馬鞍山鋼鐵股份有限公司

Maanshan Iron & Steel Company Limited

(a joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 00323)

2011 ANNUAL RESULTS ANNOUNCEMENT

1 IMPORTANT NOTICES

1.1 According to the "Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong" published by the Stock Exchange of Hong Kong Limited in December 2010, Mainland incorporated companies listed in Hong Kong are allowed by the Stock Exchange of Hong Kong Limited, with effect from 15 December 2010, to prepare their financial statements using the PRC Accounting Standards for Business Enterprises ("PRC Accounting Standards") and Mainland audit firms approved by the Ministry of Finance and the China Securities Regulatory Commission are allowed to act as their auditors and to audit such financial statements using mainland auditing standards. Accordingly, Maanshan iron & steel company limited (the "Company") opted to adopt PRC Accounting Standards to prepare its financial statements for its A share and H share shareholders from the financial year ended 31 December 2011 onwards.

1.2 The board of directors (the "Board"), the Supervisory Committee, the Directors, the Supervisors and Senior Management of the Company warrant that there are no false representations or misleading statements contained in, or material omissions from, this report; and severally and jointly accept full responsibility for the truthfulness, accuracy and completeness of the information contained in this report.

1.3 All directors of the Company attended this meeting of the Board.

1.4 Ernst & Young Hua Ming has issued a standard unqualified opinion in the auditors' reports of the Company in accordance with PRC Accounting Standards.

1.5 Mr. Su Jiangang, legal representative of the Company, Mr. Qian Haifan, person overseeing the accounting operations, and Mr. Zhang Qianchun, head of Accounting Department, make representation in respect of the truthfulness and completeness of the financial statements contained in the annual report.

2 GENERAL INFORMATION

2.1 Company profile

Stock abbreviation	Magang Stock
Stock code	600808
Places of listing	Shanghai Stock Exchange
Stock abbreviation	Maanshan Iron & Steel
Stock code	323
Places of listing	The Stock Exchange of Hong Kong Limited

2.2 Contact people and details

	Secretary to the Board of Directors	**Representative for Securities Affairs**
Name	Ren Tianbao	Hu Shunliang
Correspondence address	No. 8 Jiu Hua Xi Road, Maanshan City, Anhui Province, the PRC	No. 8 Jiu Hua Xi Road, Maanshan City, Anhui Province, the PRC
Telephone	86-555-2888158/2875251	86-555-2888158/2875251
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3 EXTRACTS OF ACCOUNTING AND BUSINESS DATA

3.1 Major accounting data

Unit: RMB'000

	2011	2010	**Increase/ (decrease) compared to the previous year** *(%)*	2009
Total operating revenue	**86,842,202**	64,981,112	33.64	51,859,970
Operating profit	**158,298**	1,565,448	–89.89	374,216
Gross profit	**301,099**	1,711,112	–82.40	562,876
Net profit attributable to shareholders of the Company	**69,578**	1,101,839	–93.69	392,475
Net profit excluding non-recurring gains or losses attributable to shareholders of the Company	**–30,976**	999,677	–103.10	242,094
Net cash flows from operating activities	**982,680**	400,007	145.67	6,668,700

	As at the end of 2011	As at the end of 2010	**Increase/ (decrease) compared to the end of the previous year** *(%)*	As at the end of 2009
Total assets	**81,113,029**	70,104,925	15.70	67,984,107
Total liabilities	**52,180,279**	42,106,162	23.93	40,799,244
Shareholders' equity attributable to shareholders of the Company	**26,954,411**	27,294,087	–1.24	26,464,653
Total share capital (RMB)	**7,700,681,186**	7,700,681,186	0	7,700,681,186

3.2 Major financial indicators

Unit: RMB

	2011	2010	**Increase/ (decrease) compared to the previous year** *(%)*	2009
Basic earnings per share (RMB/share)	**0.009**	0.143	–93.71	0.051
Diluted earnings per share (RMB/share)	**Not applicable**	Not applicable	Not applicable	Not applicable
Earnings per share calculated based on the latest share capital (RMB/share)	**0.009**	0.143	–93.71	0.051
Basic earnings per share excluding non-recurring gains or losses (RMB/share)	**–0.004**	0.130	–103.10	0.031
Return on net assets (weighted average) (%)	**0.26**	4.08	decreased by 3.82 percentage points	1.50
Return on net assets excluding non-recurring gains or losses (weighted average) (%)	**–0.11**	3.70	decreased by 3.81 percentage points	0.92
Net cash flow per share from operating activities (RMB/share)	**0.128**	0.052	145.67	0.866

	As at the end of 2011	As at the end of 2010	**Increase/ (decrease) compared to the end of the previous year** *(%)*	As at the end of 2009
Net assets per share attributable to shareholders of the Company (RMB/share)	**3.50**	3.54	–1.13	3.44
Gearing ratio (%)	**64.33**	60.06	increased by 4.27 percentage points	60.01

3.3 Items of non-recurring gains or losses

Unit: RMB'000

Items of non-recurring gains or losses	**2011**	2010	2009
Losses from disposal of non-current assets	**–18,754**	–6,514	0
Government subsidies recognized in current gains and losses	**84,456**	78,449	95,218
Gains/losses from fair value changes of trading financial assets and trading financial liabilities	**–219**	–210	224
Except for the above items. other non-operating income and expenses, net	**–5,010**	–5,800	13,939
Amortization of deferred income	**82,109**	79,527	79,503
Other investment income	**466**	403	197
Effects of minority interests	**–7,699**	–9,531	–9,206
Effects of income tax	**–34,795**	–34,163	–29,494
Total	**100,554**	102,161	150,381

4. SHAREHOLDING OF SHAREHOLDERS AND CONTROLLING FRAMEWORK

4.1 Shareholding of top ten shareholders, top ten holders of A Shares in circulation

Unit: Shares

Total number of shareholders at the end of 2011	373,929	**Total number of shareholders as at the end of the month before publication of the annual report**	368,580

Shareholding of the top ten shareholders

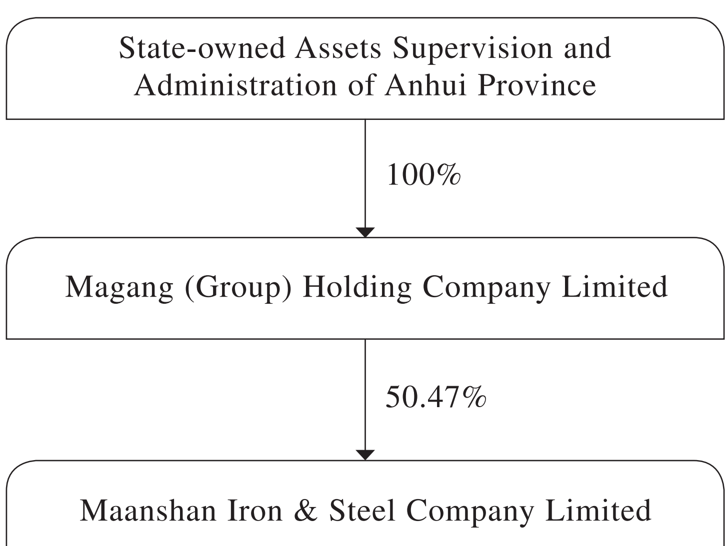
Name of shareholder	Type of shareholders	As a percentage to number of shares held (%)	Total number of shares held	Number of shares held with selling restrictions	Number of pledged or frozen shares
Magang (Group) Holding Company Limited	State-owned shareholder	50.47	3,886,423,927	0	0
HKSCC (Nominees) Limited	Foreign shareholder	22.16	1,706,547,897	0	Unknown
中國建設銀行－鵬華價值優勢股票型證券投資基金	Others	0.58	45,000,000	0	Unknown
王勇	Others	0.27	20,700,000	0	Unknown
中國銀行－嘉實滬深300指數證券投資基金	Others	0.17	13,050,590	0	Unknown
通用電氣資產管理公司－GEAM信託基金中國A股基金	Others	0.15	11,886,246	0	Unknown
中國工商銀行股份有限公司－華夏滬深300指數證券投資基金	Others	0.11	8,650,000	0	Unknown
第一生命保險株式會社	Others	0.10	7,770,834	0	Unknown
張俊英	Others	0.10	7,520,000	0	Unknown
張武	Others	0.08	6,400,356	0	Unknown

Shareholding of the top ten shareholders without selling restrictions

Name of shareholder	Number of shares held without selling restrictions	Type of shares
Magang (Group) Holding Company Limited	3,886,423,927	RMB-denominated ordinary shares
HKSCC (Nominees) Limited	1,706,547,897	Overseas-listed foreign shares
中國建設銀行 －鵬華價值優勢股票型證券投資基金	45,000,000	RMB-denominated ordinary shares
王勇	20,700,000	RMB-denominated ordinary shares
中國銀行 －嘉實滬深300指數證券投資基金	13,050,590	RMB-denominated ordinary shares
通用電氣資產管理公司 －GEAM信托基金中國A股基金	11,886,246	RMB-denominated ordinary shares
中國工商銀行股份有限公司 －華夏滬深300指數證券投資基金	8,650,000	RMB-denominated ordinary shares
第一生命保險株式會社	7,770,834	RMB-denominated ordinary shares
張俊英	7,520,000	RMB-denominated ordinary shares
張武	6,400,356	RMB-denominated ordinary shares

Description of any connected relationships or concerted actions among the above-mentioned shareholders	There was no connected relationship between Holding and any of the afore-mentioned shareholders, nor were they concerted parties as defined in the Measures on Management of Acquisition for Listed Companies. The Company is not aware of whether the other shareholders mentioned above had connected relationship or whether they were concerted parties.

