reserves		921,277,509.22	921,277,509.22
General Risk reserve			
Undistributed Profits		1,919,278,963.80	1,258,234,662.17
Total shareholder's equity		14,767,247,607.78	14,051,773,306.15
Total liabilities and shareholder's equity		34,955,851,869.58	34,684,854,571.81

The notes to the financial statements attached form part of these financial statements.

Legal Representative

Chief Financial Officer:

Chief Accountant

BENGANG STEEL PLATES CO., LTD.
CONSOLIDATED BALANCE SHEET

As at 31December 2010

(Expressed in Renminbi unless otherwise indicated)

Assets	Note	Ending Balance	Opening Balance
Current assets			
Cash at bank and on hand	5(1)	1,475,045,148.55	2,842,961,050.60
Financial assets held for trading			
Notes receivable	5(2)	1,900,062,739.70	1,758,593,662.55
Accounts receivable	5(3)	344,857,035.57	578,413,768.04
Prepayments	5(4)	810,851,238.27	1,150,044,136.73
Interests receivable			
Dividends receivable			
Other receivables	5(5)	106,040,016.05	93,630,458.88
Inventories	5(6)	10,297,600,688.08	8,075,674,235.63
Non-current assets due within one year			
Other current assets	5(7)	182,211,823.73	182,211,823.73
Total current assets		15,116,668,689.95	14,681,529,136.16
Non-current assets			
Available-for-sale financial assets			
Held- to-maturity investment			
Long-term receivables			
Long-term equity investments	5(8)	15,791,030.00	1,843,800.00
Investment property			
Fixed assets	5(9)	18,856,618,212.00	17,962,489,063.75
Construction in progress	5(10)	1,619,227,102.66	1,826,180,938.13
Project material	5(11)	15,638,434.32	137,969,772.11
Disposal of fixed assets			
Productive biological assets			
Oil and gas assets			
Intangible assets	5(12)	46,395,483.80	
Development expenditure			
Goodwill			
Long-term deferred expenses			
Deferred tax assets	5(13)	201,402,995.51	211,673,756.88
Other non-current assets			
Total non-current assets		20,755,073,258.29	20,140,157,330.87
Total assets		35,871,741,948.24	34,821,686,467.03

The notes to the financial statements attached form part of these financial statements.

Legal Representative

Chief Financial Officer:

Chief Accountant

BENGANG STEEL PLATES CO., LTD.
CONSOLIDATED BALANCE SHEET(Continued)
As at 31 December 2010
(Expressed in Renminbi unless otherwise indicated)

Liabilities and Equities	Note	Ending Balance	Opening Balance
Current Liabilities			
Short-term loans	5(15)	2,295,236,500.00	2,845,850,700.00
Financial liabilities held for trading			
Notes payable	5(16)	1,260,376,722.11	4,238,076,393.71
Accounts payable	5(17)	7,993,191,216.38	6,261,007,678.94
Advance from customers	5(18)	3,118,780,973.56	2,538,565,736.60
Employee benefits payable	5(19)	184,769,139.84	245,128,249.09
Current tax liabilities	5(20)	-704,770,343.24	-117,251,269.73
Interests payable			
Dividends payable			
Other payables	5(21)	721,086,330.41	849,874,951.99
Non-current liabilities due within one year	5(22)	1,013,263,228.43	960,040,053.18
Other current liabilities			
Total current liabilities		15,881,933,767.49	17,821,292,493.78
Non-current liabilities			
Long term loans	5(23)	4,824,024,138.39	2,869,036,104.26
Bonds payable			
Long-term payable			
Special accounts payable	5(24)		5,666,666.67
Contingent liabilities			
Deferred tax liabilities			
Other non-current liabilities	5(25)	120,469,446.22	1,048,650.00
Total non-current liabilities		4,944,493,584.61	2,875,751,420.93
Total liabilities		20,826,427,352.10	20,697,043,914.71
Shareholder's equity:			
share capital	5(26)	3,136,000,000.00	3,136,000,000.00
Capital reserve	5(27)	8,790,691,134.76	8,736,261,134.76
Less: treasury shares			
Special reserves			
Surplus reserves	5(28)	921,277,509.22	921,277,509.22
General risk reserve			
Undistributed profits	5(29)	2,162,390,668.07	1,331,103,908.34
Foreign currency translation differences			
Total equity attributable to equity holders of the parent company		15,010,359,312.05	14,124,642,552.32
Minority interests		34,955,284.09	
Total equity		15,045,314,596.14	14,124,642,552.32
Total liabilities and shareholder's equity		35,871,741,948.24	34,821,686,467.03

The notes to the financial statements form part of these financial statements

Legal Representative

Chief Financial Officer:

Chief Accountant

BENGANG STEEL PLATES CO., LTD.
INCOME STATEMENT
For the year ended 31 December 2010
(Expressed in Renminbi unless otherwise indicated)

Item	Note	2010	2009
1. Operating income	11(4)	44,992,560,256.05	34,360,605,341.73
Less: Operating cost	11(4)	40,438,137,117.10	32,805,950,140.59
Business tax and surcharges		154,535,295.39	11,315,952.82
Selling and distribution expenses		408,607,676.45	282,517,309.29
General and administrative expenses		2,819,408,561.57	2,387,841,443.97
Financial expenses		236,378,477.88	128,197,712.31
Asset impairment loss		59,523,718.92	100,067,127.09
Add: Changes of fair value assets			
Income on investment		-	
Wherein: income from associates			
2. Operating profit		875,969,408.74	-1,355,284,344.34
Add: Non-operating income		14,997,550.12	39,633,527.64
Less: Non-operating expenses		114,739,337.36	103,438,264.11
Wherein: loss on disposal of non-current assets			
3. Total profit		776,227,621.50	-1,419,089,080.81
Less: Income tax expenses		21,103,319.87	193,218,870.67
4. Net profit		755,124,301.63	-1,612,307,951.48
5. Earnings per share			
1. Basic earnings per share			
2. Diluted earnings per share			
6. Other comprehensive income			
7. Total comprehensive income		755,124,301.63	-1,612,307,951.48

The notes to the financial statements form part of these financial statements

Legal Representative

Chief Financial Officer:

Chief Accountant

BENGANG STEEL PLATES CO., LTD.
CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2010
(Expressed in Renminbi unless otherwise indicated)

Item	Note	2010	2009
1. Operating income	5(30)	45,687,750,464.69	35,597,775,963.71
Less: Operating cost	5(30)	40,757,030,212.23	33,833,681,618.46
Business tax and surcharges	5(31)	162,415,949.47	13,251,571.68
Selling and distribution expenses	5(32)	509,685,325.26	360,767,124.18
General and administrative expenses	5(33)	2,861,539,520.37	2,425,505,704.09
Financial expenses	5(34)	235,727,287.85	127,807,649.76
Asset impairment loss	5(35)	59,764,068.25	100,359,439.00
Add: Changes of fair value assets			
Income on investment	5(36)	1,210,690.80	
Including: income from associates			
Exchange loss			
2. Operating profit		1,102,798,792.06	-1,263,597,143.46
Add: Non-operating income	5(37)	16,581,720.53	42,522,575.16
Less: Non-operating expenses	5(38)	114,755,877.56	103,469,635.29
Including: loss on disposal of non-current assets		108,639,680.88	97,059,271.85
4. Total profit		1,004,624,635.03	-1,324,544,203.59
Less: Income tax expenses	5(39)	79,302,591.21	220,646,828.78
5. Net profit		925,322,043.82	-1,545,191,032.37
Including: net profit realized before consolidation by the combined party			
Attributable to: equity shareholders of the Company		925,366,759.73	-1,545,191,032.37
Minority shareholders		-44,715.91	
6. Earnings per share			
(1) Basic earnings per share		0.295	-0.49
(2) Diluted earnings per share		0.295	-0.49
7. Other comprehensive income			
8. Total comprehensive income		925,322,043.82	-1,545,191,032.37
Attributable to: equity shareholders of the Company		925,366,759.73	-1,545,191,032.37
Minority shareholders		-44,715.91	

The notes to the financial statements form part of these financial statements

Legal Representative

Chief Financial Officer:

Chief Accountant

BENGANG STEEL PLATES CO., LTD.
STATEMENT OF CASH FLOW
For the year ended 31 December 2010
(Expressed in Renminbi unless otherwise indicated)

Item	2010	2009
1. Cash flow from operating activities		
Cash received from sale of goods or rendering of services	29,611,860,130.30	26,879,704,919.53
Refund of taxes	117,938,503.27	70,520,181.98
Other cashes received relating to operating activities	448,021,134.22	149,499,383.99
Subtotal of cash inflows	30,177,819,767.79	27,099,724,485.50
Cash paid for goods and services	23,616,795,440.95	20,590,711,352.98
Cash paid to and on behalf of employees	2,071,955,131.71	1,828,840,595.49
Cash paid for all types of taxes	1,090,554,742.97	475,055,089.65
Other cash paid relating to operating activities	737,611,669.79	645,012,053.76
Subtotal of cash outflows	27,516,916,985.42	23,539,619,091.88
Net cash flows from operating activities	2,660,902,782.37	3,560,105,393.62
2. Cash flows from investing activities		
Cash received from return on investments		
Cash received from distribution of dividends or profit		
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	4,187,716.38	1,933,900.00
Net cash received from disposal of subsidiary and other operating units		
Other cash received relating to investing activities		
Subtotal of cash inflows	4,187,716.38	1,933,900.00
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	3,134,154,377.00	3,822,148,075.65
Cash paid for acquisition of investments	338,947,230.00	10,000,000.00
Net cash received from subsidiary and other operating unit		
Other cash paid relating to investing activities		
Subtotal of cash outflows	3,473,101,607.00	3,832,148,075.65
Net cash flows from investing activities	-3,468,913,890.62	-3,830,214,175.65
3. Cash flows from financing activities		
Proceeds from investment	54,430,000.00	
Proceeds from borrowings	6,841,851,000.00	6,148,315,400.00
Other proceeds relating to financing activities	9,916,201.87	24,128,827.05
Subtotal of cash inflows	6,906,197,201.87	6,172,444,227.05
Cash repayments of borrowings	5,838,275,204.31	4,894,169,422.30
Cash payments for distribution of dividends, profit or interest	442,887,025.81	422,762,962.83
Other cash payments relating to financing activities		1,100,949,364.10
Subtotal of cash outflows	6,281,162,230.12	6,417,881,749.23
Net cash flows from financing activities	625,034,971.75	-245,437,522.18
4. Effect of foreign exchange rate changes on cash and cash equivalents	2,041,019.90	-183,561.72
5. Net increase in cash and cash equivalents	-180,935,116.60	-515,729,865.93
Add: cash and cash equivalents at the beginning of the period	1,324,990,582.40	1,840,720,448.33
6. Cash and cash equivalents at the ending of the period	1,144,055,465.80	1,324,990,582.40

The notes to the financial statements form part of these financial statements

Legal Representative

Chief Financial Officer:

Chief Accountant

BENGANG STEEL PLATES CO., LTD.
CONSOLIDATED STATEMENT OF CASH FLOW
For the year ended 31 December 2010
(Expressed in Renminbi unless otherwise indicated)

Item	Note	2010	2009
1. Cash flow from operating activities			
Cash received from sale of goods or rendering of services		30,342,142,707.81	27,313,928,352.24
Refund of taxes		121,701,262.73	71,514,781.68
Other cashes received relating to operating activities	5(41)	460,458,077.30	157,944,116.87
Subtotal of cash inflows		30,924,302,047.84	27,543,387,250.79
Cash paid for goods and services		24,107,674,465.84	20,929,448,753.13
Cash paid to and on behalf of employees		2,081,690,545.03	1,837,689,511.41
Cash paid for all types of taxes		1,232,495,076.60	513,532,453.49
Other cash paid relating to operating activities	5(41)	915,959,383.49	673,813,962.00
Subtotal of cash outflows		28,337,819,470.96	23,954,484,680.03
Net cash flows from operating activities		2,586,482,576.88	3,588,902,570.76
2. Cash flows from investing activities			
Cash received from return on investments			
Cash received from distribution of dividends or profit			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		4,218,406.38	1,933,900.00
Net cash received from disposal of subsidiary and other operating units			
Other cash paid relating to investing activities			
Subtotal of cash inflows		4,218,406.38	1,933,900.00
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		3,849,469,484.94	3,822,195,895.87
Cash paid for acquisition of investments		13,947,230.00	1,843,800.00
Net cash received from subsidiary and other operating unit			
Other cash paid relating to investing activities			
Subtotal of cash outflows		3,863,416,714.94	3,824,039,695.87
Net cash flows from investing activities		-3,859,198,308.56	-3,822,105,795.87
3. Cash flows from financing activities			
Proceeds from investment		89,430,000.00	
Including: Net proceeds from issuance of minority equity securities of subsidiary		35,000,000.00	
Proceeds from borrowings		7,351,851,000.00	6,148,315,400.00
Other proceeds relating to financing activities	5(41)	9,916,201.87	24,128,827.05
Subtotal of cash inflows		7,451,197,201.87	6,172,444,227.05
Cash repayments of borrowings		5,838,275,204.31	4,894,169,422.30
Cash payments for distribution of dividends, profit or interest expenses		454,706,140.81	422,762,962.83
Other cash payments relating to financing activities			1,100,949,364.10
Subtotal of cash outflows		6,292,981,345.12	6,417,881,749.23
Net cash flows from financing activities		1,158,215,856.75	-245,437,522.18
4. Effect of foreign exchange rate changes on cash and cash equivalents		2,041,019.90	-183,561.72
5. Net increase in cash and cash equivalents		-112,458,855.03	-478,824,309.01
Add: cash and cash equivalents at the beginning of the period		1,372,907,706.59	1,851,732,015.60
6. Cash and cash equivalents at the ending of the period		1,260,448,851.56	1,372,907,706.59

The notes to the financial statements attached form part of these financial statements

Legal Representative

Chief Financial Officer:

Chief Accountant

BENGANG STEEL PLATES CO., LTD.
STATEMENT OF CHANGES OF EQUITY
For the year ended 31 December 2010

(Expressed in Renminbi unless otherwise indicated)

Item	2010							
	Share capital	Capital Surplus	Less: treasury shares	Special reserves	Surplus reserves	General Risk Provisions	Undistributed profits	Total shareholder's equity
1. Balance at the end of last year	3,136,000,000.00	8,736,261,134.76			921,277,509.22		1,258,234,662.17	14,051,773,306.15
Add: Change of accounting policies								
Correction of errors for last period								
Others								
2. Beginning Balance	3,136,000,000.00	8,736,261,134.76			921,277,509.22		1,258,234,662.17	14,051,773,306.15
3. Changes in current year ("-" decrease)		54,430,000.00					661,044,301.63	715,474,301.63
(1) Net profit		-					755,124,301.63	755,124,301.63
(2) Gain and loss recognized directly in equity								
Subtotal of above (1) and (2)							755,124,301.63	755,124,301.63
(3) Shareholders' contributions and decrease of capital		54,430,000.00						54,430,000.00
1. Contributions by shareholders								
2. Amount calculated into owner's equity paid in shares		-						
3. Others		54,430,000.00						54,430,000.00
(4) Appropriation of profits							-94,080,000.00	-94,080,000.00
1. Appropriation to surplus reserves								
2. Appropriation to general risk reserves								
3. Profit distribution to shareholders							-94,080,000.00	-94,080,000.00
4. Others								
(5) Transfers within equity								
1. Capital surplus turned to paid-in capital (or stock)								
2. Surplus reserves turned to paid-in capital (or stock)								
3. Surplus reserves covering a loss (or capital stock)								
4. Others								
(6) Special reserves								
1. Provision of special reserves								
2. Use of special reserves								
4. Balance at the end of this year	3,136,000,000.00	8,790,691,134.76			921,277,509.22		1,919,278,963.80	14,767,247,607.78

The notes to the financial statements attached form part of these financial statements.

Legal Representative

Chief Financial Officer:

Chief Accountant

BENGANG STEEL PLATES CO., LTD.
STATEMENT OF CHANGES OF EQUITY

For the year ended 31 December 2010

(Expressed in Renminbi unless otherwise indicated)

Item	2009							
	Share capital	Capital surplus	Less:treasur y shares	Special reserves	Surplus reserves	General risk provision	Undistributed profits	Total shareholder' s equity
1. Balance at the end of last year	3,136,000,000.00	8,736,261,134.76			921,277,509.22		3,027,342,613.65	15,820,881,257.63
Add:Change of accounting policies								
Correction of errors for last period								
Others								
2. Beginning Balance	3,136,000,000.00	8,736,261,134.76			921,277,509.22		3,027,342,613.65	15,820,881,257.63
3. Changes in current year ("-" decrease)							-1,769,107,951.48	-1,769,107,951.48
(1) Net profit							-1,612,307,951.48	-1,612,307,951.48
(2) Gain and loss recognized directly in equity								
Subtotal of above (1) and (2)							-1,612,307,951.48	-1,612,307,951.48
(3) Shareholders' contributions and decrease of capital								
1. Contributions by shareholders								
2. Amount calculated into owner's equity paid in shares								
3. Others								
(4) Appropriation of profits							-156,800,000.00	-156,800,000.00
1. Appropriation to surplus reserves								
2. Appropriation to general risk reserves								
3. Profit distribution to shareholders							-156,800,000.00	-156,800,000.00
4. Others								
(5) Transfers within equity								
1. Capital surplus turned to paid-in capital (or stock)								
2. Surplus reserves turned to paid-in capital (or stock)								
3. Surplus reserves covering a loss (or capital stock)								
4. Others								
(6) Special reserves								
1. Provision of special reserves								
2. Use of social reserves								
4. Balance at the end of this year	3,136,000,000.00	8,736,261,134.76			921,277,509.22		1,258,234,662.17	14,051,773,306.15

The notes to the financial statements attached form part of these financial statements

Legal Representative

Chief Financial Officer:

Chief Accountant

BENGANG STEEL PLATES CO., LTD.
CONSOLIDATED STATEMENT OF CHANGES OF EQUITY

For the year ended 31 December 2010

(Expressed in Renminbi unless otherwise indicated)

Item	2010									
	Shareholder's equity attributable to the parent company								Minority equity	Total shareholder's equity
	Share capital	Capital reserves	Less:treasury shares	Special reserves	Surplus reserves	General risk provision	Undistributed Profits	Others		
1. Balance at the end of last year	3,136,000,000.00	8,736,261,134.76			921,277,509.22		1,331,103,908.34			14,124,642,552.32
Add:Change of accounting policies										
Correction of errors for last period										
Others										
2. Beginning Balance	3,136,000,000.00	8,736,261,134.76			921,277,509.22		1,331,103,908.34			14,124,642,552.32
3. Changes in current year ("-" decrease)		54,430,000.00					831,286,759.73		34,955,284.09	920,672,043.82
(1) Net profit							925,366,759.73		-44,715.91	925,322,043.82
(2) Gain and loss recognized directly in equity										
Subtotal of above (1) and (2)							925,366,759.73		-44,715.91	925,322,043.82
(3) Shareholders' contributions and decrease of capital		54,430,000.00							35,000,000.00	89,430,000.00
1.Contributions by shareholders									35,000,000.00	35,000,000.00
2.Amount calculated into owner's equity paid in shares										
3.Others		54,430,000.00								
(4) Appropriation of profits							-94,080,000.00			-94,080,000.00
1.Appropriation to surplus reserves										
2.Appropriation to general risk reserves										
3.Profit distribution to shareholders							-94,080,000.00			-94,080,000.00
4.Others										
(5) Transfers within equity										
1.Capital surplus turned to paid-in capital (or stock)										
2.Surplus reserves turned to paid-in capital (or stock)										
3.Surplus reserves covering a loss (or capital stock)										
4.Others										
(6) Special reserves										
1. Provision of special reserves										
2. Use of spcial reserves										
4. Balance at the end of this year	3,136,000,000.00	8,790,691,134.76			921,277,509.22		2,162,390,668.07		34,955,284.09	15,045,314,596.14

The notes to the financial statements attached form part of these financial statements

Legal Representative

Chief Financial Officer:

Chief Accountant

BENGANG STEEL PLATES CO., LTD.
CONSOLIDATED STATEMENT OF CHANGES OF EQUITY (Continued)

For the year ended 31 December 2010

(Expressed in Renminbi unless otherwise indicated)

Item	2009									
	Shareholder's equity attributable to the parent company								Minority equity	Total shareholder's equity
	Share capital	Capital reserves	Less: treasury shares	Special reserves	Surplus reserves	General risk provision	Undistributed profits	Others		
1. Balance at the end of last year	3,136,000,000.00	8,736,261,134.76			921,277,509.22		3,033,094,940.71			15,826,633,584.69
Add: Change of accounting policies										
Correction of errors for last period										
Others										
2. Beginning Balance	3,136,000,000.00	8,736,261,134.76			921,277,509.22		3,033,094,940.71			15,826,633,584.69
3. Changes in current year ("-" decrease)							-1,701,991,032.37			-1,701,991,032.37
(1) Net profit							-1,545,191,032.37			-1,545,191,032.37
(2) Gain and loss recognized directly in equity										
Subtotal of above (1) and (2)							-1,545,191,032.37			-1,545,191,032.37
(3) Shareholders' contributions and decrease of capital										
1. Contributions by shareholders										
2. Amount calculated into owner's equity paid in shares										
3. Others										
(4) Appropriation of profits							-156,800,000.00			-156,800,000.00
1. Appropriation to surplus reserves										
2. Appropriation to general risk reserves										
3. Profit distribution to shareholders							-156,800,000.00			-156,800,000.00
4. Others										
(5) Transfers within equity										
1. Capital surplus turned to paid-in capital (or stock)										
2. Surplus reserves turned to paid-in capital (or stock)										
3. Surplus reserves covering a loss (or capital stock)										
4. Others										
(6) Special reserves										
1. Provision of special reserves										
2. Use of special reserves										
4. Balance at the end of this year	3,136,000,000.00	8,736,261,134.76			921,277,509.22		1,331,103,908.34			14,124,642,552.32

The notes to the financial statements attached form part of these financial statements

Legal Representative

Chief Financial Officer:

Chief Accountant:

Bengang Steel Plates Co., Ltd.

Notes to the financial statements

1. Company Profile

Bengang Steel Plates Co., Ltd. (hereinafter referred to as “the Company”), as approved in Liao-Zheng (1997) No.57 by Liaoning People’s Government on 27 March 1997 ,was incorporated as a joint stock limited company in the People’s Republic of China (the “PRC”) on 27 June 1997 by Benxi Iron and Steel (Group) Co., Ltd.(“Bengang Group”), through reorganization of operations, assets and liabilities of its plants, namely, Steel Smelting plant, Primary Rolling Plant and Continuous Hot Rolling Plant.

As approved by China Securities Regulatory Commission (hereinafter referred to as “The CSRC”), the Company issued 400,000,000 B-shares at RMB2.38 each in Shenzhen Stock Exchange on 10 June 1997. On 3 November 1997, the Company issued another 120,000,000 A-shares (Renminbi Common Shares) at RMB5.40 each, and listed in Shenzhen Stock Exchange since 15 January 1998. The capital shares were totaled to 1,136,000,000 shares including 616,000,000 shares held by the promoter.

On 14 March 2006, according to the resolutions of the Shareholders’ Meeting regarding share equity relocation, the Share Equity Relocation Scheme, Response to Bengang Steel Plate Co., Ltd. about Share Equity Relocation issued by Liaoning Provincial Government State-owned Asset Administrative Committee, Bengang Group – the only holder of non-negotiable state-owned legal person shares paid the consideration to the current shareholders to obtain the current option for the 40,800,000 shares of the total 616,000,000 shares it was holding. Shareholding positions have been registered with China Securities Depository & Clearing Corporation Ltd. However, the total amount of capital shares of Bengang Steel Plates Co., Ltd. was not changed through the share equity relocation action.