4.2 Diagram of the ownership and controlling relationship between the Company and the de facto controller



5 REPORT OF THE BOARD

5.1 Management Discussion and Analysis

5.1.1 Chairman's Statement

Dear Shareholders,

On behalf of the Board, I hereby present to you the operating results of the Group for 2011.

First of all, on behalf of the Board, I would like to express my heartfelt thanks to all our shareholders and various sectors of society for their concern for and support to the Company.

Progress of the world's economic recovery in 2011 was slow and difficult. The economies of the world's advanced countries such as Western countries showed no signs of recovery with a persistent slump in the steel products market. While economic growth of the emerging economies all declined, economic growth in these countries was nonetheless relatively faster than in the advanced countries, with growing demand for steel products. Global crude steel output increased by 6.8% to 1.527 billion tonnes, hitting a historic high. Although China's national economy developed steadily and rapidly despite the influence of policies such as control measures on the property market and tightened credit policy, growth in the principal steel-consuming sectors nevertheless slackened. As a result of a weakening demand for steel and an increase in steel production, there has been an oversupply of steel. For the whole year, production costs of iron and steel enterprises exceeded the price increase in steel products in the domestic market. In the fourth quarter, in particular, there was a sudden decrease in prices of steel products, and decline in the price decrease imported iron ores could not cover the decline in the price of steel, leading iron and steel enterprises into the predicament of yet higher production costs for iron ores, and persistent low prices of steel products. The profit margin of the iron and steel sector continued to decline. According to statistics from the China Iron and Steel Association, the sales margin of the iron and steel enterprises in 2011 was 2.42%.

Faced with a complex and changing market environment, the Company implemented the business approach of "strengthening management innovation, enhancing cost reductions and improving efficiency". It strengthened market research and analysis on economic activity and adjusted its production and operating mode on a timely basis in order to ensure the smooth operation of the Company. Through improving quality and speeding up the adjustment of its product mix, and the development of its key products, progress was made in the development of new products, including high-power locomotive wheels and electric multiple unit wheels. Output of pipeline steels, automobile plates, home electrical appliances plates and vehicle wheels amounted to approximately 550,000 tonnes, 820,000 tonnes, 1,210,000 tonnes and 200,000 tonnes respectively, representing increases of approximately 90%, 11%, 20% and 20% respectively over 2010. The Company carried out benchmarking management and potential unleashing, and strived to improve the technical economic indicators with an aim to further reduce all costs. In 2011, costs were slashed by more than RMB1 billion year-on-year. The Company also tailored its marketing strategies, proactively seized product orders and improved product technical services. A 100% production to sales ratio and a 100% payment collection ratio for steel products were achieved. In 2011, the Group produced 16,050,000 tonnes of pig iron, 16,680,000 tonnes of crude steel and 15,910,000 tonnes of steel products, up 10.23%, 8.36% and 8.27% year-on-year respectively. Of which, the Company produced 13,510,000 tonnes of pig iron, up 1.93% year-on-year; 13,920,000 tonnes of crude steel, down 0.80% year-on-year and 13,200,000 tonnes of steel products, down 1.09% year-on-year.

Under the PRC Accounting Standards, the Group's operating revenue for 2011 amounted to RMB86,842 million, representing an increase of 33.64% over the previous year; net profit attributable to shareholders of the Company in 2011 amounted to RMB69.6 million, representing a decrease of 93.69% over the previous year; and basic earnings per share amounted to RMB0.009, representing a decrease of 93.71% over the previous year. As at the end of the reporting period, the Group's total assets amounted to RMB81,113 million, representing an increase of 15.7% year-on-year; and net assets attributable to shareholders of the Company amounted to RMB26,954 million, representing a decrease of 1.24% year-on-year.

Taking into account the Company's profit level, future development needs and shareholders' interests, the Board recommended not to pay any cash dividend for 2011 and no capital reserve fund will be transferred to share capital. Undistributed profits will be transferred to 2012. This distribution scheme is subject to the consideration at the annual general meeting.

Pursuant to the approval by the shareholders' general meeting, the Company issued corporate bonds of RMB5.5 billion on 25 August 2011. Of which, bonds with a term of three years amounted to RMB3.16 billion at coupon rate of 5.63%; bonds with a term of five years amounted to RMB2.34 billion at coupon rate of 5.74%. The Company has used the proceeds raised to repay the corporate bonds expired on 13 November 2011 according to the Use of Proceeds Raised stated in the prospectus on the public issuance.

For a long time, the Company has been committed to promoting comprehensive and cohesive development between its business, society and the environment by persistently adhering to the practice of "a low-carbon economy and green production". In 2011, the Company was among the first enterprises to receive the title of "Environmentally Friendly Enterprise in Anhui Province" and "Water-saving Enterprise in Anhui Province". It received the title of "Energy-Saving Advanced Enterprise in Anhui Province" after passing the accountability assessment on annual energy savings targets conducted by the provincial government; and it retained the title of "Metallurgical Greening Advanced Enterprise in China" for six consecutive years as a result of its vigorous efforts to promote the construction of environmentally-friendly plants. Moreover, the Company received special subsidies totaling RMB5.48 million granted by the State for a number of projects such as the motor system energy savings project and the blast furnace dehumidification project which passed the audit on the quantity of energy savings conducted by a third party which was commissioned by the National Development and Reform Commission. The Company also carried out the development of the Clean Development Mechanism ("CDM") project. It generated earnings of €2,820,000 from CO_2 emissions trading under the CDM project in 2011. It continued to deepen the comprehensive utilization of its energy and resources. During the reporting period, the Company's consumption of new water per tonne of steel was 4.41m^3; the compliance rate of waste water discharge was 100%; the comprehensive utilization rate of solid waste was 99.5%; and the ratio of self-generated power was 72.77%. Moreover, the Company is devoted to community services as demonstrated by its active involvement in launching various poverty alleviation and charitable activities. The Company received the title of "Advanced Collective in the Development of Poverty Alleviation in China" for its involvement in a designated poverty alleviation project in Jing County, Anhui Province.

Looking forward to 2012, the world economy will remain extremely uncertain and unstable as the financial crisis persists. The European debt crisis is not expected to be end in the near future and there is a lack of development momentum for the major economies. China will continue to apply and adjust its proactive fiscal policy and prudent monetary policy in line with changes in the economy in order to further improve the relevance, flexibility and perceptiveness of the policies. This will assist China in achieving sustainable growth in the national economy as well as general stability in the overall price levels. Demand has slowed after the Chinese government adjusted downwards the indicators for the pace of development. Under such circumstances, demand from the iron and steel market is expected to continue to increase but the rate of increase will decline. Meanwhile the increase in production capacity, which is higher than the increase in demand, will further intensify the tension in the manufacturing processes. Given a larger proportion of iron ore imports, a high concentration of suppliers and high prices of iron ores, the squeeze at both ends will continue to shrink the profit margins of iron and steel enterprises, bringing more difficulties to the operation of these enterprises.

In 2012, the Group plans to produce 17,610,000 tonnes of pig iron, 18,380,000 tonnes of crude steel and 17,880,000 tonnes of steel products (of which the Company plans to produce 13,660,000 tonnes of pig iron, 14,280,000 tonnes of crude steel and 14,000,000 tonnes of steel products). By "closely monitoring the market and efficiency, speeding up the Company's transformation and development and fully enhancing the Group's competitiveness" as its core business strategy, the Company will carry out the following tasks:

- Formulate decisions on production and operations based on the products' contribution to profit margin, strengthen the procedures from the iron-making to rolling process, thereby realizing optimized allocation of resources throughout the entire production process and improving the economic operation of the Company's systems;

- Adjust the product mix and increase the proportion of higher value added products; strengthen the development of new products by establishing a monthly appraisal system for new products and solve problems arising from the research and development process;

- Establish dynamic optimization of the mode of cost reduction and efficiency enhancement and carry out benchmarking management and potential unleashing in order to reduce production costs;

- Establish linkage mechanism of sales, production and procurement systems, and a mode of integration of technology, business and service so as to enforce technical services and fulfill the clients' needs, thereby further expanding the market;

- Control market risks and strive to reduce inventory so as to enhance the Company's adaptability to the market;

- Exert effort to intensify cost-quality management, improve quality improvement mechanism, implement quality responsibility system and enhance the effectiveness of running the quality management mechanism;

- Speed up the development of non-steel businesses and search for new areas of profit earning with an aim to enhance the Group's overall competitiveness against market risks.

The Board believes that in the new year, the Company will manage to make a great progress on various tasks with the support from our shareholders and various sectors as well as the endeavours of the Board, the Supervisory Committee, the management and all the staff. We will strive to deliver good operating results and sustainable development so as to create returns for our shareholders, to work for the benefits of our staff and to serve the community.

Su Jiangang
Chairman

28 March 2012
Maanshan City, Anhui Province, the PRC

5.1.2 Management Discussion and Analysis

- ***Business Environment***

(1) The Steel Product Market

In 2011, since reaching a year high in the first quarter, the prices of steel products in the global market continued to decline. The average consolidated price index for global steel products was 205.9, up 26.1 year-on-year, representing an increase of 14.5%. In particular, the average price index for long products was 230.8, up 36.2 year-on-year, representing an increase of 18.6%; the average price index for steel plates was 193.6, up 21.2 year-on-year, representing an increase of 12.3%. The biggest difference in consolidated price index for steel products was 36, a decrease of 30.37% over the previous year.

The prices of steel products in the domestic market did not show significant change in the first three quarters but dropped suddenly in late September and slightly decreased in the fourth quarter. In 2011, the average consolidated price index for domestic steel products was 131.04, up 12.05 year-on-year, representing an increase of 10.13%. In particular, the average price index for long products was 137.59, up 15.35 year-on-year, representing an increase of 12.56%; the average price index for steel plates was 127.13, up 9.06 year-on-year, representing an increase of 7.67%. The biggest difference in consolidated price index for steel products was 15.20, a decrease of 20.54% over the previous year.

Net exports of steel products in the PRC picked up significantly in 2011. According to customs statistics, exported steel products in aggregate during the year amounted to 48,880,000 tonnes, a year-on-year increase of 14.9%, while imported steel products in aggregate amounted to 15,580,000 tonnes, a year-on-year decrease of 5.2%. Net exports of steel products for the year amounted to 33,300,000 tonnes, a year-on-year increase of 27.5%. Monthly exports in March first reached a year high of 4,905,000 tonnes and decreased gradually. Exports in December amounted to 3,721,000 tonnes, a month-on-month decrease of 11.4%.

Generally speaking, in 2011 the prices of steel products in the international and domestic markets were all higher than those in the previous year, while the price trends of long products remained identical to those of steel plates, and the price trends of long products looked stronger than those of steel plates.

(2) The Markets of Raw Materials and Fuels

The global iron ore and coking coal prices fluctuated within a broad range and stayed high generally in 2011. During the first quarter, the global iron ore and coking coal prices rose substantially on various factors such as the flood damage in Australia. Iron ore prices ran volatile at a high level in the second and third quarters, and fell substantially in the fourth quarter, while coking coal prices ran volatile and declined in the second half of the year. Driven by the international market prices for bulk raw materials, the prices of domestic raw materials remained high, adding pressure to the production costs of iron and steel enterprises. According to the statistics of the China Iron and Steel Association, the average CIF price of imported iron ores in China increased by 27% in 2011 over the same period of the previous year. The average price of domestic iron concentrates, coking coal and scrap steel rose 15.1%, 17.2% and 22.7% respectively, while the average price of steel products rose only 11.8% year-on-year, lower than the increase in the prices of various major raw materials and fuels, so that the profit margins of iron and steel enterprises were heavily squeezed.

- ***Major Work***

In 2011, the Company implemented the business theme of "strengthening management innovation, further cost reduction and efficiency enhancement" to cope with the stern challenges and ensure the smooth operation of the Company. During the year, the Company produced 7,168,000 tonnes of steel plates, 2,707,000 tonnes of section steel, 5,837,000 tonnes of wire rods and 198,000 tonnes of train wheels and rims, of which the outputs of pipeline steels, automobile plates, home electrical appliances plates and train wheels and rims increased by approximately 90%, 11%, 20% and 20% over the previous year respectively.

During the reporting period, the Company reaped good results from its aggressive efforts to launch activities for management innovation. During the year, it established an accountability system for the middle and senior management staff; conducted quarterly and annual performance evaluations on a trial basis; implemented 12 accountability rules as a supportive move; put forth efforts to push forward the optimization of the human resources system for revitalizing the existing human resources; made progress in special management programmes such as the special rectification programme for scrap steel and supplementary materials for steel-making, and the special rectification programme for project construction and internal control setup; and received an innovation achievement award for corporate management modernization from the China Iron and Steel Association under the "Design and Practice of Zero-fault Management of the Equipment in Large-scale Iron and Steel Enterprises" project.

The Company aimed to become a leading player in the principal iron and steel operations while making aggressive efforts to expand the non-steel industry. Encountered by the complex and volatile market conditions, the Company strengthened the analysis of market research and judgment as well as economic activities; modified the methods for organizing production and management promptly; accelerated the adjustment of product mix and the construction of engineering projects; adopted a flexible marketing strategy; reinforced product technologies and services; unleashed potential according to the benchmark standards and carried out energy conservation and emissions reduction in a deep-going way; and completed the reorganization of Anhui Chang Jiang Steel. Moreover, the Company set up a logistics company, while the Magang Jinxi rail transportation equipment project and the heavy-duty numerical control machine project proceeded in an orderly way, and the roller project was put into operation, having initially extended the industrial value chain of the iron and steel industry.

The “research, production and sales” work mechanism continued to make solid progress and reaped positive results. 68 scientific research and development as well as technological breakthrough projects were organized and conducted during the year. “Research and development of wheels for CRH”, a State-level project, was approved; the Company received the Anhui Science and Technology Progress Award for four project such as the “research on wheel steel used in heavy-haul railway trains and key technology”, while “annealing-free cold heading steel for hot-rolled wire rods” and the other three products were identified as new products of the provincial level. New products amounting to 2.1 million tonnes were developed during the year, having effectively enhanced the benefits for the current period, and upgraded the product mix of the Company.

Progress was made in quality management as losses from internal and external quality fell by 20% year-on-year. Two series of products, namely “cold-forming cold-rolled low carbon steel sheet and strip” and “rolled steel for the monobloc wheel of fast rail passenger trains” won the Gold Award of the China Iron and Steel Association for the 2011 physical quality of metallurgical products. In particular, the “rolled steel for the monobloc wheel of fast rail passenger trains” also won the Premium Quality Award, the highest award first set up for physical quality.

- ***Results of the Group's Principal Operation for the Reporting Period Prepared under PRC Accounting Standards***

  (1) Analysis of principal operation by Segment and by Product

  Among the revenue from principal operation, iron and steel operation accounts for 96.83%. Among the gross profit of principal operation, iron and steel operation accounts for 105.15%.

Unit: Million Currency: RMB

Business segment/ product segment	**Operating income**	**Operating cost**	**Gross profit margin** *(%)*	**Year-on-year increase/ (decrease) of operating income** *(%)*	**Year-on-year increase/ (decrease) of operating cost** *(%)*	**Year-on-year increase/ (decrease) of gross profit margin** *(%)*
Business segment						
Iron and steel	72,835	70,718	2.91	19.32	23.02	decreased by 2.92 percentage points
Product segment						
Steel plates	33,105	33,175	–0.21	4.90	11.80	decreased by 6.19 percentage points
Section steels	10,099	9,966	1.32	12.02	13.99	decreased by 1.70 percentage points
Wire rods	25,860	24,062	6.95	50.57	49.98	increased by 0.36 percentage point
Train wheels and wheels rims	1,491	1,357	8.99	17.59	19.35	decreased by 1.34 percentage points

(2) Geographical analysis of operating income

Unit: Million Currency: RMB

Region	**Ratio** *(%)*	**Operating income**	**Year-on-year increase/(decrease) of operating income** *(%)*
Anhui	49.50	42,990	46.99
Jiangsu	14.81	12,857	37.61
Shanghai	10.32	8,961	38.52
Zhejiang	6.68	5,801	1.88
Guangdong	5.13	4,454	–10.69
Other PRC regions	11.59	10,063	30.79
Exports	1.97	1,715	10.72

(3) During the reporting period, the Group's gross profit margin of principal operation was 4.01%, a decrease of 1.85 percentage points as compared to the corresponding period of the previous year. This was mainly attributable to the significant increase in the prices of iron ore and fuels.

- ***Assets and Liabilities of the Group as at the end of the Reporting Period Prepared under PRC Accounting Standards***

(1) Assets

As compared to the end of the previous year, cash and bank balances increased by 61%, mainly due to the increase in net cash flows from operating activities and borrowings; bills receivable increased by 72%, mainly due to the increase in sales revenue during the year; trade receivable increased by 165%, mainly due to increase in the amount of steel trading by way of prepayments and the acquisition of Changjiang Steel; long term equity investment increased by 56%, mainly due to the investment in the formation of Finance Company. an associated company; investment property decreased by 33%, mainly due to the transfer of subsidiaries' land leased to intangible assets after the lease agreement terminated; construction in progress increased by 211%, mainly due to new large-scale category & quality improving projects during the year and the acquisition of Changjiang Steel.

As compared to the end of previous year, the proportion of cash and cash balances as a percentage of total assets increased from 9.1% to 12.7%. The proportion of bills receivable out of total assets increased from 1.6% to 2.3%. The proportion of trade receivable out of total assets increased from 2% to 4.5%. The proportion of fixed assets out of total assets decreased from 49.1% to 40%. There were no material differences in the proportions of other assets out of total assets as compared to the end of the previous year.

During the reporting period, the Company's financial assets held-for-trading were accounted under the fair value method while other assets were accounted under the cost method. There were no material changes in the basis of measurement for all the assets.

(2) Liabilities

As compared to the end of previous year, short term loans increased by 535%, mainly due to the year-on-year increase of import business settled by documentary bills in the fourth quarter and the acquisition of Changjiang Steel; interests payable increased by 275%, mainly due to the increase in the loans during the year; dividends payable decreased by 84%, mainly due to the payment of dividend declared in prior years during the year; non-current liabilities due within one year decreased by 66%, mainly due to the payment of bond with warrants; bonds payable increased by 826%, mainly due to the issuance of mid-term notes and corporate bonds; deferred tax liabilities increased by 100%, mainly due to the increasing assessment value occurred during the acquisition of Changjiang Steel; exchange fluctuation reserve decreased by 60%, mainly due to the depreciation of reporting currencies of some of the Company's overseas subsidiaries against Renminbi.

- ***Expenses and Income Tax of the Group for the Reporting Period Prepared under PRC Accounting Standards***

  During the reporting period, the Group's financial expenses increased by 35% over the previous year, mainly due to the increase in the average borrowings over the previous year; selling and administrative expenses increased by 20% and 7% respectively over the previous year, mainly due to the acquisition of Changjiang Steel; assets impairment losses increased by 3,760% over the previous year, mainly due to the provisions for decline in prices of inventories; investment income decreased by 31% over the previous year, mainly due to the year-on-year decrease in net profit of associated companies; non-operating expenses increased by 81% over the previous year, mainly due to the increase in the loss from disposal of fixed assets; minority interests increased by 34% over the previous year, mainly due to the acquisition of the non-wholly owned company Anhui Changjiang Iron and Steel Company Limited.