According to the approval document “Zheng-Jian-Gong-Si-Zi [2006] No.126” by China Securities Regulatory Commission on June 30th 2006, the Company was approved to place 2 billion Renminbi common shares particularly to Bengang Group and the proceeds would be used to purchase the related assets of the Group. On the same day, Bengang Group received circular Zheng-Jian-Gong-Si-Zi [2006] 127 issued by China Securities Regulatory Committee, and was exempted for the liability of undertaking the purchase offer. The liability was caused by subscribing of the 2 billion new shares and the total shareholding was thus increased to 2.5752 billion shares (accounts for 82.12% of the total capital shares of the Company). On 28 August 2006, as approved by China Securities Depository & Clearing Corporation Ltd. Shenzhen Office, the registration and conditional placing procedures of the 2 billion new shares were completed. On 28 September 2006, the privately placed shares were approved by Shenzhen Stock Exchange to be placed in the stock market. The new shares were placed in the market on October 9th 2006, with face value of RMB1.00 per share and the placing price was RMB4.6733 per share. The newly placed shares were restricted to be sold in 36 months when they were registered to the account of Bengang Group.

Capital inputted for the newly placed shares was the main steel & iron assets of Bengang Group amounted to RMB 10,097,917,959.13 provided by the auditing report dated May 31st 2006 (i.e. the purchase price of the steel & iron assets). The price for each share was RMB4.6733. The balance between the net value of inputted assets and the share capital formed capital reserves of RMB 7,346,600,000 and liability to Bengang Group of RMB 751,317,959.13.

The main steel and iron assets of Bengang Group have been appraised by Zhongzi Asset Appraisal Co., Ltd. based on 30 June 2005. The appraisal report was filed “Zhongzi-Ping-Bao-Zi (2005) No.142.”

Up to 31 December 2007, the capital shares of Bengang Steel Plates Co., Ltd were amounted to 3,136,000,000 shares. The business registration was renewed on December 21st, 2006. The business license was numbered 2100001049024. The registered address is: 18th Gangtie Road, Pingshan, Benxi, Liaoning Province. The registered capital is RMB 3,136,000,000. The legal representative is Xiaofang Zhang.

Bengang Steel Plates Co., Ltd. is mainly involved in processing and trading of recycled metal (including color metal), steel & iron making, rolling, and trading, oxygen making, special pre-shaped steel material, metal process, goods and technology import & export (excluding categories prohibited by the national government, constrained products can only be traded with special certificates), measuring instruments, electronic & mechanical equipment, sales of steel, new industrial products, developing of technologies, recycling of gas dust and waste oil (excluding dangerous materials), production of dangerous chemical materials.

2. Significant Accounting policies, Accounting Estimates and Error Correction

(1) Basis of Preparation

The Financial Statements have been prepared on the assumption of continuing operation and in accordance with the requirements of the China Accounting Standards for Business Enterprises(CAS(2006)) issued by the Ministry of Finance(MOF).

(2) Statement of Compliance

The financial statements present truly and completely the financial position, operation results and cash flows of the company.

(3) Accounting year

The Accounting year is from 1 January to 31 December.

(4) Functional currency

The Company's functional currency is RMB

(5) The accounting treatment for Business combination under /not under common control

(1) Business combination under common control

The assets and liabilities that the combining party obtains in a business combination shall be measured on the basis of their carrying amount in the combined party on the combining date. As for the balance between the carrying amount of the net assets obtained by the combining party and the carrying amount of the consideration paid by it (or the total par value of the shares issued), the additional paid-in capital shall be adjusted. If the additional paid-in capital is not sufficient to be offset, the retained earnings shall be adjusted.

The direct cost for the business combination of the combining party shall, including the expenses for audit, assessment and legal services, be recorded into the profits and losses at the current period.

The handling fees, commissions and other expenses for the issuance of equity securities for the business combination shall be credited against the surplus of equity securities; if the surplus is not sufficient, the retained earnings shall be offset.

Where the accounting policy adopted by the combined party is different from that adopted by the combining party, the combining party shall, according to accounting policy it adopts, adjust the relevant items in the financial statements of the combined party, and shall, pursuant to the present Standard, recognize them on the basis of such adjustment.

(2) Business combination involving entities not under common control

The acquirer shall, on the acquisition date, measure the assets given and liabilities incurred or assumed by an enterprise for a business combination in light of their fair values, and shall record the balances between them and their carrying amounts into the profits and losses at the current period.

The acquirer shall distribute the combination costs on the acquisition date

The acquirer shall recognize the positive balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree as business reputation. The acquirer shall treat the balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree into the profits and losses of the current period.

As for the assets other than intangible assets acquired from the acquiree in a business combination (not limited to the assets which have been recognized by the acquiree), if the economic benefits brought by them are likely to flow into the enterprise and their fair values can be measured reliably, they shall be separately recognized and measured in light of their fair values. As for any intangible asset acquired in a combination, if its fair value can be measured reliably, it shall be separately recognized as an intangible asset and shall be measured in light of its fair value. As for the liabilities other than contingent liabilities acquired from the acquiree, if the performance of the relevant obligations is likely to result in any out-flow of economic benefits from the enterprise, and their fair values can be measured reliably, they shall be separately recognized and measured in light of their fair values. As for the contingent liabilities of the acquiree obtained in a combination, if their fair values can be measured reliably, they shall separately be recognized as liabilities and shall be measured in light of their fair values.

(6) Consolidation of Financial Statements

The scope of consolidation of consolidated financial statements is determined based on control. All the subsidiaries have been consolidated into the scope of consolidation for this period ended.

The accounting policy and accounting period of the subsidiaries within the consolidation scope shall be in accordance with those of "the Company". If not, it is necessary to make the adjustment according to the Company's accounting policies and accounting period when preparing the consolidated financial statements

The consolidated financial statements shall, on the basis of the financial statements of the parent company and its subsidiaries together with other relevant material, be prepared by the parent company after the long term equity investments in the subsidiaries are adjusted through the equity method.

The impact of transactions between the Company and its subsidiaries and inter-subsidiaries for the consolidated balance sheet, consolidated income statement, consolidated statement of cash flow and consolidated statement of changes of equity are eliminated when preparing the consolidated financial statements.

Where losses applicable to the minority exceed the minority's interests in the beginning equity of a subsidiary, the excess are charged against the minority's interests

If the parent company has a new subsidiary due to business combination under a same control during a reporting period, it shall adjust the beginning balance in the consolidated balance sheets when preparing consolidated balance sheets. the sales, expenses and profits of the subsidiaries from the acquisition date to the end of the reporting period are included in the parent company's consolidated Profit statements
The cash flow of the subsidiaries from the acquisition date to the end of the reporting period are included in the parent company's consolidated cash flow statements.

If it is not under a same control the parent company shall not adjust the beginning balance in the consolidated balance sheets when preparing consolidated balance sheets. the sales, expenses and profits of the subsidiaries from the acquisition date to the end of the reporting are included in the parent company's consolidated profit statements. the cash flow of the subsidiaries from the acquisition date to the end of the reporting period are included in the parent company's consolidated cash flow statements

If the parent company disposes of a subsidiary within reporting period, the sales, expenses and profits of the subsidiaries from the beginning of the reporting period to the disposal date are included in the parent company's consolidated profit statements. the cash flow of the subsidiaries from the beginning of the reporting period to the disposal date are included in the parent's consolidated cash flow statements.

(7) Recognition of cash and cash equivalents

Cash equivalent refers to the investments with short term, strong liquidity and small risk of value fluctuation that are held by the Company and easily converted into cash with known amount.

Cash and cash equivalents are: cash, bank deposits that can be used for payment at anytime, other monetary capital, and short term investment not longer than three months.

(8) Foreign currency transaction and translation of foreign currency financial statements

1) Foreign currency transaction

Foreign currency transactions are translated into RMB at the current rate at the day of transactions.

The foreign currency monetary items shall be translated at the spot exchange rate on the balance sheet date. The balance of exchange arising from the difference between the spot exchange rate on the balance sheet date and the spot exchange rate at the time of initial recognition or prior to the balance sheet date shall be recorded into the profits and losses at the current period.

The foreign currency non-monetary items measured at the historical cost shall still be translated at the spot exchange rate on the transaction date, of which the amount of functional currency shall not be changed.

The foreign currency non-monetary items measured at the fair value shall still be translated at the spot exchange rate on the date of confirming the fair value and the balance of exchange arising from it shall be recorded into profits and losses at the current period or capital reserves.

2) Translation of foreign currency financial statements

The asset and liability items in the balance sheets shall be translated at a spot exchange rate on the balance sheet date. Among the owner's equity items, except the ones as "undistributed profits", others shall be translated at the spot exchange rate at the time when they are incurred. The income and expense items in the profit statements shall be translated at the spot exchange rate of the transaction date. The balance arisen from the translation of foreign currency financial statements in compliance with the aforesaid Items shall be presented separately under the owner's equity item of the balance sheets.

When disposing an overseas business, an enterprise shall shift the balance, which is presented under the items of the owner's equities in the balance sheet and arises from the translation of foreign currency financial statements related to this oversea business, into the disposal profits and losses of the current period. If the overseas business is disposed of partially, the enterprise shall calculate the balance arising from the translation of foreign currency statements of the part of disposal based on the disposal rate and shall shift them into the profits and losses of the current period.

(9) Financial instruments

Financial instruments include financial assets, financial liabilities and equity instruments

1) Classification of financial instruments

According to the purpose of holding financial assets and financial liabilities, the Company classifies its financial assets and financial liabilities as: financial assets or financial liabilities designated at fair value through profit or loss, including: Held-to-maturity investment; loans and receivables and other financial liabilities.

2) Recognition and Measurement of financial instruments

(1) The financial assets(financial liabilities) at fair value through profit or loss includes:

The financial assets (financial liabilities) at fair value through profit or loss are recognized initially at fair value (minus cash dividends declared but not received or bond interest matured but not drawn yet). The relevant transaction cost is recognized in the income statement when occurred.

The cash of dividends or interest are recognized as investment income when the Company received when holding such financial assets. At the balance sheet date, the Company recognizes the fair value changes in the income statements.

The Company recognizes the difference between initial recognition and fair value of the financial assets as investment income when dispose of the financial assets and at the same time adjust the fair value changes in the income statements.

(2) Held-to-maturity investment

The Held-to-maturity investments are recognized initially at fair value (minus bond interest matured but not drawn yet). The relevant transaction cost is recognized in the income statement when occurred.

The held-to-maturity investments are measured at amortized cost using the effective interest rate. The interest income is recognized as investment income. The effective interest will be determined at the initial recognition and will not be changed in the holding period or within the applicable period.

When disposing the held-to-maturity investment, the difference between the investing proceeds and the carrying value is recognized as investment income.

(3) Receivables

Receivables from selling products and rendering services or receivable of other company not including the receivables with quoted price in the active market (Including: accounts receivable, other receivables, bill receivables, prepayments, long-term receivables) are measured at contract price; if the receivables is of financing nature, it shall be recognized at the present value initially.

When disposing the receivables, the difference between the proceeds and the carrying value is recognized in the income statement.

(3) Available for sale financial assets

Available for sale financial assets are initially recorded at fair value plus any directly attributable transaction costs on the trade date and subsequently re-measured at fair value. The price including the declared but not received bond interest or cash dividend is recognized as a separate item.

The Company recognizes the interest or cash dividends as investment income. At each balance sheet date, available-for-sale financial assets are measured at fair value and the fair value changes are recognized in the capital reserve - other capital reserve.

The difference between the proceeds of the disposal and the carrying value should be recognized as investment income. And the related fair value change in the equity should be transferred out, and recorded as investment income.

(5) Other financial liabilities

For other financial liabilities, they are initially recognized at fair value plus any directly attributable transaction costs. After the initial recognition, the other financial liabilities are measured at amortized cost.

3. Determination and measurement of financial assets transfer

Where an enterprise has transferred nearly all of the risks and rewards related to the ownership of the financial asset to the transferee, it shall stop recognizing the financial asset. If it retained nearly all of the risks and rewards related to the ownership of the financial asset, it shall not stop recognizing the financial asset.

To judge whether the transfer of a financial asset can satisfy the conditions as prescribed in these Standards for stopping the recognition of a financial asset, the enterprise shall pay more attention to the essential of the transfer of the financial asset.

Transfer of an entire financial asset can be divided into partial financial assets transfer and entire financial asset transfer.

If the transfer of an entire financial asset satisfies the conditions for stopping recognition, the difference between the amounts of the following 2 items shall be recorded in the profits and losses of the current period:

- (1) The book value of the transferred financial asset;
- (2) The sum of consideration received from the transfer, and the accumulative amount of the changes of the fair value originally recorded in the owner's equities (in the event that the financial asset involved in the transfer is a financial asset available for sale).

If the transfer of partial financial asset satisfies the conditions to stop the recognition, the entire book value of the transferred financial asset shall, between the portion whose recognition has been stopped and the portion whose recognition has not been stopped (under such circumstance, the service asset retained shall be deemed as a portion of financial asset whose recognition has not been stopped), be apportioned according to their respective relative fair value, and the difference between the amounts of the following 2 items shall be included into the profits and losses of the current period :

- (1) The book value of the portion whose recognition has been stopped;
- (2) The sum of consideration of the portion whose recognition has been stopped, and the portion of the accumulative amount of the changes in the fair value originally recorded in the owner's equities which is corresponding to the portion whose recognition has been stopped (in the event that the financial asset involved in the transfer is a financial asset available for sale).

If the transfer of financial assets does not satisfy the conditions to stop the recognition, it shall continue

to be recognized as financial assets and the consideration received shall be recognized as financial liabilities.

4. Termination of the recognition of financial liabilities

Only when the prevailing obligations of a financial liability are relieved in all or in part may the recognition of the financial liability be terminated in all or partly.

Where an enterprise (debtor) enters into an agreement with a creditor so as to substitute the existing financial liabilities by way of any new financial liability, and if the contractual stipulations regarding the new financial liability is substantially different from that regarding the existing financial liability, it shall terminate the recognition of the existing financial liability, and shall at the same time recognize the new financial liability.

Where an enterprise makes substantial revisions to some or all of the contractual stipulations of the existing financial liability, it shall terminated the recognition of the existing financial liability or part of it, and at the same time recognize the financial liability after revising the contractual stipulations as a new financial liability.

Where the recognition of a financial liability is totally or partially terminated, the enterprise concerned shall include into the profits and losses of the current period the gap between the carrying amount which has been terminated from recognition and the considerations it has paid (including the non-cash assets it has transferred out and the new financial liabilities it has assumed).

Where an enterprise buys back part of its financial liabilities, it shall distribute, on the repo day, the carrying amount of the whole financial liabilities in light of the comparatively fair value of the part that continues to be recognized and the part whose recognition has already been terminated. The gap between the carrying amount which is distributed to the part whose recognition has terminated and the considerations it has paid (including the noncash assets it has transferred out and the new financial liabilities it has assumed) shall be recorded into the profits and losses of the current period.

5. Determination of the Fair Value

The fair values of the financial assets or financial liabilities measured at fair value shall be determined by reference to the quoted prices in the active market.

6. Impairment provision of the financial assets (not including accounts receivables)

(1) Impairment of available-for-sale financial assets

An impairment provision shall be made where the fair value of the held-to-maturity financial assets drop significantly at the balance sheet date or the trend of decrease is expected not to be temporary after taking various factors into consideration. The accumulative losses arising from the decrease of the fair value of the owner's equity which was directly included shall be transferred out and recorded as impairment loss

(2) Impairment of held-to-maturity investment

The impairment of the held-to-maturity investment can be measured by reference to the measurement of

the impairment of accounts receivables.

(10) Receivables

1. The recognition and provision of bad debt for the individually significant receivable

The recognition standard of bad debt provision for the individually significant receivable:

Individually significant receivables refer to accounts receivable over RMB 10 million or other receivables over RMB 5 million

The provision of bad debt for the individually significant receivable:

The impairment test should be assessed individually for each individually significant receivable. If there is evidence indicating the receivables have been impaired, the difference between the present value of the future cash flows and the book value of receivables shall be recognized as bad debt provision and shall be recorded into the profits and losses at the current period.

2. The recognition and provision of bad debt for the individually significant receivable with high credit risk in group assessment

Individually insignificant receivables with high credit risk in group assessment refer to the individually insignificant receivables whose ageing is over 3 years.

The bad debt provision for the group of receivables with credit risk characteristics:

Percentage of bad debt provision for accounts receivables: 100%

Percentage of bad debt provision for other receivables: 100%

3. Aging analysis method

Aging	Percentage of bad debt for Accounts receivables (%)	Percentage of bad debt for Other receivables (%)
Within 1 year	0.00	0.00
1-2 years	5.00	5.00
2-3 years	20.00	20.00
Over 3 years	100.00	100.00

(11) Inventory

1) Inventory classification

Inventories include material in transit, raw material, low-valued consumables, work in process, finished goods, materials for consigned processing etc.

2) Valuation method for inventory issuing

The weighted average method is used to confirm the actual cost of the inventories sending out.

3) The basis for confirming the net realizable value of inventories and the methods to make provision for the inventories impairment loss

At the year end, complete check of the inventories shall be carried out and on the date of balance sheet,

the inventories shall be measured whichever is lower in accordance with the cost and the net realizable value.

The net realizable value of inventories (finished products, stock commodity, material etc.) held for direct selling in the daily business activity shall be calculated by deducting the estimated sale expense and relevant taxes from the estimated sale price of inventories.

The net realizable value of inventories for further processing in the daily business activity shall be calculated by deducting the estimated cost of completion, estimated sale expense and relevant taxes from the estimated sale price of inventories.

The net realizable value of inventories held for the execution of sales contracts or labor contracts shall be calculated on the ground of the contract price. If an enterprise holds more inventories than the quantities subscribed in the sales contract, the net realizable value of the excessive part of the Inventories shall be calculated on the ground of the general sales price.

The Company shall make provision for loss on decline in value of inventories on the ground of each item of inventories at the year end. For inventories with large quantity and relatively low unit prices, the provision for loss on decline in value of inventories shall be made on the ground of the categories of inventories.

For the inventories related to the series of products manufactured and sold in the same area, and of which the final use or purpose is identical or similar thereto, and if it is difficult to measure them by separating them from other items, the provision for loss on decline in value of inventories shall be made on a combination basis.

If the factors causing any write-down of the inventories have disappeared, the amount of write-down shall be resumed and be reversed from the provision for the loss on decline in value of inventories that has been made. The reversed amount shall be included in the current profits and losses.

4) Inventory system

The Company use perpetual inventory system.

3) Amortization of low-valued consumables and packing materials

Low-valued consumables should be amortized in full amount on issuance.

Packing materials should be amortized in full amount on issuance

(12) Long-term equity investment

1) Initial measurement

(1) The initial cost of long-term equity investment from business acquisition:

For the acquisition under the common control, if the consideration of the acquiring enterprise is that it makes payment in cash, transfers non-cash assets, bear its debts, or issues equity securities, it shall, on the date of acquisition, regard the share of the book value of the owner's equity of the acquired enterprise as the initial cost of the long-term equity investment. The difference between the initial cost of the

long-term equity investment and the payment borne by the acquiring party shall offset against the capital reserve. If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted. The direct cost for the business combination of the combining party shall, including the expenses for audit, assessment and legal services, be recorded into the profits and losses at the current period.

For the combination not under the common control, the combination costs shall be the fair values, on the acquisition date, of the assets paid, the liabilities incurred or assumed and the equity securities issued by the acquirer in exchange for the control on the acquiree. For a business combination realized by two or more transactions of exchange, the combination costs shall be the summation of the costs of all separate transactions. Where any future event that is likely to affect the combination costs is stipulated in the combination contract or agreement, if it is likely to occur and its effects on the combination costs can be measured reliably, the acquirer shall record the said amount into the combination costs.

(2) The initial cost of the long-term equity investment other than from business acquisition:

The initial cost of a long-term equity investment obtained by making payment in cash shall be the purchase cost which is actually paid.

The initial cost of a long-term equity investment obtained on the basis of issuing equity securities shall be the fair value of the equity securities issued.

The initial cost of a long-term equity investment of an investor shall be the value stipulated in the investment contract or agreement (minus cash dividend or profit declared but not paid) except the unfair value stipulated in the contract or agreement.

If the exchange of non-monetary assets is commercial in nature and the fair values of both the assets received and surrendered can be reliably measured, the fair value of the assets surrendered shall be the basis for the determination of the cost of the assets received, unless there is any exact evidence showing that the fair value of the assets received is more reliable. Where any non-monetary assets transaction does not meet the conditions as prescribed above, the carrying value and relevant payable taxes of the assets surrendered shall be the initial cost of the assets received.

The initial cost of a long-term equity investment obtained by Debt Restructuring shall be ascertained on the basis of fair values.

2) Subsequent measurement and profit or loss recognition

(1) Subsequent measurement

The Company adopts cost method for the long term investment in subsidiary company and shall make an adjustment by employing the equity method when it prepares consolidated financial statements.

For a long-term equity investment for which there is no quoted price in the active market and of which the fair value cannot be reliably measured, if the investing enterprise has not joint control or significant influence over the invested entity, the cost method shall be employed in the measurement.

A long-term equity investment of the investing enterprise that does joint control or significant influences

over the invested entity shall be measured by employing the equity method.

If the initial cost of a long-term equity investment is more than the investing enterprise' attributable share of the fair value of the invested entity's identifiable net assets for the investment, the initial cost of the long-term equity investment may not be adjusted.

If the initial cost of a long-term equity investment is less than the investing enterprise' attributable share of the fair value of the invested entity's identifiable net assets for the investment, the difference shall be included in the current profits and losses

Where any change is made to the owner's equity other than the net profits and losses of the invested entity and if the percentage of the share remains the same, the book value of the long-term equity investment shall be adjusted in accordance with the attributable part calculated as per the proportion of the shares and simultaneously capital reserves (other capital reserves) shall be increased or decreased accordingly.

2) Under the cost method, an investing enterprise shall, in accordance with the attributable share of the net profits or losses of the invested entity, recognize the investment profits or losses except the dividend declared but unpaid, which is included in the payment when acquiring the investment

Under the equity method, the following factors shall be taken into consideration: if the accounting policies and accounting periods adopted by the invested entity are different from those adopted by the investing enterprise, an adjustment shall be made to the financial statements of the invested entity in accordance with the accounting policies and accounting periods of the investing enterprise. the impact of the depreciation and amortization based on the fair value of fixed assets and intangible assets acquired at the time of investment and related assets impairment for the net profit; the offset of the unrealized intercompany transaction profits between the parent company and the jointly controlled enterprises and associates. After considering the adjustments above, it shall, in accordance with the attributable share of the net profits or losses of the invested entity, recognize the investment profits or losses.

When the invested enterprise realize any net profit in the future period, the company shall reduce the unrecognized loss first and then make the reverse accounting treatment as above , reduce the book value of recognized contingent liabilities , recover the book value of the long-term equity investment and other long-term right and interests which substantially form the net investment made to the invested entity and at the same time, recognized the income on investment

3) Criteria for the determination of joint control and significant influence over invested enterprise

If an investing enterprise has the control over an economic activity in accordance with the contracts and agreements, which does not exist unless the investing parties of the economic activity with an assent on sharing the control power over the relevant important financial and operating decisions, the investing enterprise and other parties are regarded to have joint control over an invested entity

If an investing enterprise has the power to participate in making decisions on the financial and operating policies of an enterprise, but not to control or do joint control together with other parties over the

formulation of these policies, the investing enterprise is regarded to have significant influences on the invested entity.

4) Impairment test and provision for impairment

For a long-term equity investment for which there is no quoted price in the active market and of which the fair value cannot be reliably measured and the investing enterprise does not have significant influence over the invested entity, the impairment shall be determined by the balance between its carrying value and the present value of its future cash flows discounted by the present market rate of return of the similar financial assets.