  During the reporting period, the Group's income tax expenses amounted to RMB111.6 million, representing a decrease of 79% over the previous year, mainly due to the increase in the total profit during the reporting period.

- ***Operating Results during the Reporting Period Prepared under PRC Accounting Standards***

  During the reporting period, the Group's revenue increased by 34% over the previous period, mainly due to the increase in the sales price of steel products during the year and the acquisition of Changjiang Steel; cost of sales increased by 36%, mainly due to the increase in the raw materials and fuels and the acquisition of Changjiang Steel; taxes and surcharges increased decreased by 15% over the previous year, mainly due to the decrease in the gross profit margin of steel products, resulting in the decrease in the value-added taxes which led to the decrease in the urban maintenance and construction tax and education expenses. Minority interests increased by 34% over the previous year, mainly due to the acquisition of Changjiang Steel; operating profit decreased by 90% over the previous year, total profit decreased by 82% over the previous year, profit attributable to parent company decreased by 94%, all mainly because the increase rate of steel products was lower than the increase rate of raw materials and fuels in 2011 and due to the provisions for decline in prices of inventories.

- ***Analysis of the Group's Cash Flows for the Reporting Period Prepared under PRC Accounting Standards***

  In 2011, the Group realised a net profit available for distribution to the shareholders of the Company amounting to RMB69.6 million, a difference of RMB913.1 million when compared to the net increase in cash flows from operating activities amounting to RMB982.7 million, mainly due to the impact on the cash flows generated from operating activities coming from the increase of operating receivables and inventory and the decrease of operating payables was less than the depreciation and amortization charges during the reporting period. The amount of net cash flows from operating activities increased by RMB582.7 million over the same period of the previous period, mainly because the impact on the cash flows generated from operating activities coming from the increase in account receivables and inventory and the decrease in operating payables decreased as compared to the previous year. The amount of net cash outflow from investing activities increased by RMB4,647 million over the same period of the previous year, mainly due to new large-scale category & quality-improving projects during the year and the setting up of an associated company, Magang Group Finance Company Limited. The amount of net cash flows from financing activities increased by RMB7,770 million over the same period of the previous year, mainly due to the issuance of corporate bonds and mid-term notes by the Company during the reporting period.

- ***Account under Fair Value and its Gains and Losses***

  In 2011, the Group's financial assets held-for-trading were accounted under the fair value method, using the market capital of stocks as the fair value prices.

  During the reporting period, the effect on profits for the period by change in fair value of financial assets held-for-trading amounted to RMB0.22 million, accounting for 0.14% of the operating profit for the period. The sustainability, risk and future trend of financial assets held for trading has no material impact on the Company.

- ***Major Suppliers and Customers***

  In 2011, the Group's purchase from the top five suppliers totalled RMB14,847 million, accounting for 30% of the Group's total purchase amount for the year. The Group's sales to the top five customers totalled RMB9,834 million, representing 11% of the total sales revenue of the Group for the year. Of the above-mentioned major suppliers, Holding is the controlling shareholder of the Company. Other than that, in 2011, none of the Directors, Supervisors, their connected parties and other shareholders (to the knowledge of the Board holding 5% or more of the Company's shares) held any beneficial interest in the Group's five largest suppliers or customers.

- ***The Operations and Results of the Group's Major Controlling Subsidiaries and Invested Entities***

  – Ma Steel (Hefei) Iron & Steel Co., Ltd. has a registered capital of RMB500 million, in which the Company holds a direct stake of 71%. It is mainly engaged in metallurgy and extended processing of ferrous metals and sale of resulting products and by-products; production and sale of coke and coke chemical products and energy, extended processing of iron and steel products, production and sale of metallic products. Net profit for the reporting period amounted to RMB224 million. As at the end of the reporting period, it had total assets amounting to RMB3,462 million and net assets of RMB1,238 million.

  – Anhui Changjiang Steel Co., Ltd has a registered capital of RMB1,200 million, in which the Company holds a direct stake of 55%. It is mainly engaged in ferrous metal smelting, the production and sales of screw-threaded steel, round steel, section steel, angle steel, deformed steel, wire and rod, sales of iron ore and iron ore fines and scrap steel as well as import and export. As at the end of the reporting period, it recorded net profit of RMB55 million, total assets of RMB5,428 million and net assets of RMB2,300 million.

  – Ma Steel International Trade and Economics Corporation, the wholly-owned subsidiary, has a registered capital of RMB50 million, is mainly engaged in the import of machinery and raw materials and export of steel products. Net loss for the reporting period amounted to RMB170 million. As at the end of the reporting period, it had total assets amounting to RMB7,494 million and net liabilities of RMB190 million.

  – Design & Research Institute of Maanshan Iron & Steel Company Limited has a registered capital of RMB100 million, in which the Company holds direct and indirect stakes of 58.96% and 7.86%, respectively. It is mainly engaged in metallurgical, construction and planning and design of environmental protection projects. Net profit for the reporting period amounted to RMB33 million. As at the end of the reporting period, it had total assets amounting to RMB271 million and net assets of RMB166 million.

  – Anhui Masteel K. Wah New Building Materials Co., Ltd. has a registered capital of US$8.389 million, in which the Company holds a direct stake of 70%. It is mainly engaged in the production, sale and transportation of slag comprehensive utilisation products and the provision of related technological consultation services. Net profit for the reporting period was RMB13 million. As at the end of the reporting period, it had total assets amounting to RMB195 million and net assets of RMB137 million.

– Ma Steel (Wuhu) Processing and Distribution Co., Ltd. has a registered capital of RMB35 million, in which the Company holds direct and indirect stakes of 70% and 30%, respectively. It is mainly engaged in the processing and sale of metallic products, processing of automobile spare parts and sale of construction materials and chemical products. Net profit for the reporting period amounted to RMB40 million. As at the end of the reporting period, it had total assets amounting to RMB1,053 million and net assets of RMB183 million.

– Ma Steel (Guangzhou) Processing and Distribution Co., Ltd. has a registered capital of RMB120 million, in which the Company holds a direct stake of 66.67%. It is mainly engaged in the production, processing and sale of various steel products, as well as provision of storage, transportation and after-sales services. Net profit for the reporting period amounted to RMB19 million. As at the end of the reporting period, it had total assets amounting to RMB1,323 million and net assets of RMB182 million.

– Ma Steel (Jinhua) Processing and Distribution Co., Ltd. has a registered capital of RMB120 million, in which the Company holds a direct stake of 75%. It is mainly engaged in the production, processing and sale of steel plates, wire rods and section steel, as well as provision of storage and after-sales services. Net profit for the reporting period amounted to RMB13 million. As at the end of the reporting period, it had total assets amounting to RMB636 million and net assets of RMB141 million.

– Ma Steel (Yangzhou) Processing and Distribution Co., Ltd. has a registered capital of US$20 million, in which the Company holds a direct stake of 71%. It is mainly engaged in the production, processing and sale of steel plates, wire rods and section steel, as well as provision of storage and after-sales services. Net profit for the reporting period amounted to RMB13 million. As at the end of the reporting period, it had total assets amounting to RMB589 million and net assets of RMB182 million.

– Anhui Masteel Holly Industries Co., Ltd. has a registered capital of RMB30 million, in which the Company holds a direct stake of 71% and an indirect stake of 29%. It is mainly engaged in the production, sale and agency of steel products and other product packaging materials and provision of on-site packaging services. Net profit for the reporting period amounted to RMB32 million. As at the end of the reporting period, it had total assets amounting to RMB356 million and net assets of RMB173 million.

– Maanshan Iron and Steel (Australia) Proprietary Limited, a wholly-owned subsidiary, has a registered capital of AU$21.7379 million. It is mainly engaged in investment and trading. Net profit for the reporting period amounted to RMB164 million. As at the end of the reporting period, it had total assets amounting to RMB616 million and net assets of RMB545 million.

– Maanshan Harbor Group Co., Ltd has a registered capital of RMB250 million, in which the Company holds a direct stake of 45%. It is mainly engaged in stevedoring of materials at the ports, freight agency, ocean-land cargo transit and storage services. Net profit for the reporting period amounted to RMB27 million. As at the end of the reporting period, it had total assets amounting to RMB991 million and net assets of RMB426 million.

– Maanshan BOC-Ma Steel Gases Company Limited has a registered capital of RMB468 million, in which the Company holds a direct stake of 50%. It is mainly engaged in the production and sales of gas products in gaseous or liquid form, as well as the preparation of other industrial gas product projects. Net profit during the reporting period was RMB174 million. As at the end of the reporting period, it had total assets amounting to RMB765 million and net assets of RMB660 million.

– Ma Steel (Hefei) Processing and Distribution Co., Ltd has a registered capital of RMB120 million, in which the Company holds direct and indirect stakes of 61% and 28%, respectively. It is mainly engaged in processing and sale of steel plates and production and sale of construction steel framework products, as well as the provision of storage and transportation services. Net profit for the reporting period amounted to RMB24 million. As at the end of the reporting period, it had total assets amounting to RMB821 million and net assets of RMB176 million.

- ***Project Construction***

In 2011, the Group's expenses on construction projects amounted to RMB3,744 million, representing an increase of 197.14% over the previous year.

Major investment projects financed by other than fundraising proceeds (RMB million)

Project name	Total investment	Construction progress
1580mm hot rolling project at No.4 steel & rolling plant	2,950	Equipment installation stage
Slab continuous casting project at No.4 steel & rolling plant	1,019	Installation of refined furnace steel structure
Hot-rolled pickling plate project at No.4 steel & rolling plant	1,008	Equipment installation stage
Converter and steel-refining project at No.4 steel & rolling plant	348	Steel columns and roofing structure of the main building
Coal moisture controlling project at the coke plant	2,944	Trial production and adjustment
Silicon steel project phase 2	1,494	Under piling construction
CRH train wheel steel project	320	Tests on heat loading
Hydrogenation of benzene project for Masteel coke making plant	54	Trial production and adjustment
Total	10,137	/

- ***Financial Position and Exchange Risks***

  As at 31 December 2011, the total amount of loans borrowed by the Group amounted to RMB21,791 million, including loans of RMB8,884 million for working capital and long-term loans of RMB12,907 million. Except for US dollar loans amounting to US$1,816 million, all other loans were denominated in Renminbi. Except for US dollar loan which carried interests at a LIBOR plus a fixed percentage, among the Renminbi loans, loans amounting to RMB4,430 million carried fixed interest rates and loans amounting to RMB5,921 million carried floating interest rates. Also, the Group issued corporate bonds of RMB5.5 billion in 2011, and issued mid-term notes of RMB3.8 billion in total in 2010 and 2011. The amounts of all the Group's loans varied according to the scale of production and construction projects. No overdue loans have been recorded so far.

  As at 31 December 2011, in accordance with PRC Accounting Standards, the Group's gearing ratio (total liabilities/total assets) was 64.33%.

  At present, all capital required for the Company's construction were self-owned cash. As at the end of the reporting period, bank commitments to provide banking facilities to the Group amounted to approximately RMB67,187 million.

  As at 31 December 2011, the Group's cash and balances with financial institutions amounted to RMB10,303 million. Bills receivable amounted to RMB8,751 million. Deposits received for the coming month constituted a substantial part of the cash and balances with financial institutions and bank acceptance bills.

  The Group's import of raw materials was settled in US dollar, while import of equipment and spare parts was settled in Euro or Japanese Yen, and export of products was settled in US dollar. Given that the RMB to US dollar exchange rate appreciated continuously in 2011, an exchange gain of RMB348 million was resulted from the change in exchange rate during the year. Meanwhile, since the total amount of payments denominated in US dollar on imported iron ore is larger than that of income from export, the appreciation of RMB exchange rate has no adverse effect on the Company. During the reporting period, the payment amount of facilities purchased in Europe and Japan was insignificant and as a result, the impact of Euro and Japanese Yen exchange fluctuations on procurement payment was relatively small. Moreover, during the reporting period, while the borrowing rates of loans denominated in US dollars were lower than that of loans denominated in RMB, in addition to the depreciation of US dollar, the Company has increased part of the financing denominated in US dollars while reducing part of financing denominated in RMB.

- ***Significant Accounting Estimates and Their Impact on the Company's Financial Position and Operating Results***

  The Group's inventories are calculated at the lower of the costs and net realisable values. Provisions are made for the declined value of inventories whose costs are higher than the net realizable values and which are obsolete and slow-moving items (including spare parts). At the end of each year, the Group will review whether a single inventory is an obsolete and slow-moving inventory and whether the net realisable value is lower than the cost of the inventory.

The net realisable values of inventories are the estimated selling prices in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are made on the basis of the current market condition and the historical experience of manufacturing and selling products of a similar nature. The management re-assesses these estimates at each balance sheet date.

The Group's inventories mainly comprise raw materials, work in progress, finished goods and spare parts. By comparing the procurement costs of these inventories with the re-assessed net realisable values, a provision of approximately RMB674 million was made for price decreases in inventories, a write-off of approximately RMB0.65 million was made for price decreases in spare parts. These provisions had corresponding impacts on the Company's operating results in 2011.

Please refer to the Changes of Significant Accounting Estimates in the Appendix to Financial Reports for adjustment of the term of depreciation for fixed assets.

- ***Changes in the Production and Operating Environment and Coping Strategies in 2012***

  (1) Changes in the international and domestic operating environments

  Looking forward to 2012, the world economy will be subject to increased uncertainty and instability, marked by weakened growth momentum. The European sovereign debt crisis is deteriorating, and there is an increased possibility for major developed countries to go into recession again, and this will undermine the economic growth of other nations. Under the impact of a number of factors such as the easing monetary policies of major economies and international capital speculations, volatility in the international market for bulk commodities will intensify, and there will be increased uncertainty over the trend of the international iron ore trade. In addition, as the financial crisis persists and international market competition intensifies, various forms of protectionism will become increasing violent.

  The domestic situation in China suggests that 2012 will mark an important year for the continuity of the "Twelfth Five-year Plan". The general tone of China's task will be to seek progress while ensuring stability. China will continue to implement the proactive fiscal policy and the prudent monetary policy for maintaining stable and relatively fast economic development as well as general stability in the overall price levels.

  On the whole, as the iron and steel enterprises will continue to encounter difficult situations arising from high costs, fallen demand, financing problems, intensified competition and increasing trade frictions, their operating profits are likely to remain at a low level.

(2) Opportunities and challenges posed to the development of the Company

The opportunities

First of all, China is still going through the industrialization and urbanization process. The experience from developed nations suggests that the consumption of steel products will remain high during this process; secondly, the Company's successful completion of the reorganization of Anhui Chang Jiang Steel will be conducive to creating synergy and increasing regional market share; furthermore, China's increasingly stringent requirements on energy conservation and environmental protection will help enterprises with leading edges in green economy or recycling economy secure new competitive advantages. In addition, the use of steel by high-speed rail trains, urban rail transit systems, marine engineering, manufacturing of high-end equipment and extra-high voltage smart power grids designated as the focus of development under the "Twelfth Five-year Development Plan for the Iron and Steel Industry" announced by the Ministry of Industry and Information Technology also provides the Company with new development opportunities.

The challenges

From an international perspective, the financial crisis has a far-reaching impact, characterized by the slow process of economic recovery, the rise of trade protectionism and the increasing trend of financialization of the iron ore market. As a result of the impact of domestic control policies in China, the growth in the aggregate demand for iron and steel is lagging behind the growth in aggregate supply, resulting in a situation in which supply far exceeds demand on the market and homogeneous competition among products further intensifies.

(3) Major risks posed to the Company

- **Risks associated with the macro economy**

  Under the "Twelfth Five-year Plan", the target for the annual average GDP growth has been set at 7%, far lower than the annual average growth rate of 10.5% realized during the period of the "Eleventh Five-year Plan", while the overall benefits of the iron and steel industry are highly correlated with the degree of economic boom and the scale of infrastructure in China. Because of these, the industry will continue to encounter various problems such as low profit margins and overcapacity.

- **Risks associated with the fluctuations in the prices of raw materials and fuels**

  Iron ore imports by the Company may rise further on the continuous expansion of the Company's production scale. The increased impact of the fluctuations in iron ore prices on the Company's control over procurement costs as a result, coupled with the ongoing fluctuations in coking coal and coke prices at high levels in recent years are likely to impair the profitability of the Company if the prices of these major raw materials fluctuate within a wide range or upwards in the future.

- **Financial risks**

  Due to the impact of China's control policies on the iron and steel industry, pressure is mounting over the availability of cash needed for the production and operations by iron and steel enterprises. The Company has increased its financing size in recent years. Following the issuance of RMB5,500 million corporate bonds and RMB2,800 million medium-term notes in 2011, it will be exposed to a greater risk of repayment pressures in the future. Moreover, as it largely relies on bank borrowings, the adjustment of the benchmark lending rates is likely to cause volatility in its interest expenses, thereby undermining its operating results.

- **Risks associated with environmental policies**

  The Company reaped good results from its continued commitments to energy conservation and emissions reduction in recent years. However, environmental standards will tend to become increasingly stringent, given the growing emphasis on environmental issues in the society. If the Company does not manage to meet the national standards on an ongoing basis in the future, its production and business activities are likely to be undermined by environmental issues.

(4) Countermeasures to be taken by the Company

- Strengthening balanced and stable production to ensure the economic operation of various systems. The pre-ironmaking system focuses on the building of economical blast furnaces by optimizing the burden design and strengthening technological breakthrough and process improvement to ensure the quality of raw materials and fuels into the blast furnaces. The steelmaking system emphasizes on the reduction of the consumption of iron and steel materials by optimizing the processing system to improve the quality of molten steel. The steel rolling system concentrates on the improvement of the comprehensive production yield, enhances the precision of equipment for laying the foundation for the production of high value-added products. Further assure the process from ironmaking and steelmaking to optimize the allocation of resources during the whole process. Coordinate the division of work in production lines for long products between the headquarters and Ma Steel (Hefei) and Anhui Chang Jiang Steel to complement the advantages of each other.

- Intensifying the adjustment of variety portfolio to foster the advantages of electric furnaces. Increase the variety and output of high value-added products by focusing on efficiency and relying on the advantages over advanced equipment, technology and talented personnel. Strive to make a breakthrough in high-end products such as wheels for high-speed CRH, high-strength automobile plates and high-grade cold heading steel, and develop new superior products to create new competitive advantages on the market. Further improve the quality prevention and control system and the quality improvement mechanism, step up the control of the production process and enhance the quality accountability system for maintaining a good image of the Company's products.

- Strengthening the analysis of market movements to improve adaptability to the market. Set up a decision-making operating system that integrates market analysis, business decision-making, procedure execution as well as assessment and evaluation for effectively seizing business opportunities and mitigating risks. Establish a linkage working mechanism for sales, production and procurement for substantially reducing the inventory of raw materials and fuels such as imported iron ore to enhance benefits. A model integrating technology, business and service will be launched for strengthening technical services and adding value to products and services.

5.2 Analysis of principal operation by segment and by product

Please refer to the above 5.1.2.