For other long-term equity investment other than goodwill arising from the business combination, if the net realizable value shows the net realizable value of the long term equity investment is less than the book value, the balance shall be recognized as an impairment loss.

The Company assesses the goodwill arising from the business combination every year regardless whether there is indication of impairment.

Once any impairment loss of long-term equity investment is recognized, it shall not be switched back in the future accounting periods.

(13) Investment real estates

The term "investment real estates" refers to the real estates held for generating rent and/or capital appreciation. The investment real estates include:

- (1) The right to use any land which has already been rented;
- (2) The right to use any land which is held and prepared for transfer after appreciation; and
- (3) The right to use any building which has already been rented.

The Investment real estates shall be measured by the cost model. For the investment real estates measured at cost model, Building for rent shall adopt the same depreciation policy as that of fixed assets and land use right shall adopt the same amortization policy as that of intangible assets

Where any evidence shows that there is possible investment real estates impairment, the recoverable amount of the investment real estates shall be estimated. If the recoverable amount of the investment real estates is lower than the book value, the impairment loss shall be recognized accordingly

Once any impairment loss of investment real estates is recognized, it shall not be switched back in the future accounting periods.

(14) Fixed assets

1. Recognition of Fixed assets

The term "fixed assets" refers to the tangible assets that simultaneously possess the features as follows:

- (1) They are held for the sake of producing commodities, rendering labor service, renting or business

management; and

(2) Their useful life is in excess of one fiscal year.

No fixed asset may be recognized unless it simultaneously meets the conditions as follows:

- (1) The economic benefits pertinent to the fixed asset are likely to flow into the enterprise; and
- (2) The cost of the fixed asset can be measured reliably.

2. Fixed assets depreciation

Fixed assets are depreciated under the straight line method. The depreciation rate is determined according to the category of assets, the useful life and the expected salvage value.

Leased assets are depreciated over the useful life if it is reasonably certain that the ownership of the leased assets will be acquired upon expiry of lease, or over the shorter of lease term and useful life if it is not reasonably certain that the ownership of the leased assets will be acquired upon expiry of lease.

Details of classification, depreciation period, salvage value rate and annual depreciation rate are as follows:

Classification	Depreciation Period	Salvage Value Rate (%)	Depreciation Rate (%)
Plants and Buildings	8-30years	0.00	3.33-12.50
Machinery	4-18 years	3.00	5.39-24.30
Transportation and other equipments	5-18 years	3.00	5.39-19.40

3. Impairment of fixed assets:

The Company shall, on the day of balance sheet, make a judgment on whether there is any sign of possible fixed assets impairment. Where any evidence shows that there is possible fixed assets impairment, the recoverable amount of the fixed assets shall be estimated. The recoverable amount shall be determined in light of the higher one of the net amount of the fair value of the fixed assets minus the disposal expenses and the current value of the expected future cash flow of the fixed assets.

Where the measurement result of the recoverable amount indicates that an fixed asset's recoverable amount is lower than its carrying value, the carrying value of the fixed asset shall be recorded down to the recoverable amount, and the reduced amount shall be recognized as the loss of fixed asset impairment and be recorded as the profit or loss for the current period. Simultaneously, a provision for the fixed asset impairment shall be made accordingly.

After the loss of fixed asset impairment has been recognized, the depreciation or amortization expenses of the impaired fixed asset shall be adjusted accordingly in the future periods so as to amortize the post-adjustment carrying value of the fixed asset systematically (deducting the expected net salvage value) within the residual service life of the fixed asset.

Once any loss of fixed asset impairment is recognized, it shall not be switched back in the future accounting periods.

Where there is any evidence indicating a possible impairment of fixed assets, the Company shall, on the basis of single item assets, estimate the recoverable amount. Where it is difficult to do so, it shall determine the recoverable amount of the group assets on the basis of the asset group to which the fixed asset belongs.

4. Recognition criteria for fixed asset leased in by finance lease and its valuation

Where a lease satisfies one or more of the following criteria, it shall be recognized as a finance lease:

- (1) The ownership of the leased asset is transferred to the lessee when the term of lease expires;
- (2) The lessee has the option to buy the leased asset at a price which is expected to be far lower than the fair value of the leased asset at the date when the option becomes exercisable.
- (3) The lease term covers the major part of the use life of the leased asset;
- (4) The present value of the minimum lease payments on the lease beginning date amounts to substantially all of the fair value of the leased asset on the lease beginning date;

On the lease beginning date, the Company shall record the lower one of the fair value of the leased asset and the present value of the minimum lease payments on the lease beginning date as the entering value in an account, recognize the amount of the minimum lease payments as the entering value in an account of long-term account payable, and treat the balance between the recorded amount of the leased asset and the long-term account payable as unrecognized financing charges.

(15) Construction in Progress

1. Classification of Construction in Progress

Construction in progress is classified and measured by the specific project.

2. The criteria and time of transfer of construction in progress to fixed assets

The cost of fixed assets transferred from a construction in progress includes all the necessary expenses incurred for bringing the asset to the expected conditions for use.

Construction in progress is transferred to fixed asset when it has reached its working condition for its intended use. In case the final project accounts have not been completed or approved, the asset should be transferred to fixed assets at an estimated value by considering project budget, cost or actual cost of the project and etc., and the depreciation of the said fixed assets shall be provided in accordance with the Company's accounting policy since it has reached its working condition for its intended use. After the project accounts have been approved, the estimated values should be adjusted based on the actual cost, but those provided depreciation should not be adjusted.

3. Impairment of Construction in progress:

The Company shall, on the day of balance sheet, make a judgment on whether there is any sign of

possible Construction in progress impairment.

If there is evidence indicates that there is possible construction in progress impairment, the recoverable amount of the construction in progress shall determined as higher of the net amount of the fair value of the construction in progress less disposal expenses, and the current value of the expected future cash flow of the construction in progress.

Where an fixed asset's recoverable amount is lower than its carrying value, the carrying value of the fixed asset shall be reduced to the recoverable amount, and the reduced amount shall be recognized as fixed asset impairment loss and be recorded as the profit or loss for the current period. Simultaneously, a provision for the fixed asset impairment shall be made accordingly.

After the impairment has been recognized, the depreciation of the impaired fixed asset shall be adjusted accordingly in the future periods so as to depreciate the adjusted carrying value of the fixed asset systematically (deducting the expected salvage value) over the remaining useful life of the fixed asset.

Impairment loss on construction in progress shall not be reversed in the future accounting periods.

Where there is any evidence indicating a possible impairment of construction in progress, the Company shall, on the basis of single item assets, estimate the recoverable amount. If the recoverable amount of the individual asset is undeterminable, the company shall determine the recoverable amount of the asset group to which the fixed asset belongs.

(16) Borrowing Costs

1) Principle of the recognition of capitalized borrowing costs

Where the borrowing costs incurred to an enterprise can be directly attributable to the acquisition and construction or production of assets eligible for capitalization, it shall be capitalized and recorded into the costs of relevant assets. Other borrowing costs shall be recognized as expenses on the basis of the actual amount incurred, and shall be recorded into the current profits and losses.

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

The borrowing costs shall not be capitalized unless they simultaneously meet the following requirements:

- (1) The asset disbursements have already incurred, which shall include cash, transferred non-cash assets or interest bearing debts paid for the acquisition and construction or production activities for preparing assets eligible for capitalization;
- (2) The borrowing costs has already incurred; and
- (3) The acquisition and construction or production activities which are necessary to prepare the asset for its intended use or sale have already started.

2) The capitalization period of borrowing costs

The capitalization period shall refer to the period from the commencement to the cessation of

capitalization of the borrowing costs, excluding the period of suspension of capitalization of the borrowing costs.

When the qualified asset under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs shall be ceased.

Where each part of a qualified asset under acquisition and construction or production is completed separately and is ready for use, the capitalization of the borrowing costs in relation to this part of asset shall be ceased.

Where each part of a asset under acquisition and construction or production is completed separately and is ready for use or sale during the continuing construction of other parts, but it can not be used or sold until the asset is entirely completed, the capitalization of the borrowing costs shall be ceased when the asset is completed entirely.

3) The Suspension of capitalization of borrowing costs

Where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended. If the interruption is a necessary step for making the qualified asset under acquisition and construction or production ready for the intended use or sale, the capitalization of the borrowing costs shall continue. The borrowing costs incurred during such period shall be recognized as expenses, and shall be recorded into the profits and losses of the current period, till the acquisition and construction or production of the asset restarts.

4) Method of calculating the capitalized amount of borrowing costs

For interest expense (minus the income of interests earned on the unused borrowing loans as a deposit in the bank or investment income earned on the loan as a temporary investment) and the ancillary expense incurred to a specifically borrowed loan, those incurred before a qualified asset under acquisition, construction or production is ready for the intended use or sale shall be capitalized at the incurred amount when they are incurred, and shall be recorded into the costs of the asset eligible for capitalization;

The enterprise shall calculate and determine the to-be-capitalized amount of interests on the general borrowing by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the general borrowing by the capitalization rate of the general borrowing used. The capitalization rate shall be calculated and determined in light of the weighted average interest rate of the general borrowing.

Where there is any discount or premium, the amount of discounts or premiums that shall be amortized during each accounting period shall be determined by the real interest rate method, and an adjustment shall be made to the amount of interests in each period.

(17) Intangible Assets

1. Measurement of Intangible Assets

(1). Initial measurement is based on cost upon acquisition.

The intangible assets shall be recorded at initial cost.

The cost of an intangible asset on acquisition include the purchase price, relevant taxes and other necessary disbursements which may be directly attributable to bringing the intangible asset to the conditions for the expected purpose. If the payment for an intangible asset is delayed beyond the normal credit conditions and it is of the financing nature, the cost of the intangible asset shall be determined on the basis of the current value of the purchase price.

For intangible assets obtained from debt restructuring as settlement of liabilities from debtors, initial recognition is based on its fair value, and the difference between the debt restructured and the fair value of the intangible assets are recognized in the current profit and loss.

For intangible assets obtained from non-monetary transactions with commercial substance, and the fair value of the assets obtained or surrendered can be reliably measured, the initial recognition of the asset obtained is based on the fair value of the asset surrendered, unless there is strong evidence that the fair value of the asset obtained is more reliable. For intangible assets obtained through non-monetary transactions which do not meet the above criteria, the initial recognition is based on the book value of the assets surrendered and the relevant taxes payable. No gain or loss will be recognized.

For the intangible assets are obtained in a business combination under the same control, initial recognition is based on the book value of the party being combined. If the intangible assets are obtained in a business combination not under the same control, initial recognition is based on the fair value.

For self-developed intangible assets, the costs shall include the cost of material consumed in developing the intangible assets, labor costs, registration cost, and amortization of other patents and royalty in the developing process, the capitalized interest expense and other necessary expenditures directly attributable to intangible assets for the expected purpose.

(2). Subsequent Measurement

The Company shall analyze and judge the beneficial period of intangible assets upon acquisition.

Intangible assets with finite beneficial period shall be amortized under the straight-line method during the period when the intangible asset can bring economic benefits to the enterprise. If it is unable to estimate the beneficial period of the intangible asset, it shall be regarded as an intangible asset with uncertain service life and shall not be amortized.

2. Impairment of intangible Assets

For intangible assets with finite beneficial period, impairment test shall be performed at end of the period if there is strong evidence that impairment exists.

Impairment test shall be carried out for intangible assets with uncertain beneficial period at each end of the period.

Impairment test shall be performed for intangible assets, for which the recoverable amount of the intangible assets shall determined as higher of the net amount of the fair value of the intangible assets

less disposal expenses, and the current value of the expected future cash flow of the intangible assets.

Where an fixed asset's recoverable amount is lower than its carrying value, the carrying value of the fixed asset shall be reduced to the recoverable amount, and the reduced amount shall be recognized as fixed asset impairment loss and be recorded as the profit or loss for the current period. Simultaneously, a provision for the fixed asset impairment shall be made accordingly.

After the impairment has been recognized, the depreciation of the impaired fixed asset shall be adjusted accordingly in the future periods so as to depreciate the adjusted carrying value of the fixed asset systematically (deducting the expected salvage value) over the remaining useful life of the fixed asset.

Impairment loss on intangible assets shall not be reversed in the future accounting periods.

Where there is any evidence indicating a possible impairment of intangible assets, the Company shall, on the basis of single item assets, estimate the recoverable amount. If the recoverable amount of the individual asset is undeterminable, the company shall determine the recoverable amount of the asset group to which the fixed asset belongs.

3. Classification criteria for internal research phase and development phase

Research phase refers to the phase of creative and planned investigation to acquire and study to acquire and understand new scientific or technological knowledge.

Development phase refers to the phase during which the result of research phase or other knowledge is applied into certain projects or designs for the manufacturing of new or substantially improved material, device and product.

The expenditure of research phase of internal research and development projects shall be recorded into the profit or loss of the current period.

4. Criteria of capitalization of development expenditure

Expenditures during the development phase of internal research and development projects shall be recognized as intangible assets when they meet all the following criteria:

- (1) It is feasible technically to complete the intangible assets for use or sale;
- (2) The intention to complete and use or sell the intangible assets is present;
- (3) The method of which the intangible assets generate economic benefits shall be proved, including being able to prove that there is a potential market for the products manufactured by applying the intangible assets or there is a potential market for the intangible assets itself or the intangible assets will be used internally;
- (4) Sufficient technical, financial and other resources to complete the development of the intangible assets, and ability to use or sell the intangible assets and
- (5) The development expenditures of the intangible assets can be reliably measured.

(18) Contingent liabilities

When the Company is involved in litigation, guarantees provided for the debts of other enterprises, loss

contract, restructuring and these events will result in future assets transfer or rendering of services and the amount of the obligation can be measured reliably, the contingent liabilities shall be recognized.

1. Recognition of contingent liabilities

The obligation pertinent to a Contingency shall be recognized as an estimated debt when the following conditions are satisfied simultaneously:

- (1) That obligation is a current obligation of the enterprise;
- (2) It is likely to cause any economic benefit to flow out of the enterprise as a result of performance of the obligation; and
- (3) The amount of the obligation can be measured in a reliable way.

2. Measurement of contingent liabilities

The estimated debts shall be initially measured in accordance with the best estimate of the necessary expenses for the performance of the current obligation.

To determine the best estimate, an enterprise shall take into full consideration of the risks, uncertainty, time value of money, and other factors pertinent to the Contingencies. If the time value of money is of great significance, the best estimate shall be determined after discounting the relevant future outflow of cash.

The best estimate shall be conducted in accordance with the following situations, respectively:

If there is a sequent range for the necessary expenses and if all the outcomes within this range are equally likely to occur, the best estimate shall be determined in accordance with the middle estimate within the range.

If there is not a sequent range for the necessary expenses and if the outcomes within this range are not equally likely to occur, the best estimate shall be determined as follows:

- (1) If the Contingencies concern a single item, it shall be determined in the light of the most likely outcome.
- (2) If the Contingencies concern two or more items, the best estimate should be calculated and determined in accordance with all possible outcomes and the relevant probabilities.

When all or some of the expenses necessary for the liquidation of an estimated debts of an enterprise is expected to be compensated by a third party, the compensation should be separately recognized as an asset only when it is virtually certain that the reimbursement will be obtained. The amount recognized for the reimbursement should not exceed the book value of the estimated debts.

(19) Revenue

1. Recognition Criteria for the Revenue from sale of goods

The Company has transferred to the buyer the significant risks and rewards of ownership of the goods; and retained neither continuing managerial involvement which usually relates to the ownership nor exerts effective control over the goods sold. The relevant amount of revenue can be measured reliably, the economic benefits related to the transaction will flow into the enterprise; and the relevant costs

incurred or to be incurred can be measured reliably. Revenue from the sale of goods may be recognized.

2. Recognition Criteria for the Revenue from alienating of Assets Use Rights

When it is probable that economic benefits in relation to the transaction will flow into the enterprise; and the amount of revenues can be measured reliably. The Company shall ascertain the amount of revenues from the transfer of Assets Use Right based on the following circumstances respectively:

- (1) Interest income shall be calculated based on the duration of which the Company's cash is used by others and the actual interest rate; or
- (2) Royalty revenue shall be calculated based on the period and method of charging as stipulated in the relevant contract or agreement.

3. Recognition Criteria for the Revenue from providing Labor Services and Construction

Contracts under percentage of completion method

Revenue from providing labor services are recognized under the percentage of completion method if the outcome of the labor service provision transaction can be reliably measured. Percentage completed is determined by measurement of work completed.

Total revenue from providing of labor services is determined based on the received or receivable amount stipulated in the contract or agreement, unless the received or receivable amount as stipulated in the contract or agreement is unfair.

The Company shall, on the date of the balance sheet, ascertain the current revenue from providing labor services by multiplying the total amount of revenues from providing labor services with the percentage completion, less cumulative revenues recognized in the previous accounting periods. At the same time, the enterprise shall recognize current cost of labor services by multiplying the total estimated cost of providing of labor services with percentage completion less cumulative costs recognized in the previous accounting periods.

If the result of a transaction concerning the providing of labor services cannot be reliably measured at the balance sheet date, it shall be measured as follows:

- (1) If the cost of labor services incurred is expected to be compensated, the revenue from the providing of labor services shall be recognized to the extent of the cost of labor services incurred, and the cost of labor services shall be recognized; or
- (2) If the cost of labor services incurred is not expected to compensate, the cost incurred should be recognized in the current profit and loss, and no revenue from the providing of labor services shall be recognized.

(20) Government Subsidies

1. Types of Government subsidies

A government subsidy means the monetary or non-monetary assets obtained free of charge by the Company from the government. Government subsidies consist of the government subsidies pertinent to assets and government subsidies pertinent to income.

2. Accounting treatment

The government subsidies pertinent to fixed assets and intangible assets shall be recognized as deferred income and equally recognized over the useful lives of the relevant assets as non operating income;

The government subsidies pertinent to incomes to subsidize future expenses shall be recognized as deferred income and transferred to non operating income in the period during which the expenses subsidized is recognized. Government subsidies to subsidize past expenses or losses shall be recognized in the income statement in the period during which the subsidy is received.

(21) Deferred income tax liabilities and assets

1. Recognition of deferred income tax assets

The Company shall recognize the deferred income tax assets arising from a deductible temporary difference to the extent that it is probable that the deductible temporary differences will be utilized to offset taxable income.

2. Recognition of deferred income tax liabilities

The Company shall recognize the accrued income tax of the taxable temporary differences arising from current and prior periods as a deferred income tax liability. Recognition of deferred income tax liabilities are exclusive of goodwill and temporary differences arising from transaction not resulted from business combinations and such transaction will affect neither accounting profit nor taxable income of the period during which it occurs.

(22) Operating lease and finance lease

1. Accounting treatment of Operating lease

(1).The rents paid for operating leases shall be recorded in the profits and losses of the current period by using the straight-line method over each period of the lease term. The initial direct costs paid by the Company shall be recorded into the profits and losses of the current period

If the lessor has shouldered any expense related to the lease which should have been borne by the Company, the Company shall deduct these expenses from the total rental expense and the remaining rental expense shall be allocated to each period during the lease term

(2). The rents collected from operating leases shall be recorded in the profits and losses of the current period by using the straight-line method over each period of the whole lease term in which free lease period is included. The initial direct costs paid by the Company shall be recorded into the profits and losses of the current period. The initial direct costs shall be capitalized if it is material, and be allocated to each period as per the basis for rental revenue recognition.

If the Company has shouldered any expense related to the lease which should have been borne by the lessee, the company shall deduct these expenses from the total rental revenue and the remaining rental revenue shall be allocated to each period during the lease term.

2. Accounting treatment of Finance lease

(1). Leased in asset

On the lease beginning date, a lessee shall record the lower one of the fair value of the leased asset and the present value of the minimum lease payments on the lease beginning date as the entering value in an account, recognize the amount of the minimum lease payments as the entering value in an account of long-term account payable, and treat the balance between the recorded amount of the leased asset and the long-term account payable as unrecognized financing charges.

The lessee shall adopt the effective interest rate method to calculate and recognize the financing charge in the current period. The unrecognized financing charge shall be amortized to each period during the lease term.

(2). Leased out asset

On the beginning date of the lease term, the balance between the sums of the financing lease values receivable and the unguaranteed residual value, and the sum of their present values shall be recognized as unrealized financing income. The unrealized financing income shall be allocated to each period during the lease term. The initial direct costs directly attributable to the leased item shall be included in the initial measurement of financing lease values receivable and reduce the profit recognized during the lease period.

(23) Significant accounting policies and changes to accounting estimates

1) Changes to accounting policies

No accounting policy change with the Company.

2) Changes to accounting estimates

As approved by the Board of directors, the Company decided to adjust the depreciation period for certain part of the Fixed assets from 1 April 2010 on and the major influence of the accounting estimate change for the financial statements of 2010 is as follows:

The content and reason for the change of accounting estimates	Approval procedure	Items affected	Amount affected
Cancellation of accelerated depreciation method, and change of depreciation period	Resolution approved by first meeting of the Fifth Board of directors	Accumulated depreciation	-183,214,897.28
		Operating Cost	-181,731,320.45
		General and administrative expenses	-1,483,576.83
		Profit before tax	183,214,897.28
		Net profit	183,214,897.28

(24) Correction of prior period errors

No prior period errors have been found.

(25) Other significant accounting policies, accounting estimates and the preparation method of financial statements

None

3. Taxes

1. Major Taxes and Rates

1. Value added tax: the taxes should be paid by taxable sales at 17% to allow the deduction of input tax.
2. City maintenance and construction taxes: the tax should be paid at 7% of turnover tax actually paid.
3. Enterprise income tax: the tax should be paid at 25% of taxable profit
4. Housing property tax: the tax should be paid at 1.2% of the building's original costs after deduction of 30% of that.
5. Other taxes: to be calculated and paid according to the relevant tax laws.

2. Tax Preference

1. According to the Cai Shui (2009) No. 43 "Notice of Ministry of Finance and State Administration of Taxation on Raising the Export Tax Refund Rate for Textile, Electronics Information" issued by the Finance Ministry and State Tax Bureau, from 1 April on, the tax refund rate for cold rolling plates, hot rolling stainless steel, oriented silicon steel, alloy steel, seamless steel pipe and kitchen range steel products will be increased from 5-13% to 9%-13%.

4 Business combination and consolidated financial statements

The figures in the following two tables are expressed in RMB 0,000.00 unless otherwise stated .