5.3 Reasons on material change in profit constituents, principal operation and its structure and profitability of the principal operation as compared to the previous reporting period.

Please refer to the above 5.1.

5.4 Use of the Funds Raised

Unit: Billion Currency: RMB

Year of fundraising	Way of fundraising	Total amount of funds raised	Amount of funds raised used in the year	Total amount of funds raised used in aggregate	Total amount of unutilized funds raised	Use and place of unutilized funds raised
2011	Corporate Bonds	5.5	5.5	5.5	0	/
Total	/	5.5	5.5	5.5	0	/

The Company has used the proceeds raised to repay the share options and bonds with warrants expired on 13 November 2011 according to the Use of Proceeds Raised stated in the prospectus on the public issuance.

5.5 The Company made profit during the reporting period but no cash profit distribution motion is proposed.

Reasons on profit making without cash profit distribution motion during the reporting period	**Use of retained fund which was not utilized as dividend**
As audited by Ernst & Young Hua Ming, the profits distributable to shareholders as at 31 December 2011 amounted to RMB6,508.43 million. In view of the current economic environment and the severe status of oversupply in iron and steel industry, and the stern challenges which the Company's operation is facing, in order to ensure normal operation and continuous development of the Company, the Board did not recommend to pay any cash dividend for 2011 and no capital reserve fund will be transferred to share capital.	To supplement its current capital for production.

5.6 Remunerations of the Auditors

During the year, Ernst & Young Hua Ming was appointed as the auditors of the Group and have audited the attached financial reports prepared under the PRC Accounting Standards. The remuneration for the accounting firms amounted to RMB4,965,000. Among which, (i) RMB4,785,000 represented fee payable for audit services, including annual audit fee of RMB4,200,000 and the fees for agreed-upon procedures for 2011 interim financial report of RMB585,000; (ii) RMB180,000 represented the fees for non-audit verification services, which included fee of RMB30,000 for the relevant statement of accounting firm issued for the Company's proposed bond issuance, and fee of RMB150,000 for professional service verifying the availability of the funds raised from the 2011 corporate bonds. The aforementioned audit fee and the verification fee were already inclusive of disbursements incurred by the auditors and related taxes on the fees. Meal and accommodation expenses incurred by auditors while performing professional services at the Company were borne by the Company.

In 2011, Ernst & Young (China) Advisory Limited rendered training services in relation to the valuation of fixed assets of the Company of RMB350,000 and Ernst & Young Tax Services Limited rendered corporate income tax filing service to the Company for an amount of HKD33,000. The above services are not regarded as audit services.

5.7 Audit Committee

The Audit Committee held four meetings in 2011. The committee was chaired by Chairman of the Audit Committee and duly performed its duties of reviewing and monitoring the finance and internal control of the Group. It reviewed the 2010 annual accounts, the 2011 first quarterly accounts, the 2011 interim accounts and the 2011 third quarterly accounts of the Company and gave its independent opinion on the Company's appointment of the auditors.

The Company's 2011 annual results were reviewed by the Audit Committee.

5.8 Other Significant Matters

In order to reduce the Company's connected transactions, approved at the Company's eighth meeting of the seventh session of the Board held on 9 February 2012, the Company acquired 42% stakes of the Finance Company from the Group. After the acquisition is completed, the Company will hold 91% stakes of the Finance Company. The transaction is still pending for the approval from the relevant authorities including China Banking Regulatory Commission.

6 REPORT OF THE SUPERVISORY COMMITTEE

The Supervisory Committee is of the view that the Company's operations were in compliance with the laws. The Company's financial situation, application of fundraising, connected transactions and acquisitions, and disposal of assets did not harm the interests of either the Company or the shareholders. The Supervisory Committee reviewed the Self-assessment Report on Internal Control of the Company for year 2011, the formation and execution of the Company's internal control system by the Board. The Supervisory Committee is of the view that the Company has formed a comparatively sound internal control system and can execute the system effectively. The Company's Self-assessment Report on Internal Control reflected the Company's formation and execution of the internal control system truthfully and objectively.

7 CORPORATE GOVERNANCE

The Company has complied with all the code provisions of the Code on Corporate Governance as set out in Appendix 14 of the Rules Governing the Listing of Securities of the Hong Kong Stock Exchange in 2011.

All of the Directors of the Company have confirmed in written form that they have complied with the requirements under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Rules Governing the Listing of Securities of the Hong Kong Stock Exchange.

8 FINANCIAL REPORT

8.1 Auditor's Opinion

Financial Report	□ Unaudited	√ Audited
Auditor's Opinion	√ Unqualified standard opinion	□ Non-standard opinion

8.2 Comparison of the consolidated and the Company's balance sheets, income statements, cash flow statements and statements of changes in equity (set out below)

8.3 Changes in the accounting policies, estimates and audit procedures as compared to the latest annual report

During the year, the Company made adjustment to the term of depreciation for fixed assets. Please refer to the Change in Significant Accountanting Estimates in the Appendix to Financial Reports.

Apart from the above, the Group did not have any change in the accounting policies and estimates during the year as compared to the latest annual financial report.

8.4 Details, correction amount, reasons and influence of significant accounting errors

During the year, the Group did not have significant accounting errors.

8.5 Change of consolidated scope as compared with that of the report of last year.

During the Year, the Group acquired 55% equity interests of Anhui Chang Jiang Iron and Steel Company Limited, and invested in setting up 11 subsidiaries including Maanshan Iron & Steel Electric Repair Company Limited, Maanshan Magang Steel Structure Technology Company Limited, Maanshan Magang Surface Engineering Technology Company Limited, Maanshan Magang Equipment Installation Engineering Company Limited, Maanshan Magang Resources Regeneration Company Limited, Magang (Shanghai) Industrial and Trading Company Limited, Magang (Chongqing) Material Technology Company Limited, Maanshan Magang Yuyuan Logistics Company Limited, Magang (Hefei) Industry Water Supply Company Limited, Shanghai Magang Electrical and Mechanical Company Limited, and Maanshan Magang Zhonglian Maritime Company Limited, all of which were included in the scope of consolidation during the reporting period.

Apart from the above, there is no change in the Group's scope of consolidation compared to the latest annual financial report.

CONSOLIDATED AND COMPANY BALANCE SHEET

31 December 2011
Renminbi Yuan

ASSETS:	Notes	**31 December 2011 Group**	31 December 2010 Group	**31 December 2011 Company**	31 December 2010 Company
CURRENT ASSETS:					
Cash and bank balances		**10,302,925,888**	6,382,691,015	**4,768,791,715**	3,087,223,561
Financial assets held for trading		**607,980**	826,640	**607,980**	826,640
Bills receivable	4	**8,750,705,282**	8,374,602,622	**6,866,227,009**	7,456,373,686
Trade receivables	5	**1,883,404,218**	1,097,779,220	**2,412,923,730**	2,350,835,807
Dividends receivable		**99,902,452**	118,800,000	**152,701,212**	197,494,579
Prepayments	6	**3,651,999,532**	1,377,143,617	**3,035,017,626**	1,278,962,474
Other receivables		**694,493,241**	711,812,863	**87,210,086**	73,786,134
Inventories		**14,132,127,677**	12,451,795,018	**10,433,971,452**	10,601,699,907
Total current assets		**39,516,166,270**	30,515,450,995	**27,757,450,810**	25,047,202,788
NON-CURRENT ASSETS:					
Long term equity investments		**1,610,793,100**	1,034,491,013	**5,408,814,497**	2,219,360,976
Investment properties		**4,540,409**	6,771,343	**17,593,986**	17,999,035
Fixed assets		**32,415,260,148**	34,405,603,226	**28,163,111,487**	32,075,219,828
Construction materials		**265,351,474**	281,058,134	**282,303,496**	252,574,410
Construction in progress		**4,672,053,374**	1,504,328,744	**3,415,642,243**	1,420,353,347
Intangible assets		**2,002,437,828**	1,863,353,636	**1,182,953,916**	1,215,033,032
Deferred tax assets		**626,426,316**	493,868,095	**597,145,110**	479,719,267
Total non-current assets		**41,596,862,649**	39,589,474,191	**39,067,564,735**	37,680,259,895
TOTAL ASSETS		**81,113,028,919**	70,104,925,186	**66,825,015,545**	62,727,462,683

CONSOLIDATED AND COMPANY BALANCE SHEET (CONTINUED)