1) Information of the subsidiaries

1、 The subsidiaries acquired through investment or establishment

Full name of the subsidiaries	Type of subsidiary	Registered address	Nature of business	Registered Capital	Business Scope	Actual investment at year end	Other balance which constitutes investment in nature	Percentage of Shareholding (%)	Voting rights (%)	Consolidated or not	Minority equity	Note A	Note B
Guangzhou Benggang Trading Co., Ltd	Wholly-owned	Guangzhou	Sales	100	Steel sales	100		100	100	Yes			
Shanghai Benggang Metallurgy Science and Technology Co., Ltd.	Wholly-owned	Shanghai	Sales	500	Steel sales	500		100	100	Yes			
Bengang Liaoyang Steel Pallette Co., Ltd.	Wholly-owned	Liaoyang	Manufacture	1,000	Manufacturing and sale of pallette	47,760.76		100	100	Yes			
Dalian Benruitong automobile material	Associate	Dalian	Manufacture	10,000	Steel sales	6,500.00		65	65	Yes			

technology Co., Ltd.													
Bengang Cold-rolled Stainless steel Dandong Co., Ltd.	Associate	Dandong	Manuf acture	26,000		26,000		100		100		Yes	

Note A: the amount in the minority equity used to offset the minority profit or loss

Note B: the excess of losses applicable to the minority exceed the minority's interests in the beginning equity of a subsidiary charged against the Group's interest

2、 The subsidiaries acquired through business combination under common control

Full name of the subsidiaries	Type	Register ed address	Nature of business	Registered Capital	Business Scope	Actual investment at year end	Other balance which constitutes investment in nature	Share holding(%)	Voting share (%)	Consolidated or not	Minority equity	Note A	Note B
Changchun Bengang Steel Sales Ltd.	Wholly-o wned	Chang chun	Sales	50	Steel sales	-135.51		100	100	Yes			
Harbin Bengang Steel & Iron Sales Ltd.	Wholly-o wned	Harbin	Sales	50	Steel sales	42.34		100	100	Yes			
Nanjing Bengang Material Sales Ltd.	Wholly-o wned	Nanjin	Sales	115	Steel sales	208.14		100	100	Yes			
Wuxi Bengang Steel Sales Ltd.	Wholly-o wned	Wuxi	Sales	100	Steel sales	93.67		100	100	Yes			
Xiamen Bengang Steel Sales Ltd.	Wholly-o wned	Xiame n	Sales	50	Steel sales	109.57		100	100	Yes			

Full name of the subsidiaries	Type	Registered address	Nature of business	Registered Capital	Business Scope	Actual investment at year end	Other balance	Share holding(%)	Voting share (%)	Consolidated or not	Minority equity	Note A	Note B
							which constitutes investment in nature						
Yantai Bengang Steel Sales Ltd.	Wholly-owned	Yantai	Sales	50	Steel sales	1,960.03		100	100	Yes			
Tianjin Bengang Steel Trading Ltd.	Wholly-owned	Tianjin	Sales	300	Steel sales	3,331.81		100	100	Yes			

Note A: the amount in the Minority equity used to offset the Minority profit or loss

Note B: the excess of losses applicable to the minority exceed the minority's interests in the beginning equity of a subsidiary charged against the Group's interest

2) Special purpose entity or operational entity controlled through entrusted operation or lease

None.

3) The change of consolidation scope

The consolidation scope has increase by two subsidiaries compared with last year:

1. The Company has invested RMB100 million and RMB160 million in January and May respectively for the set-up of of the Bengang Cold-rolled Stainless Steel Dandong Co., Ltd. in Dandong, which has been approved the Administration of Industry and Commerce of Dandong, Liaoning Province. The Paid-in capital is RMB260 million and has been verified by Dandong Yalujiang Accountant Firm with Capital verification report “Dan Ya Kuai Yan Zi (2010) No. 1”.and “Dan Ya Kuai Yan Zi (2010) No. 147”

2. Dalian Benruitong Automobile Material Technology Co., Ltd. is jointy set up in Dalian by the Company, Hubei Huitong Gongmao Group Co., Ltd. and Wuhu Ruichuang Investment Co., Ltd. on 12 June, 2010, which has been approved the Administration of Industry and Commerce of Dalian, Liaoning Province. The Company possesses 65% of the total share. The registered capital is RMB 100 million and has been verified by Dalian Zaolin Certified Public Accounts Co., Ltd. with the Capital verification report “Da Zao Kuai Yan Zi (2010)No. 019”.

4) Subsidiaries being newly included in the consolidation scope and the subsidiaries which have not been consolidated this period.

1. Subsidiaries being newly included in the consolidation scope this period

Name	Net assets at year end	Net profit of this period
Dalian Benruitong Automobile Material Technology Co., Ltd.	99,872,240.27	-127,759.73
Bengang Cold-rolled Stainless Steel Dandong Co., Ltd.	260,000,000.00	

2. The subsidiaries which have not been consolidated this period

None

5) The business combination under the common control

None

6) The business combination not under the common control

None

5 Notes to the consolidated financial statements

As below, The “beginning balance” means 31 December 2009, “Ending balance” means 31 December 2010, “This period” means from 1 January 2010 to 31 December 2010. The following amount is expressed in Reminbi unless otherwise stated.

(1) Cash at bank and on hand

Item	Ending balance			Beginning balance		
	Original amount	Exchange rate	RMB amount	Original amount	Exchange rate	RMB amount
Cash on hand						
RMB			122,226.22			51,602.24
Subtotal			122,226.22			51,602.24
Cash at bank						
RMB			1,259,264,621.17			1,371,404,875.80
HKD	860,172.87	0.8509	731,921.10	23,482.32	0.8805	20,676.18
USD	32,264.82	6.6229	213,686.68	190,501.44	6.8283	1,300,800.99
EUR	13,275.59	8.7677	116,396.39	13,262.13	9.7836	129,751.38
Subtotal			1,260,326,625.34			1,372,856,104.35
Other monetary funds						
RMB			214,596,296.99			1,470,053,344.01
Subtotal			214,596,296.99			1,470,053,344.01
Total			1,475,045,148.55			2,842,961,050.60

The details of other monetary funds are as follows:

Item	Ending balance	Beginning balance
Fixed deposit	4,367,126.26	286,119,000.00
Credit letter deposit		7,506,151.70
Bank acceptance bill deposit	210,229,170.73	1,176,428,192.31
Total	214,596,296.99	1,470,053,344.01

At the year end, Fixed deposit amounting to RMB 4,367,126.26 is pledged for the issuance of Notes payable. The Ending balance has reduced by RMB 1,367,915,902.05 at the year end compared with the beginning balance. The decrease rate is 48.12% and is mainly caused by settlement of purchase by the monetary assets

(2) Notes receivable

1. The categories of Notes receivable

Item	Ending balance	Beginning balance
Bank acceptance bill	1,900,062,739.70	1,758,593,662.55
Commercial acceptance bill		
Total	1,900,062,739.70	1,758,593,662.55

2. No pledged acceptance bill at the year end.

3. No Notes receivable has been transferred into accounts receivable due to inability of drawer to meet acceptance bill at the end year end.

4. Details of Notes receivable endorsed over but not yet matured

Period	Amount	Notes
Within one month	1,325,194,135.03	
1-2 months	930,633,756.34	
2-3 months	1,030,606,683.42	
3-6 months	1,655,294,697.00	
Total	4,941,729,271.79	

5. Details of Notes receivable which have been discounted but not yet matured at the year end

Period	Amount	Notes
Within one month	224,897,897.93	
1-2 months	384,033,091.25	
2-3 months	276,016,848.67	
3-6 months	452,868,422.94	
Total	1,337,816,260.79	

6. Within the aforesaid balance, there is no Notes receivable due from the shareholders who hold 5% or more of the company ' s voting shares.

(3) Accounts receivable

1. Accounts receivable by categories

Item	Carrying value	Ending balance		
		Percentage of the total accounts receivable(%)	Provison for bad debt	Bad debt ratio(%)
Individually significant and tested for impairment individually				
accounts receivable tested for impairment by portfolio	755,168,055.62	100.00	410,311,020.05	54.33
Other insignificant items but tested for impairment individually				
Total	755,168,055.62	100.00	410,311,020.05	54.33

Item	Amount	Beginning balance		
		Percentage of the total accounts receivable(%)	Provison for bad debt	Bad debt Ratio(%)
Individually significant and tested for impairment individually				
accounts receivable tested for impairment by portfolio	957,805,088.39	100.00	379,391,320.35	39.61
Other insignificant items but tested for impairment individually				
Total	957,805,088.39	100.00	379,391,320.35	39.61

2. Accounts receivable tested for impairment by portfolio

Item	Carrying value	Ending balance	
		Percentage of the total accounts receivable(%)	Provison for bad debt

Within 1 year	273,980,909.25	36.28	
1-2 years	39,052,931.65	5.17	1,952,646.58
2-3 years	42,219,801.57	5.59	8,443,960.32
Over 3 years	399,914,413.15	52.96	399,914,413.15
Total	755,168,055.62	100	410,311,020.05

Item	Carrying value	Beginning balance	
		Percentage of the total accounts receivable(%)	Provison for bad debt
Within 1 year	445,700,267.73	46.54	
1-2 years	89,275,079.38	9.32	4,463,753.97
2-3 years	59,877,718.63	6.25	11,975,543.73
Over 3 years	362,952,022.65	37.89	362,952,022.65
Total	957,805,088.39	100	379,391,320.35

3. No accounts receivable, which had been fully impaired or made a large proportion of bad debt provison last year, has been fully recovered or taken back a huge proportion this year.

4. No accounts receivable has been written off this year

5. The top five debtors at the year end

Company	Relationship with company	Amount	Aging	Percentage of total accounts receivable(%)
Benxi Steel (Group) Machinery Co., Ltd.	Related party	87,292,806.56	1-2 years	11.56
Benxi Steel (Group) Industrial Development Co., Ltd.	Related party	65,409,885.85	Within 1 year	8.66
China Petroleum Materials Co., Ltd.	Client	23,666,032.32	Within 1 year	3.13
Benxi Steel (Group) Metallurgy Residues Co., Ltd.	Related party	21,763,174.78	Within 1 year	2.88
Benxi Steel (Group) Construction & Repairing Co., Ltd.	Related party	17,543,982.47	Within 1 year	2.32
Total		215,675,881.98		28.55

6. The accounts receivables of related parties are disclosed in Note 6.

7. Within the aforesaid balance, there is no amount due from the shareholders that hold 5% or more of the company ' s voting shares.

(4) Prepayments

1. Prepayments presented by aging

Aging	Ending balance		Beginning balance	
	Amount	Percentage(%)	Amount	Percentage(%)
Within 1 year	757,568,718.76	93.43	1,082,831,843.79	94.16
1-2 years	53,282,519.51	6.57	67,212,292.94	5.84
2-3 years				
Over 3 years				
Total	810,851,238.27	100.00	1,150,044,136.73	100.00

2. Top five companies of prepayments

Name of Company	Relationship with company	Amount	Aging	Reason of outstanding
Liaoning electric power (Benxi) Co., Ltd.	Supplier	288,376,022.49	Within 1 year	Prepaid electricity fee
China Metallurgy Southern Engineering Technology Co., Ltd.	Supplier	66,422,125.08	Within 1 year	Prepayments
Shanghai Xintai International Trading Co. Ltd.	Supplier	49,287,677.38	Within 1 year	Cargo not received
Dalian Jiakun International Trading Co. Ltd.	Supplier	32,143,999.93	Within 1 year	Cargo not received
China Metallurgy Southern Engineering Technology Co., Ltd.	Supplier	28,482,348.12	Within 1 year	Prepayments
Total		464,712,173.00		

3. On 31 December 2010, within the aforesaid balance, there is no amount due from the shareholders that hold 5% or more of the Company's voting shares.

4. As to the ending balance of prepayments with regard to related parties, please refer to the Note 6.

5. The explanation of prepayments: The balance of prepayments has reduced by RMB 339,192,898.46 at the year end compared with the beginning balance. The decrease rate is

29.49% and is mainly caused by settlement of prepayments.

(5) Other receivables

1. Other receivable by categories

Item	Carrying value	Ending balance		
		Percentage of the total other receivable(%)	Provison for bad debt	Bad debt ratio(%)
Individually significant and tested for impairment individually				
accounts receivable tested for impairment by portfolio	178,726,805.81	99.04	74,426,789.76	41.64
Other insignificant items but tested for impairment individually	1,740,000.00	0.96		
Total	180,466,805.81	100.00	74,426,789.76	41.64

Item	Amount	Beginning balance		
		Percentage of the total other receivable(%)	Provison for bad debt	Bad debt Ratio(%)
Individually significant and tested for impairment individually				
accounts receivable tested for impairment by portfolio	146,943,250.77	98.83	55,052,791.89	37.47
Other insignificant items but tested for impairment individually	1,740,000.00	1.17		
Total	148,683,250.77	100.00	55,052,791.89	37.47

2. Other receivables tested for impairment by portfolio:

Item	Carrying value	Ending balance	
		Percentage of the total other receivable(%)	Provison for bad debt
Within 1 year	86,637,953.98		48.47

1-2 years	9,115,989.60	5.10	455,799.48
2-3 years	11,252,339.93	6.30	2,250,467.98
Over 3 years	71,720,522.30	40.13	71,720,522.30
Total	178,726,805.81	100	74,426,789.76

Item	Carrying value	Beginning balance	
		Percentage of the total other receivable(%)	Provison for bad debt
Within 1 year	77,445,904.32	52.71	
1-2 years	3,369,823.70	2.29	168,491.18
2-3 years	14,054,027.55	9.56	2,810,805.51
Over 3 years	52,073,495.20	35.44	52,073,495.20
Total	146,943,250.77	100	55,052,791.89

3. Other receivables which are individually insignificant but tested for impairment individually:

Name	Carrying value	Bad debt provision	Bad debt ratio(%)	Reason
Finance Bureau of Benxi Japanese Loan Sinking fund	1,740,000.00			Sinking Fund
Total	1,740,000.00			

The Finance Bureau of Benxi Japanese Loan Sinking fund is the deposit for paying back Japanese yuan loan. The aging is over three years and no bad debt provision has been made.

4. No other receivables, which had been fully impaired or made a large proportion of bad debt provision last year, has been fully recovered or taken back a huge proportion this year.

5. Top five debtors at the year end

Company	Relationship with company	Amount	Aging	Percentage of total other receivables	Nature or content
State administration of Taxation Bengang Branch	Tax bureau	15,306,611.59	Within 1 year	8.48	Tax refund
Client transportation fee	Transportation Company	9,323,595.50	Within 1 year	5.17	Freight
Benxi Steel (Group) Real Estate Development Co., Ltd.	Related Party	7,003,991.64	Within 1 year	3.88	Material
Benxi Steel (Group) Second Steel Rolling Mill	Supplier	4,198,316.69	Within 1 year	2.33	energy and material
Shengyang Zhanxian Decoration Co., Ltd.	Supplier	3,824,589.76	Over 3 years	2.12	Material
Total		39,657,105.18		28.42	

6. As to the ending balance of other receivables with regard to related parties, please refer to the Note 6.

7. Other receivables amounting to RMB 77,827.45 has been written-off this year.

8. On 31 December 2010, within the aforesaid balance, the amount due from Benxi Steel (Group) Co., Ltd. who holds 5% or more the voting shares of the Company is RMB 522,033.16

(6) Inventories

1. Categories of inventories

Item	Ending balance			Beginning balance		
	Carrying value	Impairment	Book value	Carrying value	Impairment	Book value
Raw material and main material	7,248,284,410.99	22,659,881.77	7,225,624,529.22	5,315,883,785.06	22,659,881.77	5,293,223,903.29
work in process and self-made semi-finished product	1,167,538,162.85	66,531,714.03	1,101,006,448.82	372,869,345.07	56,804,949.29	316,064,395.78
Finished products	1,982,843,012.15	11,873,302.11	1,970,969,710.04	2,478,593,460.18	12,207,523.62	2,466,385,936.56
Total	10,398,665,585.99	101,064,897.91	10,297,600,688.08	8,167,346,590.31	91,672,354.68	8,075,674,235.63

There are no inventories used as mortgage and guarantee at the end of the year.

The decrease of the finished products is caused by the increase of sales.

2. Impairment of Inventory

Category	Beginning carrying value	Provision	Reduction		Ending carrying value
			Write-back	Write-off	
Raw material and main materials	22,659,881.77				22,659,881.77
work in process and self-made semi-finished product	56,804,949.29	9,726,764.74			66,531,714.03
Finished products	12,207,523.62	2,702,618.49	3,036,840.00		11,873,302.11
Total	91,672,354.68	12,429,383.23	3,036,840.00		101,064,897.91

3. Information of inventory impairment

Item	The basis of provision for impairment of inventories	The reason for the write-back of impairment	The percentage of write-back against the ending balance of inventory
Raw material and main materials	Net realizable value is lower than cost at the year end		
work in process and self-made semi-finished product	Net realizable value is lower than cost at the year end		
Finished products	Net realizable value is lower than cost at the year end	increase of price	0.15%

(7) Other current assets

Item	Ending balance	Beginning balance
Prepaid income tax	182,211,823.73	182,211,823.73
Total	182,211,823.73	182,211,823.73

(8) Long-term equity investment

Name of entity	Method	Initial	Beginning balance	Changes	Ending balance	holding share (%)	Voting share(%)	Note 1	Impairment	impairment in this period	Cash dividend
Tianjin Bengang Longxing Steel Processing Co., Ltd.	Cost method	3,888,980.00		3,888,980.00	3,888,980.00	20	20				
Zhonggang Shanghai Steel Processing Co., Ltd.	Cost method	10,058,250.00		10,058,250.00	10,058,250.00	15	15				
Zhejiang Bengang Jinrui Steel Processing Co., Ltd.	Cost method	1,843,800.00	1,843,800.00		1,843,800.00	20	20				1,210,690.80
Cost method subtotal		15,791,030.00	1,843,800.00	13,947,230.00	15,791,030.00						
Total		15,791,030.00	1,843,800.00	13,947,230.00	15,791,030.00						

Note 1 . Note for the inconsistency of proportion of the total share holded and the proportion of the voting share

(9) Fixed assets and accumulated depreciation

1. Information of Fixed assets

Item	Beginning balance	Increase in this period	Decrease in this period	Ending balance
1. Total original value	34,393,425,732.21	2,720,206,259.87	637,033,937.30	36,476,598,054.78
Including: Buildings	8,444,656,063.60	444,586,948.92	135,113,402.79	8,754,129,609.73
Machinery	25,197,300,177.29	2,251,653,040.87	492,138,388.40	26,956,814,829.76
Transportation equipment	751,469,491.32	23,966,270.08	9,782,146.11	765,653,615.29
2. Total accumulated depreciation	16,422,698,979.35	1,711,424,069.04	522,380,894.72	17,611,742,153.67
Including: Buildings	1,888,837,377.52	456,295,334.61	57,516,559.41	2,287,616,152.72
Machinery	14,081,025,243.26	1,235,639,011.46	456,913,361.92	14,859,750,892.80
Transportation equipment	452,836,358.57	19,489,722.97	7,950,973.39	464,375,108.15
3. Total carrying amount of Fixed assets	17,970,726,752.86			18,864,855,901.11
Including: Buildings	6,555,818,686.08			6,466,513,457.01
Machinery	11,116,274,934.03			12,097,063,936.96
Transportation equipment	298,633,132.75			301,278,507.14
4. Total impairment	8,237,689.11			8,237,689.11
Including: Buildings	8,208,087.85			8,208,087.85
Machinery	29,601.26			29,601.26
Transportation equipment				
5. Total net book value of Fixed assets	17,962,489,063.75			18,856,618,212.00
Including: Buildings	6,547,610,598.23			6,458,305,369.16
Machinery	11,116,245,332.77			12,097,034,335.70
Transportation equipment	298,633,132.75			301,278,507.14

The original value of the fixed assets transferred from construction in progress is RMB2,694,973,669.41.

The Company has no guaranteed or mortgaged fixed assets at the year end.

2. Fixed assets leased out by operating lease

Item	Book value
Buildings	11,692,025.14
Machinery	39,712.41
Total:	11,731,737.55

3. Fixed assets without property rights certificates at the year end

Item	Book value	Reason	Estimated time for certificates
Buildings	3,143,557,993.14	Newly-built Building	Not yet handled
Transportation equipment	1,659,076.93	Newly-purchased equipmet	Not yet handled
Total	3,145,217,070.07		

(10) Construction in progress

1. Details of Construction in progress

Item	Ending balance			Beginning balance		
	Carrying value	Impairment	Book value	Carrying value	Impairment	Book value
IT project of the Company	24,436,789.73		24,436,789.73	124,396,841.97		124,396,841.97
Moving and reforming of coking furnace				12,276,536.00		12,276,536.00
Energy saving and environmental protection reconstruction of the converter system	101,889,969.96		101,889,969.96	296,497,595.87		296,497,595.87
Plate-billet continuous casting machine reformation				350,979,705.03		350,979,705.03
Energy saving reconstruction of special steel factory				169,994,167.25		169,994,167.25
Upgrading of continuous casting				66,116,583.13		66,116,583.13
Environmental reengineering and Manufacture Tech. Project	47,986,839.61		47,986,839.61	72,443,997.84		72,443,997.84
Stainless steel cool rolling				169,177,238.11		169,177,238.11
Taizi river transformer substation 66KV line	30,095,814.00		30,095,814.00	56,244,279.85		56,244,279.85
Scrap steel plant phase II Reforming	111,699,762.22		111,699,762.22	92,524,211.85		92,524,211.85
60000 cubic meter oxygen Generator				122,375,900.82		122,375,900.82
Other small projects	57,839,443.47		57,839,443.47	51,893,537.39		51,893,537.39
Super thin cool rolling plate reformation	45,694,370.32		45,694,370.32	38,064,980.39		38,064,980.39
Silicon steel project	381,305,058.86		381,305,058.86	59,709,125.65		59,709,125.65
Capacity expansion and reform of steel tank				46,429,345.65		46,429,345.65
Two tacker-Reclaimers in Sawo Coal yard				47,791,242.85		47,791,242.85
Ancillary facilities reconstruction for ironmaking, transportation and logistics	1,770,975.94		1,770,975.94	49,265,648.48		49,265,648.48
Plate flare clearing	87,162,739.27		87,162,739.27			
Dalian Benruitong project	1,101,007.30		1,101,007.30			

Bengang Steel Plates Co., Ltd.
 For the year ended 31 December 2010
 Notes to the financial statements

Item	Ending balance			Beginning balance		
	Carrying value	Impairment	Book value	Carrying value	Impairment	Book value
Dandong Stainless steel plant	724,697,933.98		724,697,933.98			
Office of Haerbin	3,546,398.00		3,546,398.00			
Total	1,619,227,102.66		1,619,227,102.66	1,826,180,938.13		1,826,180,938.13

The construction in progress has not been impaired at the year end.

1. The change of important construction in progress

Project	Budget	Beginning Balance	Increase	Transfer to FA	Other decrease	Ending balance
Super thin cool rolling plate reformation	1,126,190,000.00	38,064,980.39	7,629,389.93			45,694,370.32
IT project of the Company	274,440,000.00	124,396,841.97	40,188,592.78	140,148,645.02		24,436,789.73
Moving and reforming of coking furnace	1,445,710,000.00	12,276,536.00		12,276,536.00		
Energy saving and environmental protection reconstruction of the converter system	1,375,840,000.00	296,497,595.87	339,387,750.70	533,995,376.61		101,889,969.96
Plate-billet continuous casting machine reformation	1,997,400,000.00	350,979,705.03	166,039,392.84	517,019,097.87		
Converter Energy saving reconstruction of special steel factory	245,890,000.00	169,994,167.25	15,464,880.23	185,459,047.48		
Upgrading of continuous casting	110,260,000.00	66,116,583.13	25,116,956.88	91,233,540.01		
Environmental reengineering and Manufacture Tech. Project	245,000,000.00	72,443,997.84	94,807,821.53	119,264,979.76		47,986,839.61
Stainless steel cool rolling	1,514,700,000.00	169,177,238.11	-169,177,238.11			
Taizi river transformer substation 66KV line	92,950,000.00	56,244,279.85	38,399,852.87	64,548,318.72		30,095,814.00
Scrap steel plant phase II Reforming	188,340,000.00	92,524,211.85	19,175,550.37			111,699,762.22
60000 cubic meter oxygen Generator	673,230,000.00	122,375,900.82	385,646,751.90	508,022,652.72		
Other small projects	300,000,000.00	51,893,537.39	125,455,772.61	119,509,866.53		57,839,443.47
Silicon steel project	603,350,000.00	59,709,125.65	322,179,895.22	583,962.01		381,305,058.86
Capacity expansion and reform of steel tank	62,490,000.00	46,429,345.65	3,209,908.43	49,639,254.08		
Two tacker-Reclaimers in Sawo Coal yard	51,000,000.00	47,791,242.85	3,271,215.13	51,062,457.98		
Ancillary facilities reconstruction for ironmaking, transportation and logistics	95,120,000.00	49,265,648.48	32,361,269.19	79,855,941.73		1,770,975.94
Plate flare clearing	207,630,000.00		87,601,118.27	438,379.00		87,162,739.27
Dust removing system reforming	34,600,000.00		36,020,616.11	36,020,616.11		
Coal fired Boiler reformation using surplus gas	135,170,000.00		121,622,022.59	121,622,022.59		
Three Bell-type furnace	17,530,000.00		14,275,560.67	14,275,560.67		
5# blast furnace TRT	61,000,000.00		49,997,414.52	49,997,414.52		
Dalian Benruitong project	205,487,800.00		1,101,007.30			1,101,007.30
Dandong Stainless steel plant	2,230,000,000.00		724,697,933.98			724,697,933.98

Office of Haerbin	3,994,000.00		3,546,398.00		3,546,398.00
Total	13,297,321,800.00	1,826,180,938.13	2,488,019,833.94	2,694,973,669.41	1,619,227,102.66

The Company has transfer the Stainless steel cool rolling project to Dandong Stainless Steel plant

Project	Input of budget(%)	Progress(%)	Accumulated amount of Interest capitalized	Including:interest capitalized amount	Interest capitalized rate	Source of fund
Super thin cool rolling plate reformation	76%	97%	881,573.20	881,573.20	4.6225%	self-raised fund
IT project of the Company	55%	70%	3,234,400.75	1,875,112.44	4.6225%	self-raised fund
Moving and reforming of coking furnace	98%	100%	102,911,570.12			self-raised fund
Energy saving and environmental protection reconstruction of the converter system	46%	60%	23,578,505.39	15,671,068.30	4.6225%	self-raised fund
Plate-billet continuous casting machine reformation	100%	100%	165,447,836.63			self-raised fund
Converter Energy saving reconstruction of special steel factory	79%	100%	3,695,390.63	1,862,087.31	4.6225%	self-raised fund
Upgrading of continuous casting	83%	100%	355,788.30	215,104.65	4.6225%	self-raised fund
Environmental reengineering and Manufacture Tech. Project	49%	90%	2,491,450.89	1,517,705.13	4.6225%	self-raised fund
Stainless steel cool rolling			-			self-raised fund
Taizi river transformer substation 66KV line	100%	95%	1,589,149.75	1,010,424.35	4.6225%	self-raised fund
Scrap steel plant phase II Reforming	61%	50%	7,180,154.25	4,577,313.73	4.6225%	self-raised fund
60000 cubic meter oxygen Generator	75%	100%	16,771,677.30	12,652,163.57	4.6225%	self-raised fund
Other small projects			826,550.83	826,550.83	4.6225%	self-raised fund
Silicon steel project	63%	80%	14,360,945.48	11,255,832.08	4.6225%	self-raised fund
Capacity expansion and reform of steel tank	79%	100%	2,787,463.85	1,654,222.50	4.6225%	self-raised fund
Two tacker-Reclaimers in Sawo Coal yard	100%	100%	1,168,606.27			self-raised fund
Ancillary facilities reconstruction for ironmaking,transportation and logistics	88%	95%	1,140,607.31	856,919.24	4.6225%	self-raised fund
Plate flare clearing	42%	50%	1,044,913.81	1,044,913.81	4.6225%	self-raised fund
Dust removing system reforming	100%	100%	-			self-raised fund
Coal fired Boiler reformation using surplus gas	90%	100%	2,311,277.44	2,311,277.44	4.6225%	self-raised fund
Three Bell-type furnace	81%	100%	265,792.64	265,792.64	4.6225%	self-raised fund
5# blast furnace TRT	82%	100%	840,689.24	840,689.24	4.6225%	self-raised fund
Dalian Benruitong project	0.5%	10%	-			self-raised fund
Dandong Stainless steel plant	32%	70%	11,819,115.00	11,819,115.00	2.3175%	self-raised fund
Office of Haerbin	89%	70%	-			self-raised fund
Total			364,703,459.08	71,137,865.46		

(11) Project material

Items	Beginning balance	Increase	Decrease	Ending balance
Special equipment	137,969,772.11	744,937,512.46	867,268,850.25	15,638,434.32
Total	137,969,772.11	744,937,512.46	867,268,850.25	15,638,434.32

The explanation of project material: the ending balance of project material has decreased by RMB 122,331,337.79 compared with the beginning balance with the decrease rate 88.67%, which is caused by use of the equipments for the projects.

(12) Intangible assets

1. Breakdown of Intangible assets

Items	Beginning balance	Increase	Decrease	Ending balance
1.Total of Book value		46,395,483.80		46,395,483.80
(1) Land use right		46,395,483.80		46,395,483.80
2. Total of Accumulated Amortization				
(1). Land use right				
3. Total of Net book Value		46,395,483.80		46,395,483.80
(1) Land use right		46,395,483.80		46,395,483.80
4. Total of Impairment				
(1).Land use right				
Total of Net value		46,395,483.80		46,395,483.80
(1). Land		46,395,483.80		46,395,483.80

The Company has no guaranteed or mortgaged intangible assets at the year end.

(13) Deferred tax asset and deferred tax liability

1. Recognized deferred tax asset

Item	Ending balance	Beginning balance
Deferred tax asset:		
Impairment	148,510,099.21	133,588,539.01
Welfare for early retired employee	23,404,564.45	38,346,962.04

Unrealized profit in inter-company sales	11,257,733.24	465,805.21
Unpaid Employee salary	16,151,581.65	13,609,876.69
Accrued expense	2,079,016.96	25,662,573.93
Total	201,402,995.51	211,673,756.88

2. Breakdown of unrecognized deferred tax asset

Item	Ending balance	Beginning balance
Deductible loss	1,035,820,020.21	1,545,191,032.37
Total	1,035,820,020.21	1,545,191,032.37

Note: Whether there is enough taxable income in the future is still uncertain, therefore no deferred tax asset arising from deductible loss is recognized.

3. The deductible loss of the unrecognized deferred tax asset will be due in the next period

Items	Ending balance	Beginning balance	Note
Year 2011			
Year 2012			
Year 2013	29,643,975.85	32,950,207.98	
Year 2014	1,006,176,044.36	1,512,240,824.39	
Year 2015			
Total	1,035,820,020.21	1,545,191,032.37	

4. The breakdown of temporary difference

Item	Ending balance	Beginning balance
Impairment	594,040,396.83	534,354,156.03
Welfare for early retired employee	93,618,257.80	153,387,848.15
Unrealized profit in inter-company sales	45,030,932.95	1,863,220.85
Unpaid Employee salary	64,606,326.58	54,439,506.75
Accrued expense	8,316,067.83	102,650,295.73
Total	805,611,981.99	846,695,027.51

5. The deductible loss of unrecognized deferred tax assets amounting to RMB 750,940,108.01 will be due in the next four years.

(14) Impairment of assets

Item	Beginning balance	Increase	Decrease Write-back	Decrease Write-off	Ending balance
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1.Provision for bad debt	434,444,112.24	50,371,665.02	140.00	77,827.45	484,737,809.81
2.Impairment for inventories	91,672,354.68	12,429,383.23	3,036,840.00		101,064,897.91
3.Impairment for fixed asset	8,237,689.11				8,237,689.11
Total	534,354,156.03	62,801,048.25	3,036,980.00	77,827.45	594,040,396.83

(15) **Short-term loan**

1. Short-term loan

Item	Ending balance	Beginning balance
Credit loan	2,295,236,500.00	2,500,850,700.00
Guaranteed loan		345,000,000.00
Total	2,295,236,500.00	2,845,850,700.00

2. There is no overdue short-term loan which has not been paid back at the year end.

(16) **Notes payable**

Item	Ending balance	Beginning balance
Bank acceptance bill	1,260,376,722.11	4,232,186,393.71
Commercial acceptance bill		5,890,000.00
Total	1,260,376,722.11	4,238,076,393.71

1. There is no notes payable owed to shareholders who hold 5% or above voting shares at the end of this year.

2. As to the ending balance of notes payable with regard to related parties, please See details in Note 6.

3. The explanation of notes payable: the ending balance of notes payable has decreased by RMB 2,977,699,671.60 compared with the beginning balance with the decrease rate of 70.26%, which is mainly caused by decrease of bank acceptance bill settlement.

(17) **Accounts payable**

1. Categories of accounts payable

Item	Ending balance	Beginning balance
Within 1year	6,991,708,726.60	5,793,598,983.82

1-2years	730,769,310.52	303,183,911.62
2-3years	143,469,087.21	123,125,601.44
Over 3years	127,244,092.05	41,099,182.06
Total	7,993,191,216.38	6,261,007,678.94

2. Within the above balance ,there is no amount due to shareholders who hold 5% or more voting shares at the end of this year.

3. As to the ending balance of accounts payable with regard to related parties, please refer to the details in Note 6.

4. The significant accounts payables with aging over one year:

Name	Amount	Reason	Notes(those paid back after balance sheet date)
Benxi Steel (Group) Construction Co., Ltd.	136,410,831.01	Unsettled	
Budget and final settlement Project	94,739,938.19	Unsettled	
Chongqin Saidi Industrial Furnace Co., Ltd.	53,736,349.64	Within the warranty period	
China Metallurgy Jiaonai engineering technology Co., Ltd.	52,117,531.54	Within the warranty period	

(18) Advance from customers

1. Categories of advance from customers

Item	Ending balance	Beginning balance
Within 1year	3,042,512,439.12	2,483,918,216.27
1-2 years	61,594,266.42	38,821,035.65
2-3 years	7,254,321.05	8,850,227.45
Over 3 years	7,419,946.97	6,976,257.23
Total	3,118,780,973.56	2,538,565,736.60

2. Within the above balance ,there is no amount due to shareholders who hold 5% or more voting shares at the end of this year.

3. As to the ending balance of Advance from customers with regard to related parties, please refer to the details in Note 6.

4. The significant advance from customers with aging above one year

Name	Amount	Reason	Notes
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Guangzhou Free Trade Zone Bengang Sales Co., Ltd.	22,228,324.44	Customer postponed the purchase of steel products
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Other advance from customers with aging above one year are mainly client deposits

(19) Employee benefits payable

Item	Beginning balance	Increase	Decrease	Ending balance
(1)Salary, bonus, allowance and subsidy	54,439,506.75	1,294,474,548.22	1,284,207,860.39	64,706,194.58
(2)Employee welfare		33,251,480.04	33,251,480.04	
(3)Social Insurance	545,335.87	389,115,868.68	388,977,785.21	683,419.34
Including: : A. Pension fund		249,014,175.10	249,014,175.10	
B. Annual fee				
C. Medical insurance	17,518.00	90,332,947.85	90,381,895.85	-31,430.00
D. Medical insurance premiums				
E. Unemployment insurance expense	102.90	24,158,279.94	24,158,279.94	102.90
F. Compensation of employee	527,714.97	25,610,465.79	25,423,434.32	714,746.44
G. Maternity insurance				
(4) Housing accumulation funds	6,751,033.00	73,517,040.00	73,417,040.00	6,851,033.00
(5)Labor union fee and training for employee fee	30,004,525.32	26,688,084.10	37,782,374.30	18,910,235.12
(6)Non-monetary welfare				
(7)Compensation of relieving the work relations	153,387,848.15	18,676,955.73	78,446,546.08	93,618,257.80
(8)employee allowance funds				
(9)others		164,943,345.46	164,943,345.46	
Including: shares account by monetary				
Total	245,128,249.09	2,000,667,322.23	2,061,026,431.48	184,769,139.84

- 1. The scope of the termination benefit is the early retired employees who have signed the agreement of retirement with the company and no longer bring economic benefits into the company but have not yet terminate the working relationship with company. To confirm the termination benefit, the company refers to the recent interest rate of bank loan to recognize the discount rate which is 6.10%. Up to 31 December 2010, the unrealized financing expense balance is RMB 9,679,836.79 due to recognizing termination benefits.**
- 2. Other items include heating subsidy, transportation subsidy, aging salary of retired employee, housing subsidy and subsidy of harmful influence to bodies because of bad working environment.**

(20) Current Tax liabilities

Item	Ending balance	Beginning balance
Value added tax	-727,562,244.94	-123,359,734.30
Business tax	143,127.71	63,871.90
City construction tax	888,707.60	58,767.29
Enterprise income tax	15,386,332.04	2,988,719.59
House Property tax	5,314,042.13	1,908,333.28
Educational surcharges	521,852.85	25,186.01
Others	537,839.37	1,063,586.50
Total	-704,770,343.24	-117,251,269.73

The explanation for current tax liabilities: the ending balance of current tax liabilities has decreased by RMB 587,519,073.51 compared with the beginning balance with the decrease rate of 501.08%, which is mainly caused by increase of deductible input tax of value added tax.

(21) Other payables

1. Categories of other payables

Item	Ending balance	Beginning balance
Within 1 year	538,476,810.76	781,464,197.16
1-2years	127,647,443.45	34,417,310.38
2-3years	21,724,161.29	7,195,420.48
Above 3years	33,237,914.91	26,798,023.97
Total	721,086,330.41	849,874,951.99

2. There is other payables amounting to RMB 281,257,020.09 owed to Benxi Steel (Group)

Co., Ltd. who hold 5% or more voting shares at the end of this year.

3. Please refer to the Note 6 for details of other payables with regard to related parties.

4. No significant other payables with aging over one year.

5. The details of significant other payables

Name	Amount	Nature and content	Notes
Benxi Steel (Group) Co., Ltd.	281,257,020.09	current account	
Bengang Automobile Transportation Co., Ltd.	20,472,132.27	transportation fee	
Benxi Steel (Group) Thermal Power	14,385,623.96	heating subsidy	

Development Co., Ltd.

Benxi Steel Co., Ltd. Plate rolling plant 11,378,027.28

(22) Non-current liabilities due within one year

Item	Ending balance	Beginning balance
Long-term loan	1,013,263,228.43	960,040,053.18
Total	1,013,263,228.43	960,040,053.18

(1) Long-term loans due within one year

Item	Ending balance	Beginning balance
Credit loan	1,012,320,000.00	958,320,000.00
Guaranteed loan	943,228.43	1,720,053.18
Total	1,013,263,228.43	960,040,053.18

Please refer to the Note 6(4)5 for the details of guaranteed loan

(2) Top five long-term loans due within one year:

Bank	Start date	End date	Currency	Interest Rate(%)	Ending balance
Benxi steel branch of China Construction Bank	2009-9-22	2011-9-21	RMB	4.86	300,000,000.00
Benxi steel branch of China Construction Bank	2009-9-8	2011-7-7	RMB	4.86	200,000,000.00
Benxi steel branch of China Construction Bank	2009-9-11	2011-9-10	RMB	4.86	177,000,000.00
Benxi steel branch of China Construction Bank	2009-9-9	2011-8-8	RMB	4.86	170,000,000.00
Benxi steel branch of China Construction Bank	2008-11-18	2011-11-17	RMB	5.40	37,000,000.00
Total					884,000,000.00

(23) Long-term loans

1. Categories of long-term loans

Categories	Ending balance	Beginning balance
Credit loan	1,884,200,000.00	1,056,520,000.00
Guarantee loan	2,939,824,138.39	1,812,516,104.26

Total	4,824,024,138.39	2,869,036,104.26
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Please refer to the Note 6(4)5 for the details of the guarantee loan

The ending balance of long-term loans has increased by RMB 1,954,988,034.13 compared with the beginning balance with the increase rate of 68.14%, which is mainly caused by increase of settlement by monetary assets and the loans increases accordingly.

2. Top five long-term loans

Bank	Start date	End date	currency	Interest rate(%)	Ending balance		Beginning balance	
					Foreign currency	RMB	Foreign currency	RMB
China Construction Bank Benggang Branch	2008-4-29	2013-4-15	RMB	5.76	400,000,000.00	400,000,000.00	400,000,000.00	400,000,000.00
Bank of China Benggang branch	2009-9-11	2012-9-10	USD	3.17	60,000,000.00	397,404,000.00	60,000,000.00	409,728,000.00
China Construction Bank Benggang Branch	2010-7-2	2013-7-1	RMB	5.0220	310,000,000.00	310,000,000.00		
China Construction Bank Benggang Branch	2010-7-2	2013-6-1	RMB	5.0220	300,000,000.00	300,000,000.00		
Bank of China Benggang branch	2010-4-14	2012-4-13	RMB	5.0220	200,000,000.00	200,000,000.00		
Total					1,270,000,000.00	1,607,404,000.00	460,000,000.00	809,728,000.00

(24) Special accounts payable

Item	Beginning balance	Increase	Decrease	Ending balance	Notes
6#7#coke oven of dryquenching coke	5,666,666.67	-5,666,666.67			
Total	5,666,666.67	-5,666,666.67			

The Special accounts payables has been transferred to Other non-current liabilities-deferred income this period.

(25) Other non-current liabilities

Item	Ending balance	Beginning balance
Funding of three technology items	929,224.00	1,048,650.00
Total	929,224.00	1,048,650.00

Item	Beginning balance	Increase	Decrease	Ending balance	Notes
Funding of three technology items	1,048,650.00		119,426.00	929,224.00	Note 1
6#7#coke oven of dryquenching coke		7,166,666.67	1,194,444.45	5,972,222.22	Note 2
Eliminating outdated industrial capacity		34,800,000.00		34,800,000.00	Note 3
Industrial enterprise energy management center construction demonstration project		11,600,000.00		11,600,000.00	Note 4
automobile hight-class electrolytic zinc steel plate production line project		41,040,000.00		41,040,000.00	Note 5
Resuming Bengang Second Power Plant Heat Source		16,000,000.00	1,872,000.00	14,128,000.00	Note 6
The 2*265 Square meter Sintering machine desulfuration project of blast furnace plant		5,000,000.00		5,000,000.00	Note 7
The 2*265 Square meter Sintering machine desulfuration project of blast furnace plant		3,000,000.00		3,000,000.00	Note 8
Provincial Environment Protection Special fund		4,000,000.00		4,000,000.00	Note 9

Total	1,048,650.00	122,606,666.67	3,185,870.45	120,469,446.22	
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1. “Funding of three technology items” was used for “three technologies”, namely, thin slab, continuous casting and continuous rolling with a short process according to the notice of Liaoning Province “ The notice for funding of three technologies”(Liao cai zhi qi 341 [2006]).

2. Funds for the project of dry extinguishing coke of 6#, 7#coke furnace is received in 2008 for the project of dry extinguishing coke as per the “ Notice of capital construction expenditure budget within the central budget for 2008 energy saving project ” issued by the Finance Hall of Liaoning province. RMB1.5 million has been received in 2010 and the project of dry extinguishing coke of 6#, 7#coke furnace has been transferred to Fixed assets and the fund has been transferred to non-operating income accordingly as per the depreciation period of related assets, which accounts for its decrease.

3. According to Liao Cai Zi Qi (2008) No.1079 and Cai Jian(2008) 904 “2008 The central finance award fund for eliminating outdated industrial capacity”, 34.80 million award has been received in January 2010 for eliminating three coke furnaces and a ferroalloy furnace of Ironmaking plant project and build a new No. 8 Coke Furnace . The project has been finished at the end of 2010

4. According to Liao Cai Zi Qi (2009) No.868“The notice for the distribution of finance subsidy fund for the 2009 Industrial enterprise energy management center construction demonstration project”, 11.6 million finance subsidy fund has been received in March 2010 for the 2009 Industrial enterprise energy management center construction demonstration project. The project has not started yet.

5. According to “The notice for key industry revitalization and first technology transformation project construction expansion and national debt investment budget”, 41.04 million subsidy fund has been received in June 2010 for automobile high-class electrolytic zinc steel plate production line project . The project has just started.

6. According to “The reply for resuming the heat source production of the Second power

plant of Bengang Group”, 16 million is the compensation for the resuming of the hear source production of second power plant and operating heating cost. The relevant expenses of second power plant will be paid from the special accounts payables, and till the year end the total amount of RMB 1,872,000.00 has been paid.

7. According to “The notice of second environmental protection special fund project of 2009 in Liaolin province ”, 5 million will be distributed to Bengang Steel Plates Co., Ltd. for environmental protection project of the 2*265 Square meter Sintering machine desulfuration project of blast furnace plant

8. According to “The notice of central pollution discharge special fund project of 2009 ”, 16.9 million will be distributed to Bengang Steel Plates Co., Ltd. for pollution discharge project of the 2*265 Square meter Sintering machine desulfuration project of blast furnace plant. 3 million has been received during the year.

9. According to “The notice of first environmental protection special fund project of 2008 in Liaolin province”, 4 million will be distributed to Bengang Steel Plates Co., Ltd. for the 220t/h boiler desulfuration of the power plant

(26) Share capital

The paid-in share capital of the company is as follows:

Item	Ending balance		Beginning balance	
	Shares	Amount	Shares	Amount
Share capital –A shares	2,736,000,000.00	2,736,000,000.00	2,736,000,000.00	2,736,000,000.00
Share capital –B shares	400,000,000.00	400,000,000.00	400,000,000.00	400,000,000.00
Total	3,136,000,000.00	3,136,000,000.00	3,136,000,000.00	3,136,000,000.00

Item	Beginning balance	Changes (increase “+” decrease “-”)			Subtotal	Ending balance
		New shares	Share dividend	Capital Reserves Transfer Others		
1. Shares with restricted sales condition						
(1) State-owned shares						
(2) Shares held by State-owned corporation	2,038,400,000.00					2,038,400,000.00
(3) Shares held by other domestically invested Corporation	10,050.00					10,050.00
Including :						
Shares held by domestic non-state-owned Corporation						
Shares held by domestic individuals	10,050.00					10,050.00
(4) Shares held by foreign invested Corporation						
Including :						
Shares held by oversea Corporation						
Shares held by individual foreigners						
Subtotal	2,038,410,050.00					2,038,410,050.00
2. Shares without sales restriction						
(1) RMB Common stock	697,589,950.00					697,589,950.00
(2) Foreign shares listed in domestic stock market	400,000,000.00					400,000,000.00
(3) Foreign shares listed in oversea stock market						
(4) others						
Subtotal	1,097,589,950.00					1,097,589,950.00
Total	3,136,000,000.00					3,136,000,000.00

(27) Capital reserves

Item	Beginning balance	Increase	Decrease	Ending balance
1. Additional paid-in capital				
(1) Invested capital	8,706,903,665.94			8,706,903,665.94
Subtotal	8,706,903,665.94			8,706,903,665.94
2. Other capital surplus				
(1) Fiscal rewards of energy saving reform	29,357,468.82	54,430,000.00		83,787,468.82
Subtotal	29,357,468.82	54,430,000.00		83,787,468.82
Total	8,736,261,134.76	54,430,000.00		8,790,691,134.76

The explanation for capital reserves: Other capital surplus are three projects, namely, hot continuous rolling 3# heating furnace, 240ton coke oven of power plant reconstruction and saturated steam power engine. They were listed in the plan of “ Reform of Energy Saving Technology ” of National Development and Reform Commission in 2007 and were awarded special funds of RMB54,430,000.00 in 2010 in the form of “ replacing supplement with awards ” .