31 December 2011
Renminbi Yuan

LIABILITIES AND SHAREHOLDERS' EQUITY:	*Notes*	**31 December 2011 Group**	31 December 2010 Group	**31 December 2011 Company**	31 December 2010 Company
CURRENT LIABILITIES:					
Short term loans		**6,202,785,816**	977,093,278	**720,152,772**	264,908,000
Bills payable	7	**5,542,687,963**	5,269,342,225	**2,219,224,949**	2,762,510,000
Accounts payable	8	**7,030,282,017**	5,550,236,792	**6,868,767,357**	4,730,311,762
Deposits received		**7,028,115,939**	8,127,236,452	**5,644,238,568**	6,832,999,783
Payroll and benefits payable		**243,707,642**	284,521,457	**175,902,146**	229,661,197
Taxes payable		**(326,154,569)**	(411,180,601)	**(388,139,010)**	(388,889,831)
Interests payable		**218,132,515**	58,185,998	**215,949,993**	58,022,621
Dividends payable		**80,281,968**	506,995,720	**5,936,218**	506,995,720
Other payables		**731,793,349**	946,266,361	**564,693,699**	895,353,523
Non-current liabilities due within one year		**2,681,045,000**	7,857,611,313	**2,681,045,000**	7,843,611,313
Total current liabilities		**29,432,677,640**	29,166,308,995	**18,707,771,692**	23,735,484,088
NON-CURRENT LIABILITIES:					
Long term loans		**12,906,772,000**	11,368,731,100	**12,838,172,000**	11,278,731,100
Bonds payable		**9,243,722,051**	997,833,200	**9,243,722,051**	997,833,200
Deferred income		**552,778,524**	573,288,652	**523,714,144**	540,572,623
Deferred tax liabilities		**44,328,987**	–	**–**	–
Total non-current liabilities		**22,747,601,562**	12,939,852,952	**22,605,608,195**	12,817,136,923
Total liabilities		**52,180,279,202**	42,106,161,947	**41,313,379,887**	36,552,621,011
SHAREHOLDERS' EQUITY:					
Share capital		**7,700,681,186**	7,700,681,186	**7,700,681,186**	7,700,681,186
Capital reserve		**8,338,358,399**	8,338,358,399	**8,338,358,399**	8,338,358,399
Surplus reserves		**3,442,866,348**	3,206,200,814	**2,964,168,101**	2,964,168,101
Retained profits		**7,456,020,890**	8,008,142,354	**6,508,427,972**	7,171,633,986
Including: Proposed cash dividend	9	**–**	385,034,059	**–**	385,034,059
Exchange fluctuation reserve		**16,483,680**	40,704,768	**–**	–
Equity attributable to owners of the parent		**26,954,410,503**	27,294,087,521	**25,511,635,658**	26,174,841,672
Minority interests		**1,978,339,214**	704,675,718	**–**	–
Total shareholder's equity		**28,932,749,717**	27,998,763,239	**25,511,635,658**	26,174,841,672
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**81,113,028,919**	70,104,925,186	**66,825,015,545**	62,727,462,683

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2011

Renminbi Yuan

Items	*Notes*	**2011 Group**	2010 Group	**2011 Company**	2010 Company
Revenue	10	**86,842,202,249**	64,981,112,494	**78,067,121,225**	65,373,961,475
Less: Cost of sales	10	**83,363,550,895**	61,173,087,326	**76,284,120,046**	62,655,167,678
Taxes and surcharges		**226,945,827**	265,952,521	**169,681,572**	236,987,944
Selling expenses		**285,821,929**	238,440,760	**235,331,501**	216,160,050
Administrative expenses		**1,291,493,700**	1,207,589,989	**887,825,688**	967,508,708
Financial expenses	11	**989,610,102**	732,400,757	**530,013,425**	509,092,010
Assets impairment losses		**676,714,989**	17,532,724	**674,480,000**	13,906,462
Loss on fair value changes		**218,660**	210,720	**218,660**	210,720
Add: Investment income		**150,451,675**	219,550,777	**206,612,395**	401,763,634
including: share of profits of associates and jointly controlled entities		**128,871,481**	204,748,955	**130,918,471**	208,619,071
Operating (loss)/profit		**158,297,822**	1,565,448,474	**(507,937,272)**	1,176,691,537
Add: Non-operating income		**166,979,551**	159,047,930	**120,142,902**	110,771,981
Less: Non-operating expenses		**24,178,005**	13,384,684	**7,755,393**	8,476,662
including: net loss on disposal of non-current assets		**18,753,548**	6,513,280	**5,261,751**	5,987,267
(Loss)/profit before tax		**301,099,368**	1,711,111,720	**(395,549,763)**	1,278,986,856
Less: Income tax	13	**111,602,445**	519,502,407	**117,377,808**	(373,270,297)
Net (loss)/profit		**189,496,923**	1,191,609,313	**(278,171,955)**	905,716,559
Attributable to owners of the parents		**69,578,129**	1,101,838,516		
Minority shareholders		**119,918,794**	89,770,797		
EARNINGS PER SHARE:	14				
Basic (cents)		**0.90 cents**	14.30 cents		
Diluted		**N/A**	N/A		
Other comprehensive income		**(24,221,088)**	23,284,819	**–**	–
Total comprehensive (loss)/income		**165,275,835**	1,214,894,132	**(278,171,955)**	905,716,559
Attributable to:					
Owners of the parent		**45,357,041**	1,125,123,335		
Minority interests		**119,918,794**	89,770,797		

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2011

Renminbi Yuan

	Attributable to owners of the Parent							
	Share capital	Capital reserve	Surplus reserves	Retained profits	Exchange fluctuation reserve	Sub-total	Minority interests	Total shareholders' equity
1. At 1 January 2011	7,700,681,186	8,338,358,399	3,206,200,814	8,008,142,354	40,704,768	27,294,087,521	704,675,718	27,998,763,239
2. Increase/(decrease) during the year								
(i) Net profit	–	–	–	69,578,129	–	69,578,129	119,918,794	189,496,923
(ii) Other comprehensive income	–	–	–	–	(24,221,088)	(24,221,088)	–	(24,221,088)
Total comprehensive income	–	–	–	69,578,129	(24,221,088)	45,357,041	119,918,794	165,275,835
(iii) Capital contribution and withdrawal by shareholders								
(a) Acquisition of minority interests	–	–	–	–	–	–	1,181,266,000	1,181,266,000
(b) Others	–	–	–	–	–	–	–	–
(iv) Profit appropriation								
(a) Transfer to surplus reserves	–	–	236,665,534	(236,665,534)	–	–	–	–
(b) Dividend paid	–	–	–	(385,034,059)	–	(385,034,059)	(27,521,298)	(412,555,357)
(v) Transfer within shareholders' equity	–	–	–	–	–	–	–	–
3. At 31 December 2011	7,700,681,186	8,338,358,399	3,442,866,348	7,456,020,890	16,483,680	26,954,410,503	1,978,339,214	28,932,749,717

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Year ended 31 December 2011

Renminbi Yuan

	Attributable to owners of the Parent							
	Share capital	Capital reserve	Surplus reserves	Retained profits	Exchange fluctuation reserve	Sub-total	Minority interests	Total shareholders' equity
1. At 1 January 2010	7,700,681,186	8,338,358,399	3,057,920,649	7,350,273,452	17,419,949	26,464,653,635	720,208,964	27,184,862,599
2. Increase/(decrease) during the year								
(i) Net profit	–	–	–	1,101,838,516	–	1,101,838,516	89,770,797	1,191,609,313
(ii) Other comprehensive income	–	–	–	–	23,284,819	23,284,819	–	23,284,819
Total comprehensive income	–	–	–	1,101,838,516	23,284,819	1,125,123,335	89,770,797	1,214,894,132
(iii) Capital contribution and withdrawal by shareholders								
(a) Acquisition of minority interests	–	–	–	–	–	–	(32,790,825)	(32,790,825)
(b) Others	–	–	12,337,798	–	–	12,337,798	5,039,382	17,377,180
(iv) Profit appropriation								
(a) Transfer to surplus reserves	–	–	135,942,367	(135,942,367)	–	–	–	–
(b) Dividend paid	–	–	–	(308,027,247)	–	(308,027,247)	(77,552,600)	(385,579,847)
(v) Transfer within shareholders' equity	–	–	–	–	–	–	–	–
3. At 31 December 2010	7,700,681,186	8,338,358,399	3,206,200,814	8,008,142,354	40,704,768	27,294,087,521	704,675,718	27,998,763,239

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2011

Renminbi Yuan

		2011	2010
1.	Cash flows from operating activities:		
	Cash received from sale of goods or rendering of services	**102,432,052,698**	76,923,056,450
	Refunds of taxes	**19,600,168**	1,638,844
	Cash received relating to other operating activities	**65,269,901**	78,592,586
	Sub-total of cash inflows	**102,516,922,767**	77,003,287,880
	Cash paid for goods and services	**(94,334,101,499)**	(68,938,506,167)
	Cash paid to and on behalf of employees	**(4,392,425,754)**	(3,968,017,755)
	Cash paid for all taxes	**(2,244,785,532)**	(3,140,704,020)
	Cash paid relating to other operating activities	**(562,930,432)**	(556,052,567)
	Sub-total of cash outflows	**(101,534,243,217)**	(76,603,280,509)
	Net cash flows from operating activities	**982,679,550**	400,007,371
2.	Cash flows from investing activities:		
	Cash received from retrieval of investments	**1,760,000**	–
	Cash received from investment income	**300,604,186**	198,621,207
	Net cash received from disposal of fixed assets, intangible assets and other long term assets	**4,824,524**	27,314,670
	Cash received due to decrease in pledged deposits, net	**–**	2,199,744,370
	Net cash received from acquisition of a subsidiary	**383,261,293**	–
	Cash received relating to other investing activities	**62,009,300**	74,889,566
	Sub-total of cash inflows	**752,459,403**	2,500,569,813
	Cash paid for acquisitions of fixed assets, intangible assets and other long term assets	**(4,210,598,401)**	(2,091,321,539)
	Cash paid for acquisitions of investments	**(540,100,000)**	(39,900,000)
	Cash paid for purchasing minority interests	**–**	(32,790,825)
	Cash paid due to increase in pledged deposits, net	**(311,760,491)**	–
	Sub-total of cash outflows	**(5,062,458,892)**	(2,164,012,364)
	Net cash flows from investing activities	**(4,309,999,489)**	336,557,449

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

Year ended 31 December 2011
Renminbi Yuan

		2011	2010
3.	Cash flows from financing activities:		
	Cash received from borrowings	**34,542,382,458**	13,286,042,257
	Cash received from capital contribution	**171,266,000**	–
	including: capital contribution by minority shareholders	**171,266,000**	–
	Cash received from issuance of corporate bonds and medium-term notes	**8,239,888,000**	997,500,000
	Sub-total of cash inflows	**42,953,536,458**	14,283,542,257
	Cash repayments of borrowings	**(34,050,665,899)**	(14,559,651,522)
	Cash paid for distribution of dividend or profits and for interest expenses	**(1,988,777,665)**	(580,122,890)
	including: dividend paid to minority shareholders by subsidiaries	**(27,521,298)**	(77,552,600)
	Sub-total of cash outflows	**(36,039,443,564)**	(15,139,774,412)
	Net cash flows from financing activities	**6,914,092,894**	(856,232,155)
4.	Effect of foreign exchange rate changes on cash	**21,701,427**	1,785,113
5.	Net increase/(decrease) in cash and cash equivalents	**3,608,474,382**	(117,882,222)
	Add: Balance of cash and cash equivalents at beginning of year	**5,385,065,613**	5,502,947,835
6.	Balance of cash and cash equivalents at end of year	**8,993,539,995**	5,385,065,613

1. ACCOUNTING POLICES

The financial statements are prepared in accordance with the "PRC Accounting Standards for Business Enterprises – General Principals" and 38 specific accounting standards issued by the Ministry of Finance (the "MOF") in February 2006, application guidance, interpretations and other related regulations issued later on (collectively known as the "CAS").The financial statements are prepared based on a going concern basis.