(28) Surplus Reserves

Item	Beginning balance	Increase	Decrease	Ending balance
Statutory Reserves	921,277,509.22			921,277,509.22
Total	921,277,509.22			921,277,509.22

(29) Undistributed Profits

Item	Amount	Distribution rate
Undistributed profits of last year before adjustment	1,331,103,908.34	
Total amount of adjustment of beginning undistributed profits (increase+, decrease -)		
After adjusted beginning undistributed profits		
Add: undistributed profit belongs to parent company	925,366,759.73	
Minus : statutory reserves		
Surplus reserves		

Item	Amount	Distribution rate
Deposit funds		
Enterprise expansion funds		
Employee allowance funds		
Common shares dividend payable		
Common shares dividend transfer to paid in capital	94,080,000.00	
Ending balance of undistributed profits	2,162,390,668.07	

(30) Operating income and operating cost

1. Operating income

Item	2010	2009
Operating revenue from principal business	40,228,357,263.84	30,664,872,038.99
Other operating revenue	5,459,393,200.85	4,932,903,924.72
Total	45,687,750,464.69	35,597,775,963.71
Operating cost	40,757,030,212.23	33,833,681,618.46

2. Principal operating revenue classified by business industry

Item	2010		2009	
	Principal operating revenue	Principal operating cost	Principal operating revenue	Principal operating cost
(1)Industry	40,228,357,263.84	35,628,638,976.08	30,664,872,038.99	28,976,475,127.69
Total	40,228,357,263.84	35,628,638,976.08	30,664,872,038.99	28,976,475,127.69

3. Principal operating revenue classified by products variety

Item	2010		2009	
	Principal operating revenue	Principal operating cost	Principal operating revenue	Principal operating cost
Steel Plates	39,606,424,091.69	35,038,871,382.76	28,056,637,526.85	27,122,317,195.75
Steel Billet	3,314,515.89	2,572,217.25	2,209,695,527.00	1,444,121,266.88
Others	618,618,656.26	587,195,376.07	398,538,985.14	410,036,665.06
Total	40,228,357,263.84	35,628,638,976.08	30,664,872,038.99	28,976,475,127.69

4. Principal operating revenue classified by areas

Area	2010	2009
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	Principal operating revenue	Principal operating cost	Principal operating revenue	Principal operating cost
Northeast	9,619,995,955.91	7,930,555,689.47	12,179,165,532.01	11,534,537,470.48
North China	5,905,580,448.15	5,275,585,689.71	5,384,049,324.09	5,098,939,052.76
East China	14,037,409,249.41	12,871,292,768.48	8,768,867,603.07	8,256,726,825.97
Northwest	113,561,738.11	101,447,213.48	33,501,265.03	31,808,971.09
Southwest			5,895,455.60	5,597,650.61
Middle south	4,446,628,496.71	3,995,864,000.13	2,193,053,218.89	2,054,622,765.30
Export	6,105,181,375.55	5,453,893,614.81	2,100,339,640.30	1,994,242,391.48
Total	40,228,357,263.84	35,628,638,976.08	30,664,872,038.99	28,976,475,127.69

5. Top five clients' principal operating revenue is as follows

Ranking	Principal operating revenue	Percentage of total operating revenue(%)
Bengang Puxiang Cool Rolling Steel Sheet Co., Ltd.	6,532,442,804.05	14.30
Hengxin International Resources Co., Ltd.	1,659,536,361.00	3.63
DUFERCO SA	902,519,546.25	1.98
Minmetals Steel Co., Ltd.	567,962,288.01	1.24
Xiamen Jianfa Co., Ltd.	529,192,507.45	1.16

Gross profit margin this period is higher than last period, which is mainly caused by the increase of the market price and the change of depreciation policy.

(31) Business tax and Surcharges

Item	2010	2009	Tax rate
Business tax	1,282,339.51	1,123,307.52	5%
City maintenance and construction surtax	102,056,058.69	7,401,963.16	7%
Educational surcharge	59,077,551.27	4,717,885.42	3%、 1%
Floodwater prevention fee		8,415.58	
Total	162,415,949.47	13,251,571.68	

The explanation of business tax and surcharges: The amount of business tax and surcharge has increased by RMB 149,164,377.79 in 2010 compared with last year. The increase rate is 1,125.64%, which is mainly caused by the increase of tax payable of VAT.

(32) Selling and distribution expenses

Item	2010	2009
External freight	267,581,132.18	122,238,310.21

Port surcharges	89,590,475.35	32,737,958.97
Agency fee	61,816,511.73	34,665,364.04
Package fee	52,692,701.37	38,890,819.74
Salary	14,400,554.43	11,741,674.04
Internal freight	5,499,786.92	4,534,921.82
Sales profit return		102,650,295.73
Others	18,104,163.28	13,307,779.63
Total	509,685,325.26	360,767,124.18

Compared with last year, Selling and distribution expenses has increased by RMB 148,918,201.08 with increase rate of 41.28%, which is mainly caused by the increase of port sur-charges, transportation charges along with the increase of export in 2010.

(33) General and administrative expenses

Item	2010	2009
Repair Fee	1,567,546,967.86	1,405,901,027.42
Social security expense	386,636,762.56	372,647,246.54
Salary and benefits	239,665,166.74	180,035,368.95
Lease expense	180,075,059.38	1,277,259.96
Maintenance fee	155,098,600.00	184,980,300.00
Taxes	75,283,158.30	62,823,547.46
Land use right fee	57,426,000.00	57,426,000.00
Heating fee	42,230,830.44	5,331,223.04
Freight	31,164,511.27	32,858,510.50
Pollution discharge fee	20,261,750.00	20,035,354.00
Depreciation	15,983,326.32	14,749,159.11
Water resources fee	14,000,000.00	11,035,000.00
Entertainment expense	7,659,980.30	7,006,193.10
Housing fund	6,709,780.00	3,286,286.00
Technology development fee	6,195,406.07	6,034,647.50
Others	55,602,221.13	60,078,580.51
Total	2,861,539,520.37	2,425,505,704.09

The General and administrative expenses has increased by RMB 436,033,816.28, an increase of 17.98% compared with last year , which is mainly due to the increase of salaries ,lease expense and maintenance expense of fixed assets.

(34) Financial expenses

Item	2010	2009
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Interest expense	321,382,322.30	163,811,227.95
Minus : Interest income	20,794,767.25	40,219,118.52
Exchange loss	-67,813,081.33	-1,003,945.24
Others	2,952,814.13	5,219,485.57
Total	235,727,287.85	127,807,649.76

The financial expense has increased by RMB 107,919,638.09 in 2010 compared with last year. The increase rate is 84.44%, which is mainly caused by the increase of interest expense.

(35) Impairment loss on assets

Item	2010	2009
1. Allowance for accounts receivable	50,371,525.02	35,957,703.41
2. Impairment of inventories	9,392,543.23	61,507,909.00
3. Fixed asset impairment losses		2,893,826.59
Total	59,764,068.25	100,359,439.00

The impairment loss on assets has decreased by RMB 40,595,370.75 with decrease rate of 40.45% compared with last year, which is mainly caused by the increase of market price, and decrease of production cost

(36) Income on investment

1. Details of income on investment

Item	2010	2009
Long-term investment (cost method)	1,210,690.80	
Total	1,210,690.80	

The income on investment is the recognized according to the investment agreement signed between the subsidiary Shanghai Bengang Metallurgy Science and Technology Co., Ltd. and its associates Zhejiang Bengang Jinrui Steel Plate Processing Co., Ltd.

(37) Non-operating revenue

1. Details

Item	2010	2009	The amount recognized in non-operating profit
1. Non-current assets disposal income	5,549,431.57	1,566,867.93	5,549,431.57
Including: Fixed assets disposal income	5,549,431.57	1,566,867.93	5,549,431.57
Intangible assets disposal income			
2. Non-monetary assets exchange income			
3. Debt restructuring gain	7,277,701.25	2,994,785.93	7,277,701.25

Item	2010	2009	The amount recognized in non-operating profit
4. Government grants	1,881,326.47	11,017,561.08	1,881,326.47
5. Overage gain			
6. Denotation income			
7. Accounts payable unpaid due to creditor's reason			
8. Fines and the penalty income	500,000.00	26,893,240.22	500,000.00
9. Others	1,373,261.24	50,120.00	1,373,261.24
Total	16,581,720.53	42,522,575.16	16,581,720.53

The explanation of non-operating revenue: The amount of non-operating income has decreased by RMB 25,940,854.63 in 2010 compared with last year. The rate of decrease is 61.00%, which is caused by the decrease of government grants received and penalty income.

(38) Non-operating expense

Item	2010	2009	The amount recognized in non-operating profit
1 . Non-current assets disposal loss	108,639,680.88	97,059,271.85	108,639,680.88
There into : fixed assets disposal loss	108,639,680.88	97,059,271.85	108,639,680.88
intangible assets disposal loss			
2 . Non-monetary assets exchange loss			
3 . Debt restructuring loss		15,656.24	
4 . Charitable Donatation			
5 . Extraordinary loss	6,106,866.90		6,106,866.90
6 . Fines and overdue payment	9,329.78	3,022,552.20	9,329.78
7 . Compensation expenditure			
8 . Default penalty			
9 . Shortage loss			
10 . Others		3,372,155.00	
Total	114,755,877.56	103,469,635.29	114,755,877.56

(39) Income tax expense

Item	2010	2009
Income tax payable for the current year	69,031,829.84	27,719,784.02
Deferred income tax expense (income)of current year	10,270,761.37	192,927,044.76
Total	79,302,591.21	220,646,828.78

The amount of income tax has decreased by RMB 141,344,237.57 in 2010 compared with last

year with the decrease rate of 64.06% , which is mainly caused by realization of the impairment provision of deferred income tax assets made last period, resulting in the increase of income tax-deferred income tax; The subsidiaries made a profit this period, leading to the significant increase of income tax.

(40) Calculation of basic Earning per share and diluted Earning per Share

(Omitted)

(41) Notes to the statement of Cash flow

1. Cash received relating to other operating activities

Item	2010
1. Current accounts, advance money for another	292,289,758.30
2. Interest income	100,940,000.00
3. Special subsidy and allowance	10,878,565.38
4. Non-operating income	763,096.70
5. Others	55,586,656.92
Total	460,458,077.30

2. Cash paid for other operating activities

Item	2010
1. Current accounts	557,946,628.11
2. Selling expenses	140,687,189.66
3. General and administrative expenses	151,337,016.94
4. Others	56,291,581.19
5. Bank charges	2,952,814.13
6. Petty cash	6,744,153.46
Total	915,959,383.49

3. Cash received related to the other financing activities.

Item	2010
Guarantee deposit interest	9,916,201.87
Total	9,916,201.87

(42) Supplementary information for Cash Flow Statement

1. Supplementary information for Cash Flow Statement

Item	2010	2009
1. A reconciliation of net profit to cash flows from operating activities :		

Item	2010	2009
Net profit	925,322,043.82	-1,545,191,032.37
Add : Asset impairment losses	59,764,068.25	100,359,439.00
Depreciation and amortization	1,711,424,069.04	2,568,205,188.61
Amortization of intangible assets		
Long-term prepayment amortization		
Losses proceeds from disposal of PPE, intangible assets and other long-term assets (Earnings marked“ - ”)	103,090,249.31	95,492,403.92
Scrapped losses from fixed assets, real estate investment		
Fair value losses(Earnings marked“ - ”)		
Financial expenses(Earnings marked“ - ”)	309,425,100.53	139,865,962.62
Investment losses(Earnings marked“ - ”)	-1,210,690.80	
Deferred tax assets reduction(Addition marked“ - ”)	10,270,761.37	194,087,275.22
Deferred tax liabilities increased(Reduce marked“ - ”)		
Reduction of inventory(Addition marked“ - ”)	-2,231,318,995.68	393,729,084.62
Operating receivable items reduction(Addition marked“ - ”)	368,577,299.04	-575,655,094.46
Operating payable items increase(Minus marked“ - ”)	1,331,138,672.00	2,218,009,343.60
Others		
Net cash flow Generated from operating activities	2,586,482,576.88	3,588,902,570.76
2. Payments of investment and fund-raising activities do not involve cash :		
Liabilities transferred to capital		
Convertible bonds due within one year		
Fixed assets financed by leasing		
3. The net increase in cash and cash equivalents :		
Ending balance of the monetary funds	1,260,448,851.56	1,372,907,706.59
Minus : Opening balance of the monetary funds	1,372,907,706.59	1,851,732,015.60
Add : Ending balance of cash equivalents		
Minus : Opening balance of cash equivalents		
The net increase in cash and cash equivalents	-112,458,855.03	-478,824,309.01

2. The structure of cash and cash equivalents

Item	Ending balance	Beginning balance
1. Cash	1,260,448,851.56	1,372,907,706.59
Including: Cash on hand	122,226.22	51,602.24
Bank deposits available on demand	1,260,326,625.34	1,372,856,104.35
Other monetary funds available on demand		
Central bank deposits available on demand		
Balances with other financial institutions		
Loans to other financial institutions		
2. Cash equivalents		
Including: investment of securities to be mature within 3 months		
3. Ending balance of cash and cash equivalents	1,260,448,851.56	1,372,907,706.59

6. Related party transactions

(1) Information of the parent company

(In RMB 100 million)

Name of parent company	Relationship with the Company	Business Type	Registered Place	Legal Representative	Nature of Business	Registered capital
Benxi Steel (Group) Co., Ltd.	Parent company	Wholly state-owned	Benxi	Xiaofang Zhang	Manufacture	53.69

(Continued)

Name of parent company	Share proportion (%)	Voting rights (%)	The ultimate controlling party	Organization Code
Benxi Steel (Group) Co., Ltd.	82.07	82.07	SASAC of Liaoning Province	11972626-3

(2) Information of the subsidiaries:

(In RMB 10 thousand)

Name of the subsidiaries	Type of subsidiary	Business Type	Registered Place	Legal Representative	Nature of Business
Xiamen Bengang Steel Sales Ltd.	Wholly-owned subsidiary	Limited liability	Xiamen	Guoming Zhang	Sales
Wuxi Bengang Steel Sales Ltd.	Wholly-owned subsidiary	Limited liability	Wuxi	Yonggang Wen	Sales
Tianjin Bengang Steel Trading Ltd.	Wholly-owned subsidiary	Limited liability	Tianjin	Chuang Liu	Sales
Nanjing Bengang Material Sales Ltd.	Wholly-owned subsidiary	Limited liability	Nanjing	Zonghua Pang	Sales
Yantai Bengang Steel Sales Ltd.	Wholly-owned subsidiary	Limited liability	Yantai	Lixin Wang	Sales
Harbin Bengang Steel & Iron Sales Ltd.	Wholly-owned subsidiary	Limited liability	Harbin	Jixi Fei	Sales
Changchun Bengang Steel & Iron Sales Ltd.	Wholly-owned subsidiary	Limited liability	Changchun	Jun Wang	Sales
Guangzhou Benxi Iron & Steel Trading Co., Ltd	Wholly-owned subsidiary	Limited liability	Guangzhou	Shaogang Wu	Sales
Shanghai Bengang Metallurgy Science and Technology Co., Ltd.	Wholly-owned subsidiary	Limited liability	Shanghai	Jixi Fei	Sales
Bengang Steel Plates Liaoyang Pallete Co., Ltd.	Wholly-owned subsidiary	Limited liability	Liaoyang	Shiming Zhang	Manufacturing
Dalian Benruitong automobile material technology Co., Ltd.	Holding subsidiary	Limited liability	Dalian	Shu Wang	Manufacturing
Bengang Cold-rolled Stainless Steel Dandong Co., Ltd.	Wholly-owned subsidiary	Limited liability	Dandong	Tianchen Yu	Manufacturing

(Continued)

Name of the subsidiaries	Registered capital	Share Ratio(%)	Voting Right(%)	Organization Code
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Name of the subsidiaries	Registered capital	Share Ratio(%)	Voting Right(%)	Organization Code
Xiamen Bengang Steel Sales Ltd.	50.00	100.00	100.00	73788827-8
Wuxi Bengang Steel Sales Ltd.	100.00	100.00	100.00	73654820-4
Tianjin Bengang Steel Trading Ltd.	300.00	100.00	100.00	74135658-1
Nanjing Bengang Material Sales Ltd.	115.00	100.00	100.00	75945466-5
Yantai Bengang Steel Sales Ltd.	50.00	100.00	100.00	74451514-6
Harbin Bengang Steel & Iron Sales Ltd.	50.00	100.00	100.00	73137417-X
Changchun Bengang Steel Sales Ltd.	50.00	100.00	100.00	74841484-4
Guangzhou Benxi Iron & Steel Trading Co., Ltd	100.00	100.00	100.00	68328959-4
Shanghai Bengang Metallurgy Science and Technology Co., Ltd.	500.00	100.00	100.00	68408762-8
Bengang Steel Plates Liaoyang Pallete Co., Ltd.	1000.00	100.00	100.00	68968094-9
Dalian Benruitong automobile material technology Co., Ltd.	10000.00	65.00	65.00	55498444-3
Bengang Cold-rolled Stainless Steel Dandong Co., Ltd.	26000.00	100.00	100.00	69941004-5

(3) Other related parties information

Name of Other related parties	Relationship	Organization Code
Benxi Steel (Group) Machinery Co., Ltd.	The same Parent Company	701577718
Bengang Group International Trading Ltd.	The same Parent Company	701581055
Benxi Steel (Group) Tengda Holdings Ltd.	The same Parent Company	11968922-0
Guangzhou Free Trade Zone Bengang Sales Co., Ltd.	The same Parent Company	231289622
Shanghai Bengang Steel & Iron Trading Co., Ltd.	The same Parent Company	784796085
Liaoning Bengang Steel & Iron Trading Co., Ltd	The same Parent Company	78458403-1
Dalian Boluole Steel Tube Ltd.	The same Parent Company	60480260-2
Benxi Steel (Group) Steel Process and Logistics Co., Ltd.	The same Parent Company	752795993
Benxi Steel (Group) Construction & Repairing Co., Ltd.	The same Parent Company	701578219
Bengang Fire-resistance Material Co., Ltd.	The same Parent Company	78124925-8
Benxi Steel (Group) Metallurgy Residues Co., Ltd	The same Parent Company	701578155
Liaoning Metallurgy Technician College	The same Parent Company	463564144
Benxi Steel (Group) Industrial Development Co., Ltd.	The same Parent Company	701578120
Benxi Steel (Group) Construction Co., Ltd.	The same Parent Company	119726538
Yinkou Bengang International Logistics Co., Ltd.	The same Parent Company	74712716-5
Benxi Steel (Group) Real-estate Development Co., Ltd.	The same Parent Company	819664921
Benxi Steel (Group) Education Center	The same Parent Company	463567636
Benxi Steel (Group) Drilling Tools Co., Ltd.	The same Parent Company	74710835-1
Benxi Steel (Group) Designing Institute	The same Parent Company	78510290-3
Benxi Steel (Group) Information and Automatic Tech. Ltd.	The same Parent Company	752798182
Benxi Steel (Group) News Center	The same Parent Company	774640431
Benxi Steel (Group) New Industrial Development Co., Ltd.	The same Parent Company	701578198
Benxi Steel (Group) Mining Co., Ltd.	The same Parent Company	701577726
Benxi Steel (Group) Electronics and Gas Co., Ltd.	The same Parent Company	781648511
Benxi Steel (Group) Thermal Power Development Co., Ltd.	The same Parent Company	701579297
Bengang Puxiang Cool Rolling Steel Sheet Co., Ltd.	The same Parent Company	717851072
Benxi Steel (Group) Engineering Inspection Co., Ltd.	The same Parent Company	736708677

(4) Related Parties Transactions

1. The Inter-subsidiary and parent-subsidiary transactions of the subsidiaries which has been controlled by the parent company and incorporated into the consolidated financial statements have been offset.

2. Related party transactions of purchasing goods and services

(Unit: 10 thousand)

Name	The type of related party transactions	The content of related party transactions	Pricing and Policy	2010		2009	
				Amount	Ratio (%)	Amount	Ratio (%)
Benxi Steel (Group) Co., Ltd.	Purchase of goods	Raw material and supplementary material				27,799.11	0.82
Benxi Steel (Group) Co., Ltd.	Services received	Repair fee		11215.27	0.28	18502.45	0.65

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Name	The type of related party transactions	The content of related party transactions	Pricing and Policy	2010		2009	
				Amount	Ratio (%)	Amount	Ratio (%)
Benxi Steel (Group) Co., Ltd.	Services received	Labor cost		133.77	0.00	846.92	0.03
Benxi Steel (Group) Co., Ltd.	Lease	Leasing land		5,742.60	0.14	5,742.60	0.17
Bengang Puxiang Cool Rolling Steel Sheet Co., Ltd.	Purchase of goods	Raw material and supplementary material		88,954.47	2.18	11,809.65	0.35
Bengang Puxiang Cool Rolling Steel Sheet Co., Ltd.	Purchase of goods	Products		211,468.31	5.19	138,131.44	4.08
Benxi Steel (Group) Mining Co., Ltd.	Services received	Labor cost		585.78	0.01	1,764.45	0.05
Benxi Steel (Group) Mining Co., Ltd.	Purchase of goods	Raw material and supplementary materials		422,436.76	10.36	524,305.33	15.50
Benxi Steel (Group) Mining Co., Ltd.	Services received	Freight		37.78	0.00	56.07	0.00
Benxi Steel (Group) Metallurgy Residues Co., Ltd.	Services received	Residue discharge		107.79	0.00	623.099	0.02
Benxi Steel (Group) Metallurgy Residues Co., Ltd.	The purchase of goods	Raw material and supplementary materials		12,258.37	0.30	18,334.50	0.54
Benxi Steel (Group) Steel Process and Logistics Co., Ltd.	Services received	processing charge		268.58	0.01	38.06	0.00
Benxi Steel (Group) Real-estate Development Co., Ltd.	The purchase of goods	Raw material		6,141.80	0.15	5,512.86	0.16
Benxi Steel (Group) Real-estate Development Co., Ltd.	Lease	Rent		38.65	0.00	12.81	0.00
Benxi Steel (Group) Real-estate Development Co., Ltd.	Services received	Property Management fee		273.70	0.01	187.17	0.01
Benxi Steel (Group) Real-estate Development Co., Ltd.	Services received	Project fee				10.00	0.00
Benxi Steel (Group) Machinery Co., Ltd.	Purchase of goods	Spare parts		36,867.22	0.90	33,585.05	0.99
Benxi Steel (Group) Machinery Co., Ltd.	Purchases of Fixed Assets	Project fee		6.50	0.00	2,931.93	0.09
Benxi Steel (Group) Machinery Co., Ltd.	Services received	Repair fee		678.83	0.02	1,200.29	0.04
Benxi Steel (Group) Machinery Co., Ltd.	Purchase of goods	Raw material and supplementary materials		296.13	0.01	267.28	0.01
Benxi Steel (Group) Machinery Co., Ltd.	Purchases of Fixed Assets	Industry water related fee		35.56	0.00	89.21	0.00
Benxi Steel (Group) Construction Co., Ltd.	The purchase of goods	Spare parts		8,017.55	0.20	16,571.33	0.49
Benxi Steel (Group) Construction Co., Ltd.	Services received	Project fee		43,233.41	1.06	48,576.93	1.44
Benxi Steel (Group) Construction Co., Ltd.	Services received	Repair fee		24,660.36	0.61	15,143.19	0.45
Benxi Steel (Group) Construction Co., Ltd.	The purchase of goods	Raw material and supplementary materials		585.24	0.01		0.00
Benxi Steel (Group) Construction Co., Ltd.	Services received	Freight		698.98	0.02	815.38	0.02
Benxi Steel (Group) Industrial Development Co. Ltd.	The purchase of goods	Spare parts		37.52	0.00	570.7	0.02
Benxi Steel (Group) Industrial Development Co. Ltd.	The purchase of goods	Raw material and supplementary materials		16,967.69	0.42	8,942.94	0.26
Benxi Steel (Group) Industrial Development Co. Ltd.	Services received	Repair fee		4,173.06	0.10	1,214.79	0.04
Benxi Steel (Group) Industrial Development Co. Ltd.	Services received	Freight		831.47	0.02	1,115.23	0.03
Benxi Steel (Group) Industrial Development Co. Ltd.	Purchases of Fixed Assets	Project fee		744.07	0.02	855.81	0.03
Benxi Steel (Group) Construction & Repairing Co. Ltd.	The purchase of goods	Raw material and supplementary materials		1,904.74	0.05	488.56	0.01
Benxi Steel (Group) Construction & Repairing Co. Ltd.	Purchases of Fixed Assets	Project fee		3,004.62	0.07	8,009.15	0.24
Benxi Steel (Group) Construction & Repairing Co. Ltd.	Services received	Repair fee		16,079.74	0.49	16,593.76	0.49
Benxi Steel (Group) Electronics and	The purchase of	Raw material and		8,734.95	0.21	7,112.80	0.21

Name	The type of related party transactions	The content of related party transactions	Pricing and Policy	2010		2009	
				Amount	Ratio (%)	Amount	Ratio (%)
Gas Co. Ltd.	goods	supplementary materials					
Benxi Steel (Group) Electronics and Gas Co. Ltd.	Purchases of Fixed Assets	Project fee		276.08	0.01	48.59	0.00
Benxi Steel (Group) Electronics and Gas Co.	The purchase of goods	Spare parts		97.18	0.00	67.71	0.00
Benxi Steel (Group) Electronics and Gas Co. Ltd.	Services received	Repair services		1,959.61	0.05	817.64	0.02
Benxi Steel (Group) Drilling Tools Co., Ltd.	The purchase of goods	Spare parts		1,749.29	0.04	1,947.96	0.06
Benxi Steel (Group) New Industrial Development Co. Ltd.	Others	Labor protection fees		605.65	0.01	1,006.50	0.03
Benxi Steel (Group) New Industrial Development Co. Ltd.	The purchase of goods	Raw material and supplementary materials		38.83	0.00	149.51	0.00
Liaoning Metallurgy Technician College	Others	Training fee		838.37	0.02	720.88	0.02
Liaoning Metallurgy Technician College	The purchase of goods	Spare parts		1,617.09	0.04	2,759.34	0.08
Liaoning Bengang Steel & Iron Trading Co., Ltd	The purchase of goods	Raw material		574.65	0.01	444.67	0.01
Benxi Steel (Group) Education Center	Others	Training fee		9.00	0.00	9.24	0.00
Benxi Steel (Group) Education Center	Purchases of Fixed Assets	Project fee		76.07	0.00	584.26	0.02
Bengang Group International Trading Ltd.	The purchase of goods	Raw material				447,613.18	13.23
Bengang Group International Trading Ltd.	Services received	Import and export agents fee		6,165.59	0.15	3,466.54	0.10
Bengang Group International Trading Ltd.	Others	Import equipment fee				33,174.42	0.98
Benxi Steel (Group) Information and Automatic Tech. Ltd.	The purchase of goods	Spare parts		387.93	0.01	753.93	0.02
Benxi Steel (Group) Information and Automatic Tech. Ltd.	Purchases of Fixed Assets	Project fee		3,195.77	0.08	2,850.23	0.08
Benxi Steel (Group) Thermal Power Development Co., Ltd.	Services received	Heating costs		878.88	0.02	2,462.57	0.07
Benxi Steel (Group) Thermal Power Development Co., Ltd.	Purchase of goods	Raw material and supplementary materials		89.72	0.00	8.82	0.00
Bengang Fire-resistance Material Co. Ltd.	Purchase of goods	Raw material and supplementary materials		51,499.90	1.26	49,062.81	1.45
Benxi Steel (Group) News Center	Others	Print&media fee		140.94	0.00		
Benxi Steel (Group) Designing Institute	Purchases of Fixed Assets	Project fee		17,144.37	0.42		
Benxi Steel (Group) Designing Institute	Others	Design fees		15.30	0.00	1,533.00	0.05
Benxi Steel (Group) Designing Institute	Services received	Repair		13.10	0.00		
Yinkou Bengang International Logistics Co., Ltd.	Others	Port charge					
Benxi Steel (Group) Engineering supervision Co., Ltd.	Services received	Project fee		30.00	0.00	102.12	0.00
Benxi Steel (Group) Medical Co., Ltd.	Services received	Medicial fee				17.79	0.00
Total				1,014,624.59	24.86	1,467,362.55	43.36

3. Related party transactions of selling goods or rendering services are as follows

Name of the related party	Transaction Type	Transaction Content	Pricing and Policy	2010		2009	
				Amount	Ratio (%)	Amount	Ratio (%)
Benxi Steel (Group) Co., Ltd.	Sales of goods	Products				215,775.08	6.06
Benxi Steel (Group) Co., Ltd.	Sales of goods	Raw material & supplementary materials& spare		22,134.45	0.48	52,599.78	1.48

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Name of the related party	Transaction Type	Transaction Content	Pricing and Policy	2010		2009	
				Amount	Ratio (%)	Amount	Ratio (%)
		parts					
Benxi Steel (Group) Co., Ltd.	Sales of goods	Energy&Power	Cost plus	171.67	0.00	13,939.46	0.39
Benxi Steel (Group) Co., Ltd.	Rendering of service	Agency fees		6.38	0.00	264.38	0.01
Bengang Group International Trading Ltd.	Sales of goods	Products				209,778.92	5.89
Dalian Boluole Steel Tube Ltd.	Sales of goods	Products		4,437.50	0.10	4,399.52	0.12
Guangzhou Free Trade Zone Bengang Sales Co., Ltd.	Sales of goods	Products		2,271.65	0.05	42,886.86	1.20
Shanghai Bengang Steel & Iron Trading Co., Ltd.	Sales of goods	Products		577.20	0.01	43,654.50	1.23
Liaoning Bengang Steel & Iron Trading Co., Ltd	Sales of goods	Products		29,974.22	0.66	45,499.93	1.28
Benxi Steel (Group) Steel Process and Logistics Co. Ltd.	Sales of goods	Products		40,140.72	0.88	36,688.97	1.03
Benxi Steel (Group) Steel Process and Logistics Co. Ltd.	Sales of goods	Energy&Power	Cost plus	75.22	0.00	59.54	0.00
Benxi Steel (Group) Dahe Industry Co., Ltd.	Sales of goods	Energy&Power	Cost plus	64.95	0.00	193.02	0.01
Benxi Steel (Group) Industrial Development Co. Ltd.	Sales of goods	Products		249.77	0.01	759.43	0.02
Benxi Steel (Group) Industrial Development Co. Ltd.	Sales of goods	Raw material & supplementary materials& spare parts		5,370.72	0.12	5,283.47	0.15
Benxi Steel (Group) Industrial Development Co. Ltd.	Sales of goods	Energy&Power	Cost plus	240.57	0.01		
Benxi Steel (Group) Construction Co., Ltd.	Sales of goods	Products		186.92	0.00	76.09	0.00
Benxi Steel (Group) Construction Co., Ltd.	Sales of goods	Raw material & supplementary materials& spare parts		13,967.59	0.31	35,860.33	1.01
Benxi Steel (Group) Construction Co., Ltd.	Sales of goods	Energy&Power	Cost plus	750.02	0.02	817.98	0.02
Benxi Steel (Group) Machinery Co., Ltd.	Sales of goods	Energy&Power	Cost plus	2,949.66	0.06	2,641.36	0.07
Benxi Steel (Group) Machinery Co., Ltd.	Sales of goods	Raw material & supplementary materials& spare parts		779.63	0.02	9,101.80	0.26
Benxi Steel (Group) Mining Co., Ltd.	Sales of goods	Raw material & supplementary materials& spare parts		138,099.19	3.02	186,931.87	5.25
Benxi Steel (Group) Mining Co., Ltd.	Sales of goods	Energy&Power	Cost plus	70,394.37	1.54	64,024.86	1.80
Benxi Steel (Group) Mining Co., Ltd.	Rendering of service	Freight revenue		1,733.54	0.04	1,093.18	0.03
Benxi Steel (Group) Mining Co., Ltd.	Rendering of service	Agency fee		663.69	0.01	655.73	0.02
Benxi Steel (Group) New Industrial Development Co., Ltd.	Sales of goods	Energy&Power	Cost plus	31.59	0.00	38.16	0.00
Benxi Steel (Group) New Industrial Development Co., Ltd.	Sales of goods	Raw material & supplementary materials& spare parts		99.50	0.00	56.36	0.00
Benxi Steel (Group) Construction & Repairing Co., Ltd.	Sales of goods	Raw material & supplementary materials& spare parts				0.84	0.00
Benxi Steel (Group) Construction & Repairing Co., Ltd.	Sales of goods	Energy&Power	Cost plus	180.66	0.00	903.97	0.03
Benxi Steel (Group) Metallurgy Residues Co., Ltd., Ltd.	Sales of goods	Raw material & supplementary materials& spare parts		21,034.21	0.46	22,077.12	0.62
Benxi Steel (Group) Metallurgy Residues Co., Ltd., Ltd.	Sales of goods	Energy&Power	Cost plus	444.69	0.01	353.29	0.01

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Name of the related party	Transaction Type	Transaction Content	Pricing and Policy	2010		2009	
				Amount	Ratio (%)	Amount	Ratio (%)
Benxi Steel (Group) Metallurgy Residues Co., Ltd.	Rendering of service	Freight revenue		74.97	0.00	81.93	0.00
Benxi Steel (Group) Electronics and Gas Co., Ltd.	Sales of goods	Energy&Power		195.41	0.00	157.33	0.00
Bengang Puxiang Cool Rolling Steel Sheet Co., Ltd.	Sales of goods	Products		653,244.28	14.30	494,382.15	13.89
Bengang Puxiang Cool Rolling Steel Sheet Co., Ltd.	Sales of goods	Raw material & supplementary materials& spare parts		45,040.16	0.99	40,877.78	1.15
Bengang Puxiang Cool Rolling Steel Sheet Co., Ltd.	Sales of goods	Energy&Power	Cost plus	33,153.91	0.73	33,505.14	0.94
Bengang Puxiang Cool Rolling Steel Sheet Co., Ltd.	Rendering of service	Freight revenue		1,848.15	0.04	741.01	0.02
Bengang Puxiang Cool Rolling Steel Sheet Co., Ltd.	Rendering of service	Agency fee		214.69	0.00	200.79	0.01
Benxi Steel (Group) Thermal Power Development Co., Ltd.	Sales of goods	Energy&Power	Cost plus	6,757.02	0.15	4,523.46	0.13
Benxi Steel (Group) Thermal Power Development Co., Ltd.	Sales of goods	Raw material		16,596.11	0.36	5,920.20	0.17
Benxi Steel (Group) Thermal Power Development Co., Ltd.	Rendering of service	Agency fee		41.64	0.00	29.29	0.00
Benxi Steel (Group) Real-estate Development Co., Ltd.	Sales of goods	Energy&Power	Cost plus	463.28	0.01	370.26	0.01
Benxi Steel (Group) Engineering Supervision Co., Ltd.	Sales of goods	Energy&Power	Cost plus	0.60	0.00		
Benxi Steel (Group) Medical Co., Ltd.	Sales of goods	Energy&Power	Cost plus	84.76	0.00	28.12	0.00
Liaoning Metallurgy Technician College	Sales of goods	Coal		171.96	0.00	115.92	0.00
Bengang Fire-resistance Material Co. Ltd.	Sales of goods	Energy&Power	Cost plus	1,266.18	0.03	1,143.46	0.03
Bengang Fire-resistance Material Co. Ltd.	Rendering of service	Freight revenue		634.58	0.01	480.61	0.01
Bengang Fire-resistance Material Co. Ltd.	Sales of goods	Raw material		8,398.20	0.18	3,121.22	0.09
Bengang Fire-resistance Material Co. Ltd.	Rendering of service	Agency fee		21.50	0.00	15.61	0.00
Benxi Steel (Group) Information and Automatic Tech. Ltd.	Sales of goods	Energy&Power	Cost plus	24.16	0.00	12.25	0.00
Benxi Steel (Group) Tengda Holdings Ltd.	Sales of goods	Energy&Power	Cost plus	1.39	0.00	0.43	0.00
Benxi Steel (Group) Drilling Tools Co., Ltd.	Sales of goods	Product		134.86	0.00	107.03	0.00
Tianjin Bengang Steel Plates Process and Logistics Co., Ltd	Sales of goods	Product		1,703.51	0.04		
Tianjin Bengang Steel Plates Process and Logistics Co., Ltd	Sales of goods	Raw material		23.73	0.00	113.95	0.00
Benxi Steel (Group) Education Center	Sales of goods	Energy&Power	Cost plus	5.34	0.00	1.90	0.00
Total				1,127,130.67	24.65	1,582,345.64	44.44

The principles for guiding the related party transactions are as follows:

The Company entered into several agreements, namely, “Land use right lease contract”, “supplementary agreement of Land use right lease contract”, “Supplementary agreement No.2 of Land use right lease contract supplementary agreement” and “Raw material and service rendering agreement” successively on 28 December 2005, 26 June 2008 and 15 April 2009 respectively. Those agreements include the Group’s providing the raw material, supplementary, supporting services, rent and so on, to the Company and the Company’s sale of the raw materials, supplementary, energy, accessories, usage of the trade mark, supporting services, waste materials to the Group. The

following are the pricing policies:

A: The pricing of subjects purchased from Bengang Group

Pricing of raw materials:

Price of fine iron ore shall not be higher than the average customs C&F price from countries like Brazil and Australia in the last half year, plus inland freight, port fee, and quality price adjustment.

Quality Price adjustment shall be based on the weighted average of imported fine iron ore in the first half of year, and on the basis of 10 Yuan per ton to 1% of quality difference.

The transaction price of pellet ore is based on the market price for the same quality pellet ore

Price of scrap steel is co-determined by two transaction parties within the scale of the weighted average price of purchasing from independent third parties by the company during the last month.

The price of chill plate is based on the weighted average price of selling price to the independent third parties by the company during the last month plus RMB 363 processing fee and processing fee shall be adjusted every year.

Cold rolling sheets and Galvanized sheet steel: based on market price.

Supplementary materials: As to the supplementary materials, such as lime, Fire-resistance materials, ancillary materials, etc. provided by the Group is determined by market price

Accessories: the accessories produced by and purchased from the Group are carried out on market price.

Rental lease fee of 2300mm hot rolling mill production line: based on the rental price according to lease agreement signed by both parties.

Auto transportation: based on Market price.

Heating service of staff residence: based on National price.

Repairs and maintenance of plant and equipment: Negotiable according to the complexity and workload.

Designing and engineering: based on National price.

Engineering construction: the Price of the engineering construction service provided by the Group is carried out on market price.

Copies, newspaper, media and other publications: based on National price.

Education facilities: the education facilities rental service, professional technical education and staff training are carried out on market price.

Agency services: Before the import and export permission is obtained, the import and export business of the Company are deputized by the Group. This business is conducted as the normal business behavior. The agency fee determined by the Group and the Company according to the specific affair is charged at 0.5%-1.5% of the total value of import or export goods. The agreed rate of agency fee of 2010 is 0.50%

After obtaining the export rights, the Company has the right to inform the Group to terminate the agency relationship. The Group is not the sole agency, so the Company has the right to choose independent third party as an agent.

Telephone, fax, television services: based on National price.

Use of Office Building: based on Market price.

Business transportation: based on Market price.

Property management service: based on Market price.

Packing service: based on Market price.

Labor protection service: based on Market price.

Trademark: the trademark “Bengang” which is free to the Company permitted by The Group and the Company should not allow others to use the trademark. The Company has the right to register its own trade mark at any time.

B: The pricing of the sales to The Group:

Hot rolling of thin steel plates: The weighted average price of selling goods with same quality to third parties in the preceding month.

Coke products and chemical products: based on market price.

Waste steel residue and residual iron: based on market price.

Public services: Public services provided to the Group by the Company such as the oxygen, nitrogen, argon, blast furnace gas, converter gas, COG, steam, purified water, new water, central water, soft water and so on are priced at full cost plus the national additional tax and rational profit. The electricity provided to the Group is based on the National price plus the cost of transfer the electricity.

Railway transportation, quality control, measuring and weighting: based on National price.

Scrap steel (containing iron): based on Market price.

Raw material, supplementary material and spare parts: based on purchase price of the Company plus 0.5%-1.5% purchasing fee. The agreed purchased expense of 2010 is 0.50%

Research and development service: the service provided by the Company, which could not be finished by The Group, is priced on National price.

The selling price of continuous casting billet is based on the “agreement of selling steel billet” signed in 2008., and the agreed selling price by both parties is RMB 4623 per ton(before tax).

As to the leasing service of land use right provided by The Group, the two parties agree to determine the price at 6.24 Yuan per square meter per year in accordance with the “Land Use Right Leasing Agreement” which is been carried out by the Company and The Group.

4. Lease information of related parties

The explanation of lease of related parties:

In 2009, the Company leased 2300mm hot rolling mill production line from shareholder Benxi Steel (Group) Co., Ltd. The value of the whole line amounts to 5 billion RMB. The stage from the effective date of the lease contract to December 31st, 2009 is a testing period. Benxi Steel (Group) Co., Ltd charged no rent and any loss related to the lease subject is borne by Benxi Steel (Group) Co., Ltd and the profit belongs to the company if there is any.

The second stage: From January 1st 2010 to the end of the lease period, the company will pay 30% of the profit to Benxi Steel (Group) Co., Ltd as rent, and the annual rent will be no more than 5%(excluding

5%) of the audited net assets, and any loss related to the lease subject will be borne by the company.

The 2300mm hot rolling mill production line made a profit of RMB 594,087,152.32 during 2010 and need to pay the Benxi Steel (Group) Co., Ltd RMB 178,226,145.70 as a rent.

5. Information of Guarantee among related parties

Warrantor	Warrantee	Amount of Guarantee	Staring date of Guarantee	Ending date of Guarantee	Has the guarantee been fulfilled
Benxi Steel (Group) Co., Ltd.	Bengang Steel Plates Co., Ltd	¥ 100,000,000.00	2007-12-3	2012-7-25	No
Benxi Steel (Group) Co., Ltd.	Bengang Steel Plates Co., Ltd	¥ 70,000,000.00	2007-4-30	2014-4-29	No
Benxi Steel (Group) Co., Ltd.	Bengang Steel Plates Co., Ltd	¥ 130,000,000.00	2007-4-30	2014-4-29	No
Benxi Steel (Group) Co., Ltd.	Bengang Steel Plates Co., Ltd	¥ 100,000,000.00	2007-12-3	2012-7-25	No
Benxi Steel (Group) Co., Ltd.	Bengang Steel Plates Co., Ltd	¥ 400,000,000.00	2008-4-29	2013-4-15	No
Benxi Steel (Group) Co., Ltd.	Bengang Steel Plates Co., Ltd	¥ 100,000,000.00	2010-7-1	2013-6-30	No
Benxi Steel (Group) Co., Ltd.	Bengang Steel Plates Co., Ltd	¥ 300,000,000.00	2010-7-2	2013-6-1	No
Benxi Steel (Group) Co., Ltd.	Bengang Steel Plates Co., Ltd	¥ 310,000,000.00	2010-7-2	2013-7-1	No
Benxi Steel (Group) Co., Ltd.	Bengang Steel Plates Co., Ltd	¥ 200,000,000.00	2010-4-14	2012-4-13	No
Benxi Steel (Group) Co., Ltd.	Bengang Steel Plates Co., Ltd	¥ 145,000,000.00	2010-4-14	2012-4-13	No
Benxi Steel (Group) Co., Ltd.	Bengang Steel Plates Co., Ltd	¥ 100,000,000.00	2010-4-29	2013-4-28	No
Benxi Steel (Group) Co., Ltd.	Bengang Steel Plates Co., Ltd	\$60,000,000.00	2009-9-11	2012-9-10	No
Benxi Steel (Group) Co., Ltd.	Bengang Steel Plates Co., Ltd	\$20,000,000.00	2009-9-25	2012-9-24	No
Benxi Steel (Group) Co., Ltd.	Bengang Steel Plates Co., Ltd	\$20,000,000.00	2009-10-12	2012-8-24	No
Benxi Steel (Group) Co., Ltd.	Bengang Steel Plates Co., Ltd	\$24,000,000.00	2009-10-20	2012-10-18	No
Benxi Steel (Group) Co., Ltd.	Bengang Steel Plates Co., Ltd	\$20,000,000.00	2009-10-21	2012-10-5	No
Benxi Steel (Group) Co., Ltd.	Bengang Steel Plates Co., Ltd	JPY 393,992,000.00	1997-9-10	2027-9-10	No
Notes payable guarantee					
Benxi Steel (Group) Co., Ltd.	Bengang Steel Plates Co., Ltd	¥ 22,165,677.33	2010-11-29	2011-5-29	No
Benxi Steel (Group) Co., Ltd.	Bengang Steel Plates Co., Ltd	¥ 153,500,000.00	2010-10-29	2010-4-29	No
Benxi Steel (Group) Co., Ltd.	Bengang Steel Plates Co., Ltd	¥ 271,288,110.23	2010-12	2011-06	No
Benxi Steel (Group) Co., Ltd.	Bengang Steel Plates Co., Ltd	¥ 86,266,853.09	2010-11	2011-05	No

Description of Guarantee: The Benxi Steel (Group) Co., Ltd. offer guarantees for the shor-term and long-term loans of the Company

6. Receivables and payables of the related parties

(1) Receivables of the Company

Related party	Ending balance(In RMB 10 thousand)		Beginning balance (In RMB 10 thousand)	
	Carrying value	Bad debt provision	Carrying value	Bad debt provision
Accounts receivable				
Benxi Steel (Group) Machinery Co., Ltd.	8,729.28	698.83	11,168.18	334.22
Benxi Steel (Group) Thermal Power Development Co., Ltd.	1,650.90		2,396.92	
Benxi Steel (Group) Construction & Repairing Co. Ltd.	1,754.40			
Benxi Steel (Group) Construction Co., Ltd.	1,691.40	13.00	7,909.86	3.81
Benxi Steel (Group) Industrial Development Co., Ltd.	6,540.99	24.54	1,803.36	
Benxi Steel (Group) New Industrial Development Co., Ltd.	651.91	282.76	573.29	143.37
Bengang Fire-resistance Material Co.			6,631.10	15.22
Benxi Steel (Group) Metallurgy Residues Co., Ltd.	2,176.32		5,601.76	
Benxi Steel (Group) Real-estate Development Co., Ltd.			0.75	
Benxi Steel (Group) Medical Co., Ltd.	54.72	2.28		
Subtotal	23,249.92	1,021.41	36,085.22	496.62
Prepayments				
Bengang Group International Trading Ltd.			17,668.27	
Benxi Steel (Group) Construction & Repairing Co., Ltd.			46.19	
Benxi Steel (Group) Construction Co., Ltd.	2,295.51		4,369.49	
Benxi Steel (Group) Industrial Development Co., Ltd.			17.19	
Bengang Puxiang Cool Rolling Steel Sheet Co., Ltd.	516.94		1,604.02	
Benxi Steel (Group) Machinery Co., Ltd.			2,253.13	
Subtotal	2,812.45		25,958.29	
Other receivables				
Benxi Steel (Group) Engineering supervision Co., Ltd.	25.00	25.00	25.00	25.00
Benxi Steel (Group) Information and Automatic Tech. Ltd.	14.54	-		
Benxi Steel (Group) Industrial Development Co., Ltd.			41.62	0.00
Benxi Steel (Group) Real-estate Development Co., Ltd.	700.40	11.15	222.18	0.00
Benxi Steel (Group) Electronics and Gas Co., Ltd.	163.63		147.63	0.00
Benxi Steel (Group) Education Center	27.10			
Benxi Steel (Group) Co., Ltd.	52.20			
Subtotal	982.87	36.15	436.43	25.00

(2) payables of the Company

Related party	Ending balance(In RMB 10 thousand)	Beginning balance (In RMB 10 thousand)
Accounts payable		
Bengang Group International Trading Ltd.	183,896.93	
Bengang Fire-resistance Material Co.	9,844.87	12,012.00
Liaoning Bengang Steel & Iron Trading Co., Ltd	457.33	281.88
Liaoning Metallurgy Technician College	979.03	1,424.11
Benxi Steel (Group) Co., Ltd.		274.56
Benxi Steel (Group) Drilling Tools Co., Ltd.	280.13	803.79

Bengang Steel Plates Co., Ltd.
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Related party	Ending balance(In RMB 10 thousand)	Beginning balance (In RMB 10 thousand)
Benxi Steel (Group) New Industrial Development Co., Ltd.	775.14	1.35
Benxi Steel (Group) Real-estate Development Co., Ltd.	921.53	594.82
Benxi Steel (Group) Engineering construction and supervision Co.,Ltd	8.80	39.48
Benxi Xinye Clean&Care Operation Co., Ltd.		83.74
Benxi Yitong Tube Co., Ltd.		205.36
Benxi Steel (Group) Machinery Co., Ltd.	3,849.04	2,709.88
Benxi Steel (Group) Construction Co., Ltd.	52,105.38	1,089.45
Benxi Steel (Group) Mining Co., Ltd.	45,136.74	74,957.52
Benxi Steel (Group) Industrial Development Co., Ltd.	12,418.05	3,961.86
Benxi Steel (Group) Construction & Repairing Co., Ltd.	16,682.52	
Benxi Steel (Group) Metallurgy Residues Co., Ltd.	2,118.73	4,898.44
Benxi Steel (Group) Information and Automatic Tech. Ltd.	3,436.69	1,601.62
Benxi Steel (Group) Electronics and Gas Co., Ltd.	1,811.18	1,005.12
Benxi Steel (Group) Designing Institute	5,784.26	1,529.72
Benxi Steel (Group) Education Center	372.47	329.50
Benxi Steel (Group) Thermal Power Development Co., Ltd.	115.29	10.32
Subtotal	340,994.11	107,814.52
Notes payable		
Benxi Steel (Group) Construction Co., Ltd.	69.60	864.03
Benxi Steel (Group) Industrial Development Co., Ltd.	994.69	2,137.34
Benxi Steel (Group) Drilling Tools Co., Ltd.	59.98	
Liaoning Bengang Steel & Iron Trading Co., Ltd	123.84	210.00
Benxi Steel (Group) New Industrial Development Co., Ltd.	16.63	10.00
Bengang Fire-resistance Material Co.		2,100.00
Benxi Steel (Group) Information and Automatic Tech. Ltd.	14.50	475.09
Benxi Steel (Group) Machinery Co., Ltd.	15.04	2,388.61
Benxi Steel (Group) Real-estate Development Co., Ltd.	21.45	367.90
Benxi Steel (Group) Electronics and Gas Co., Ltd.	32.00	881.00
Benxi Steel (Group) Construction & Repairing Co., Ltd.	35.50	330.60
Liaoning Metallurgy Technician College	34.56	786.30
Subtotal	1,417.79	10,550.87
Other payables		
Benxi Steel (Group) Machinery Co., Ltd.	4.53	382.70
Benxi Steel (Group) Construction & Repairing Co., Ltd.	56.69	513.48
Benxi Steel (Group) Industrial Development Co., Ltd.	354.13	1,052.63
Benxi Steel (Group) Construction Co., Ltd.	783.98	8,944.11
Benxi Steel (Group) Real-estate Development Co., Ltd.		25.00
Benxi Steel (Group) Information and Automatic Tech. Ltd.	87.54	949.67
Benxi Steel (Group) New Industrial Development Co., Ltd.	1.00	252.14
Benxi Steel (Group) Electronics and Gas Co., Ltd.	1.00	303.47
Benxi Steel (Group) Education Center	2.78	395.32
Bengang Fire-resistance Material Co.		45.99
Benxi Steel (Group) Designing Institute		135.01
Liaoning Metallurgy Technician College		412.57

Related party	Ending balance(In RMB 10 thousand)	Beginning balance (In RMB 10 thousand)
Benxi Steel (Group) Mining Co., Ltd.	3.54	
Benxi Steel (Group) Steel Process and Logistics Co., Ltd.		24.70
Benxi Steel (Group) Co., Ltd.	28,125.70	14,460.68
Benxi Steel (Group) News Center	422.69	386.84
Bengang Puxiang Cool Rolling Steel Sheet Co., Ltd		94.79
Benxi Steel (Group) Thermal Power Development Co., Ltd.	1,438.56	1,416.77
Benxi Steel (Group) Metallurgy Residues Co., Ltd.		45.09
Subtotal	31,282.14	29,840.96
Advance from customers		
Dalian Boluole Steel Tube Ltd.	1,146.25	843.93
Benxi Steel (Group) Steel Process and Logistics Co., Ltd.	634.04	3,796.53
Benxi Steel (Group) Construction Co., Ltd.	17.58	17.58
Benxi Steel (Group) Industrial Development Co., Ltd.	1.85	640.29
Guangzhou Free Trade Zone Bengang Sales Co., Ltd.	2,745.58	4,934.74
Benxi Steel (Group) Drilling Tools Co., Ltd.	120.18	
Liaoning Bengang Steel & Iron Trading Co., Ltd	3,932.11	2,403.13
Shanghai Bengang Steel & Iron Trading Co., Ltd.	548.13	1.91
Tianjin Bengang Steel Plates Process and Logistics Co., Ltd	2,386.46	2,050.00
Benxi Steel (Group) New Industrial Development Co., Ltd.		0.07
Liaoning Metallurgy Technician College		29.33
Benxi Steel (Group) Medical Co., Ltd.		1.21
Benxi Steel (Group) Metallurgy Residues Co., Ltd.,		0.10
Benxi Steel (Group) Machinery Co., Ltd.	233.05	38.26
Benxi Steel (Group) Culture Center		0.42
Benxi Steel (Group) Tengda Holdings Ltd.		0.27
Tianjin Bengang Longxing Steel Process Co., Ltd.	300.00	
Subtotal	12,065.23	14,757.77

7. Contingencies

At the balance sheet date, no significant contingencies need to be disclosed.

8. Commitment

1. External investment contract signed but not yet carried out or fully carried out and its financial expenditure

The capital construction and equipment purchase contract signed in 2009 but not yet carried out is equal to RMB233.65 million, The total of RMB1,188.98 million is to be paid for the capital construction and equipment purchase contract already signed but not yet to be finished

2. Lease contract already signed or to be carried out and its financial impact

1) Operating lease commitment: As to the leasing service of land use right provided by The Group, the two parties agree to determine the price at 6.24 Yuan per square meter per month in accordance with the “Land Use Right Leasing Agreement” which is been carried out by the Company and The Group. The total area of land is 7,669,068.17 square meters and the total annual rent is RMB 57,426,000.00

2) On March 18th, 2009, “The proposal of leasing 2300mm hot rolling mill production line from Benxi Steel (Group) Co., Ltd” had been passed on the thirteenth meeting by the Fourth Board of Directors. According to the proposal, the company will lease the 2300mm hot rolling mill production line invested and constructed by Benxi Steel (Group) Co., Ltd, including but not limited to plants, machinery and equipment, subsidiary buildings, ancillary facilities and assets invested in testing by the lessor, which are related to the 2300mm hot rolling mill production line.

The rent was agreed by both parties as follows:

The first stage: From the effective date of the lease contract to December 31st, 2009. This stage is a testing period for the lease subject. Benxi Steel (Group) Co., Ltd will charge no rent and any loss related to the lease subject will be borne by Benxi Steel (Group) Co., Ltd and the profit belongs to the company if there is any.

The second stage: From January 1st 2009 to the end of the lease period, the company will pay 30% of the profit to Benxi Steel (Group) Co., Ltd as rent, and the annual rent will be no more than 5%(excluding 5%) of the audited net assets, and any loss related to the lease subject will be borne by the company.

The period of the lease contract is from the effective date to December 31st 2011.

9. Subsequent event

Up to the issue date of this report , the non-adjusting events after the balance sheet date mainly includes the following:

1. The Company have received all Notes receivables matured.
2. On 18th April 2011, on the fifth meeting of the Fifth board of directors, the Company decides to dispatch the cash dividend of RMB 1 yuan (before tax) for every ten shares to all shareholders based on the year-end shares of 3,136,000,000.00. The cash dividend totaled RMB 313,600,000.00 . The above proposal will be carried out after approval by general meetings of the shareholders.

10. Others

(1) Non-monetary transaction

No Non-monetary transaction needs to be disclosed.

(2) Other important Items

1. Benxi Group International Economic and Trade Co., Ltd is a wholly-owned subsidiary of Benxi Steel (Group) Co., Ltd, which is the import agent of the company. In 2009, because of its lack of credit limit, Benxi Group International Economic and Trade Co., Ltd used the RMB 800 million credit limit of the Company in the Industrial and Commercial Bank of China Benxi branch. Up to the date of issuing this report, the amount of letters of credit not due is RMB 65,947,901.79.

11. Notes to the financial statements of the parent company

(1) Accounts receivables

1. accounts receivables

Item	Carrying value	Ending balance		
		Percentage of the total accounts receivable(%)	Provison for bad debt	Bad debt ratio(%)
Individually significant and tested for impairment individually				
accounts receivable tested for impairment by portfolio	808,236,347.68	100.00	408,105,274.76	50.49
Other insignificant items but tested for impairment individually				
Total	808,236,347.68	100.00	408,105,274.76	50.49

Item	Amount	Beginning balance		
		Percentage of the total accounts receivable(%)	Provison for bad debt	Bad debt Ratio(%)
Individually significant and tested for impairment individually				
accounts receivable tested for impairment by portfolio	1,113,706,678.28	100.00	377,198,128.45	33.87
Other insignificant items but tested for impairment individually				
Total	1,113,706,678.28	100.00	377,198,128.45	33.87

2. Accounts receivable tested for impairment by portfolio

Item	Carrying value	Ending balance	
		Percentage of the total accounts receivable(%)	Provison for bad debt
Within 1 year	329,323,169.55	40.75	
1-2 years	39,052,930.65	4.83	1,952,646.53
2-3 years	42,134,524.07	5.21	8,426,904.82
Over 3 years	397,725,723.41	49.21	397,725,723.41
Total	808,236,347.68	100	408,105,274.76

Item	Carrying value	Beginning balance	
		Percentage of the total accounts receivable(%)	Provision for bad debt
Within 1 year	603,876,063.14	54.22	
1-2 years	89,189,801.88	8.01	4,459,490.09
2-3 years	59,877,718.63	5.38	11,975,543.73
Over 3 years	360,763,094.63	32.39	360,763,094.63
Total	1,113,706,678.28	100.00	377,198,128.45

3. No accounts receivable, which had been fully impaired or made a large proportion of bad debt provision last year, has been fully recovered or taken back a huge proportion this year.

4. No accounts receivable has been written off this year

5. The top five debtors at the year end

Name	Relationship	Amount	Aging	Ratio of the total accounts receivable(%)
Benxi Steel (Group) Machinery Co., Ltd	Related party	87,292,806.56	within 2year	10.80
Benxi Steel (Group) Industrial Development Co., Ltd.	Related party	65,409,885.85	within 1 year	8.09
Bengang Cold-rolled Stainless Steel Dandong Co., Ltd.	Subsidiary	47,858,202.90	within 1 year	5.92
China Petroleum Material Co., Ltd.	Supplier	23,666,032.32	within 1 year	2.93
Bengang Puxiang Cool Rolling Steel Sheet Co., Ltd..	Related party	21,110,991.70	within 1 year	2.61
Total		245,337,919.33		30.35

6. Within the aforesaid balance, there is no amount due from the shareholders that hold 5% or more of the company's voting shares.

7. The accounts receivables of related parties are disclosed in Note 6 .

(2) Other receivables

1. Other receivables

Item	Ending balance			
	Carrying value	Percentage of the total other receivable(%)	Provison for bad debt	Bad debt ratio(%)
Individually significant and tested for impairment individually				
accounts receivable tested for impairment by portfolio	292,919,204.96	99.41	73,933,493.35	25.24
Other insignificant items but tested for impairment individually	1,740,000.00	0.59		
Total	294,659,204.96	100.00	73,933,493.35	25.24

Item	Beginning balance			
	Amount	Percentage of the total other receivable(%)	Provison for bad debt	Bad debt Ratio(%)
Individually significant and tested for impairment individually				
accounts receivable tested for impairment by portfolio	263,245,243.84	99.34	54,709,463.97	20.78
Other insignificant items but tested for impairment individually	1,740,000.00	0.66		
Total	264,985,243.84	100.00	54,709,463.97	20.78

2. Other receivables tested for impairment by portfolio:

Item	Ending balance		
	Carrying value	Percentage of the toal other receivable(%)	Provison for bad debt
Within 1 year	201,454,501.88		68.77
1-2 years	9,109,359.62		3.11
2-3 years	11,096,647.61		3.79
Over 3 years	71,258,695.85		24.33
Total	292,919,204.96		100

Item	Beginning balance		
	Carrying value	Percentage of the toal other receivable(%)	Provison for bad debt
Within 1 year	194,395,933.32		73.84
1-2 years	3,184,114.22		1.21

2-3 years	13,893,672.55	5.28	2,778,734.51
Over 3 years	51,771,523.75	19.67	51,771,523.75
Total	263,245,243.84	100	54,709,463.97

3. Bad debt provision for individually significant other receivables and individually insignificant other receivables for which impairment test has been carried out:

Name	Carrying value	Bad debt provision	Bad debt ratio(%)	Reason
Finance Bureau of Benxi Japanese Loan Sinking fund	1,740,000.00	0.00	0.00	Sinking Fund
Total	1,740,000.00	0.00	0.00	

4. No other receivables, which had been fully impaired or made a large proportion of bad debt provision last year, has been fully recovered or taken back a huge proportion this year.

5. No other receivables has been written off this year.

6. Top five debtors at the year end

Name	Relationship	Nature or content	Amount	Aging	Ratio(%)
Yantai Bengang Steel Sales Ltd.	Subsidiary	Current accounts	58,127,128.68	within 1year	19.73
Bengang Cold-rolled Stainless Steel Dandong Co., Ltd.	Subsidiary	Current accounts	18,982,905.98	within 1year	6.44
Nanjing Bengang Material Sales Ltd.	Subsidiary	Current accounts	15,397,941.32	within 1year	5.23
State Administration of Taxation Bengang Branch	Tax bureau	Export Refund tax	15,306,611.59	within 1 year	5.19
Changchun Bengang Steel Sales Ltd.	Subsidiary	Current accounts	13,703,800.97	within 1 year	4.65

7. On 31 December 2010, within the aforesaid balance, there is no amount due from the shareholders who holds 5% or more the voting shares of the Company.

8. As to the ending balance of other receivables with regard to related parties, please refer to the Note 6.

(3) Long-term equity investments

(In RMB 0.00)

Name of investee	Method	Initial investment cost	Beginning balance	Changes	Ending balance	Percentage of shareholding	Percentage of voting rights	Notes (if shareholding is not equal to voting rights)	Impairment	Impairment provision	Cash dividend
Harbin Bengang Steel & Iron Sales Ltd.	Cost method	423,398.23	423,398.23		423,398.23	100%	100%				
Changchun Bengang Steel Sales Ltd.	Cost method	-1,355,124.64	-1,355,124.64		-1,355,124.64	100%	100%				
Tianjin Bengang Steel Trading Ltd.	Cost method	33,318,095.80	33,318,095.80		33,318,095.80	100%	100%				
Yantai Bengang Steel Sales Ltd.	Cost method	19,600,329.41	19,600,329.41		19,600,329.41	100%	100%				
Nanjing Bengang Material Sales Ltd.	Cost method	2,081,400.65	2,081,400.65		2,081,400.65	100%	100%				
Wuxi Bengang Steel Sales Ltd.	Cost method	936,718.57	936,718.57		936,718.57	100%	100%				
Xiamen Bengang Steel Sales Ltd.	Cost method	1,095,711.66	1,095,711.66		1,095,711.66	100%	100%				
Guangzhou Bengang Trading Co., Ltd	Cost method	1,000,000.00	1,000,000.00		1,000,000.00	100%	100%				
Shanghai Bengang Metallurgy Science and Technology Co., Ltd.	Cost method	5,000,000.00	5,000,000.00		5,000,000.00	100.00	100.00				
Bengang Steel Liaoyang Pallete Co., Ltd.	Cost method	477,607,647.49	477,607,647.49		477,607,647.49	100%	100%				
Bengang Cold-rolled Stainless Steel Dandong Co., Ltd.	Cost method	260,000,000.00		260,000,000.00	260,000,000.00	100.00	100.00				
Dalian Benruitong automobile material technology Co., Ltd.	Cost method	65,000,000.00		65,000,000.00	65,000,000.00	65.00	65.00				
Tianjin Bengang Longxing Steel Process Co., Ltd.	Cost method	3,888,980.00		3,888,980.00	3,888,980.00	20.00	20.00				
Zonggang Shanghai Steel Process Co., Ltd.	Cost method	10,058,250.00		10,058,250.00	10,058,250.00	15.00	15.00				
Total		878,655,407.17	539,708,177.17	338,947,230.00	878,655,407.17						

Note to the long-term equity investment: the Company has invested a wholly-owned enterprise the Bengang Cold-rolled Stainless Steel Dandong Co., Ltd. in Dandong and Dalian Benruitong Automobile Material Technology Co., Ltd. is jointly set up in Dalian by the Company, Hubei Huitong Gongmao Group Co., Ltd. and Wuhu Ruichuang Investment. Tianjin Bengang Longxing Steel Process Co., Ltd. and Zonggang Shanghai Steel Process Co., Ltd. are associates.

(4) **Operating revenue and cost**

1. Operating revenue

Item	2010	2009
Operating revenue from principal business	39,593,568,130.60	29,278,122,198.76
Other operating revenue	5,398,992,125.45	5,082,483,142.97
Total	44,992,560,256.05	34,360,605,341.73
Operating cost	40,438,137,117.10	32,805,950,140.59

2. Principal operating revenue classified by business industry

Item	2010		2009	
	Principal operating revenue	Principal operating cost	Principal operating revenue	Principal operating cost
(1) Industry	39,593,568,130.60	35,369,810,515.36	29,278,122,198.76	27,799,157,484.56
Total	39,593,568,130.60	35,369,810,515.36	29,278,122,198.76	27,799,157,484.56

3. Principal operating revenue classified by products variety

Item	2010		2009	
	Principal operating revenue	Principal operating cost	Principal operating revenue	Principal operating cost
Steel Plates	38,971,634,958.45	34,780,042,922.04	26,669,887,686.62	25,944,999,552.62
Steel Billet	3,314,515.89	2,572,217.25	2,209,695,527.00	1,444,121,266.88
Others	618,618,656.26	587,195,376.07	398,538,985.14	410,036,665.06
Total	39,593,568,130.60	35,369,810,515.36	29,278,122,198.76	27,799,157,484.56

4. Principal operating revenue classified by areas

Area	2010		2009	
	Principal operating revenue	Principal operating cost	Principal operating revenue	Principal operating cost
Northeast	13,032,483,399.55	11,642,205,796.31	12,044,100,762.81	11,435,701,087.40
North China	5,905,580,448.15	5,275,585,689.71	5,168,386,606.69	4,907,309,022.25
East China	10,310,621,685.95	9,210,706,499.72	7,908,700,756.61	7,509,198,040.05
Northwest	113,561,738.11	101,447,213.48	33,501,265.03	31,808,971.09
Southwest	-	-	5,895,455.60	5,597,650.61
Middle south	4,126,139,483.29	3,685,971,701.33	2,017,197,711.72	1,915,300,321.68

Area	2010		2009	
	Principal operating revenue	Principal operating cost	Principal operating revenue	Principal operating cost
Export	6,105,181,375.55	5,453,893,614.81	2,100,339,640.30	1,994,242,391.48
Total	39,593,568,130.60	35,369,810,515.36	29,278,122,198.76	27,799,157,484.56

5. Top five clients' principal operating revenue is as follows

Ranking	Principal operating revenue	Percentage of total operating revenue(%)
Bengang Puxiang Cool Rolling Steel Sheet Co., Ltd.	6,532,442,804.05	14.52
Hengxin International Resources Co., Ltd.	1,659,536,361.00	3.69
Yantai Bengang Steel Sales Ltd.	1,392,009,526.66	3.09
Shanghai Bengang Metallurgy Science and Technology Co., Ltd.	1,220,189,988.25	2.71
DUFERCO SA	902,519,546.25	2.01
Total	11,706,698,226.21	26.02

(5) Supplementary information for Statement of Cash Flow

Item	2010	2009
1. A reconciliation of net profit to cash flows from operating activities :		
Net profit	755,124,301.63	-1,612,307,951.48
Add : Asset impairment losses	59,523,718.92	100,067,127.09
Depreciation and amortization	1,676,150,565.72	2,541,815,216.03
Amortization of intangible assets		
Long-term prepayment amortization		
Losses proceeds from disposal of PPE、 intangible assets and other long-term assets (Earnings marked“ - ”)	103,089,588.74	95,492,403.92
Scrapped losses from fixed assets, real estate investment		
Fair value losses(Earnings marked“ - ”)		
Financial expenses(Earnings marked“ - ”)	309,425,100.53	139,865,962.62
Investment losses(Earnings marked“ - ”)		
Deferred tax assets reduction(Addition marked“ - ”)	21,103,319.87	193,218,870.67
Deferred tax liabilities increased(Reduce marked“ - ”)		
Reduction of inventory(Addition marked“ - ”)	-2,122,623,871.12	459,376,905.80
Operating receivable items reduction(Addition marked“ - ”)	534,955,907.34	-801,166,401.54
Operating payable items increase(Minus marked “ - ”)	1,324,154,150.74	2,443,743,260.51
Others		
Net cash flow Generated from operating activities	2,660,902,782.37	3,560,105,393.62
2. Payments of investment and fund-raising activities do not involve cash :		
Liabilities transferred to capital		
Convertible bonds due within one year		

Item	2010	2009
Fixed assets financed by leasing		
3. The net increase in cash and cash equivalents :		
Ending balance of the monetary funds	1,144,055,465.80	1,324,990,582.40
Minus : Opening balance of the monetary funds	1,324,990,582.40	1,840,720,448.33
Add : Ending balance of cash equivalents		
Minus : Opening balance of cash equivalents		
The net increase in cash and cash equivalents	-180,935,116.60	-515,729,865.93

12. Supplementary information

(1) Details of Non-recurring profit and loss

Item	Amount	Notes
Gains and losses from disposal of non-current assets including the write-off of the provision of asset impairment	-103,090,249.31	
Gains and losses included in the current period of government subsidies, excluding those government grants which are closely related to normal business and in line with national policy , or in accordance with fixed standards or quantities	1,881,326.47	
Gain from debt restructuring	7,277,701.25	
Non-operating income and expenditure in addition to the above items	-4,242,935.44	
The impact of income tax	-394,204.72	
Total	-98,568,361.75	

(2) Net asset yield and Earnings per Share

Profit in the Reporting Period	Weighted average net assets yield(%)	Earning per share	
		Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders	6.35	0.295	0.295
Net profit attributable to ordinary shareholders after deducting non-recurring profit and loss	7.03	0.327	0.327

13. Difference between financial statements prepared under the PRC GAAP and IFRS

Other than the differences in the classifications of certain financial accounts and the difference described below, there are no material differences between the Company's financial statements prepared under the

PRC GAAP and IFRS. The major differences are the revalued assets and its depreciation. Certain assets of the Company are stated at their revalued value in the financial statements prepared under IFRS while they are stated at cost in the financial statements prepared under the PRC GAAP. Therefore the depreciation of these assets under IFRS and the PRC Accounting Rules and Regulations differs. The effects of the differences are as follows:

Effects of major differences between the PRC GAAP and IFRS on net profit are analyzed as follows:

Item	Note	2010 RMB'000	2009 RMB'000
Profit under the PRC GAAP		925,322	-1,545,191
Adjustment:			
- Depreciation on revalued assets		-7,069	-11,316
- Disposal of revalued assets		-9,734	-30
Subtotal		-16,803	-11,346
Profit under IFRS		908,519	-1,556,537

Effects of major differences between the PRC GAAP and IFRS on total equity are analyzed as follows:

Item	Note	2010 RMB'000	2009 RMB'000
Total equity under the PRC GAAP		15,045,315	14,124,643
Adjustments:			
- Revaluation of assets		321,764	321,764
- Depreciation on revalued assets		-281,476	-274,407
- Disposal of revalued assets		-21,417	-11,683
Subtotal		18,871	35,674
Total equity under IFRS		15,064,186	14,160,317

14. The approval of the financial statements

The Financial Statements and Notes of the Company have been approved by the board of directors of

the Company on April 18th, 2011

Bengang Steel Plates Co., Ltd.

18 April 2011