2. CHANGES IN SIGNIFICANT ACCOUNTING ESTIMATES

Upon the completion of the construction projects carried out in the Eleventh Five-Year Plan, and eliminated certain backward production machineries, the Company's fixed assets improved in terms of structure, productivity, wear-resistance and technologies. As a result, the useful life of the Company's machinery was adjusted from ten years to thirteen years. The resolution has been approved by the Board of Directors in its fourth meeting in 2011 and shareholders in the second extraordinary general meeting in 2011.

Useful life	Before change	After change
Machine equipment	10 years	13 years

The effects of the above change in accounting estimate on 2011 annual financial statements are as follows:

This change in accounting estimates was accounted for prospectively, and its effects to the financial statements are: the amount of fixed assets depreciation reduced by RMB 318.19 million, and the amount of owners' equity and net profit both reduced by RMB 238.64 million.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised as a single business unit focusing on the manufacture and sale of iron and steel products and related by-products, and, therefore, has no separable operating segment.

Revenue from external customers based on the location of customer is analyzed as follows:

	2011	2010
The PRC	**79,861,669,032**	61,492,459,698
Overseas	**1,556,896,544**	1,548,510,072
Total	**81,418,565,576**	63,040,969,770

The geographical location of the Group's non-current assets is analysed as follows:

	2011	2010
The PRC	**40,773,047,876**	38,893,484,379
Overseas	**197,388,457**	202,121,717
Total	**40,970,436,333**	39,095,606,096

The non-current asset information above is based on the location of assets and excludes financial instruments and deferred tax assets.

The Group has not placed reliance on any single external customer which accounted for 10% or more of its revenue.

4. BILLS RECEIVABLE

	2011	2010
Bank acceptance bills	**8,744,305,937**	8,374,602,622
Commercial acceptance bills	**6,399,345**	–
Total	**8,750,705,282**	8,374,602,622

As at 31 December 2011 and 31 December 2010, the ageing of the Group's bills receivable were all within six months.

As at 31 December 2011, certain of the Group's bank's acceptance bills amounting to RMB440,265,525 were secured to the bank to obtain short-term loans of RMB391,700,000 (31 December 2010: RMB0), and certain of the Group's bank's acceptance bills amounting to RMB81,302,740 were secured to banks to issue bank acceptance bills to suppliers(31 December 2010: RMB0).

5. TRADE RECEIVABLES

The Group's trade receivables were interest-free with normal credit terms of 30 to 90 days.

The ageing of trade receivables is analysed below:

	2011	2010
Within one year	**1,745,317,179**	1,049,949,000
One to two years	**101,189,924**	39,677,062
Two to three years	**21,741,448**	11,293,541
Over three years	**30,637,752**	12,649,598
	1,898,886,303	1,113,569,201
Less: Provisions for bad debts	**15,482,085**	15,789,981
Total	**1,883,404,218**	1,097,779,220

An analysis of the amount of provision for bad debts being written off in the current year:

Reason	**2011**	2010
Bankrupt or liquidated debtors	**307,896**	4,638,129
Debtors with age over three years and demonstrated by sufficient evidence that they were irrecoverable	**–**	–
Less: Reversal of bad debts provisions written-off in prior year	**–**	–
Total	**307,896**	4,638,129

6. PREPAYMENTS

An aged analysis of the prepayments is as follows:

	2011		2010	
	Balance	**Ratio (%)**	Balance	Ratio (%)
Within one year	**3,577,858,961**	**98**	1,353,499,820	98
One to two years	**62,936,806**	**2**	8,415,265	1
Two to three years	**3,223,018**	**–**	5,170,354	–
Over three years	**7,980,747**	**–**	10,058,178	1
Total	**3,651,999,532**	**100**	1,377,143,617	100

Prepayments aged over one year were mainly prepayments for unsettled construction projects. The final inspection of certain of the Group's construction projects were not yet completed which resulted in the corresponding prepayments not being settled. The above prepayments for construction projects will be written off against relevant estimated liabilities (recorded in trade payables) when the final inspection and settlement were completed.

7. BILLS PAYABLE

	2011	2010
Bank acceptance bills	**5,542,687,963**	5,269,342,225

As at 31 December 2011 and 31 December 2010, the ageing of the Group's bills payable were all within six months.

The bills payable amounting to RMB5,542,687,963 (2010: RMB5,269,342,225) are due in the next accounting year. As at the balance sheet date, certain amounts of the Group's bills payable were secured by certain amounts of the other balances with financial institutions.

8. ACCOUNTS PAYABLE

The ageing analysis of accounts payable as follows:

	2011	2010
Within one year	**6,867,603,440**	5,383,401,146
One to two years	**96,479,369**	77,985,351
Two to three years	**27,701,072**	45,395,611
Over three years	**38,498,136**	43,454,684
	7,030,282,017	5,550,236,792

The accounts payable are interest-free and are normally settled within three months.

9. DIVIDEND

	2011	2010
Proposed final – Nil (2010: RMB5 cents per ordinary share)	**–**	385,034,059

The board of directors do not recommend the payment of any dividends for the year ended 31 December 2011.

10. REVENUE AND COST OF SALES

Revenue is stated as follows:

	2011	2010
Principal operating income	**81,418,565,576**	63,040,969,770
Other operating income	**5,423,636,673**	1,940,142,724
Total	**86,842,202,249**	64,981,112,494

Principal operating income represents the net invoiced value of goods sold, after allowance for returns and trade discounts, and excludes sales taxes and intra-group transactions.

Cost of sales is stated as follows:

	2011	2010
Principal cost of sales	**78,519,315,485**	59,662,062,798
Other cost of sales	**4,844,235,410**	1,511,024,528
Total	**83,363,550,895**	61,173,087,326

11. FINANCIAL EXPENSES

	2011	2010
Interest expenses *(note)*	**1,471,633,860**	913,552,574
Less: Interest income	**169,217,051**	72,045,467
Exchange gain or loss, net	**(347,612,964)**	(134,173,840)
Others	**34,806,257**	25,067,490
Total	**989,610,102**	732,400,757

Note: The Group's interest expenses include interest on bank loans, other loans and bonds with warrants which will expire within five years.

12. DEPRECIATION AND AMORTISATION

	2011	2010
Depreciation of fixed assets	**4,332,787,747**	4,810,646,159
Amortisation of investment properties	**184,111**	157,673
Amortisation of intangible assets	**53,348,502**	47,143,955
	4,386,320,360	4,857,947,787

13. INCOME TAX

	2011	2010
Mainland China:		
Current income tax expense	**151,730,236**	121,621,479
Adjustments in respect of current tax of previous periods	**396,113**	80,086,310
Deferred tax income	**(114,480,746)**	285,712,986
Hong Kong current income tax expense	**2,836,237**	976,481
Overseas current income tax expense	**71,120,605**	31,105,151
Total	**111,602,445**	519,502,407

Relationship between income tax and profit before tax:

	2011	2010
Profit before tax	**301,099,368**	1,711,111,720
Tax at the applicable tax rate of 25% (i)	**75,274,843**	427,777,930
Effect of different tax rates of subsidiaries	**10,382,413**	(12,507,536)
Expenses not deductible for tax	**69,032,508**	122,980,853
Adjustments in respect of current tax of previous periods	**396,113**	80,086,310
Other tax concessions	**(59,537,586)**	(53,146,368)
Income not subject to tax	**(9,033,961)**	(6,736,090)
Tax losses not recognised	**58,893,745**	14,285,337
Tax losses utilised	**(1,383,061)**	(2,146,331)
Profits and losses attributable to jointly-controlled entities and associates	**(32,422,569)**	(51,187,239)
Withholding income tax of dividends received from associate in the mainland of the PRC	**–**	95,541
Tax charge at the Group's effective rate	**111,602,445**	519,502,407

(i) The Group's income tax has been provided at the rate on the estimated taxable profits arising in the PRC during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The State Administration of Taxation ("SAT") issued a tax circular "Enterprise Income Tax Issues relating to Nine Companies Listed Overseas" ("Circular No. 664") in June 2007 which requested the relevant local tax authorities to rectify, immediately, the expired concessionary tax policy for the nine listed companies authorised by the State Council to issue shares in Hong Kong in 1993 which, at the time of writing, was still being applied. The notice stated that the difference in corporate income tax ("CIT") arising from the expired preferential rate and the applicable rate should be settled according to the provisions of "Law on the Administration of Tax Collection".

The Company is one of the nine listed companies mentioned above and applied the preferential CIT rate of 15% in prior years. Having understood the above, the Company thoroughly communicated with the relevant tax authority and was informed by the relevant tax authority that the Company applies the CIT tax rate of 33% for 2007. The Company has not been requested to pay the CIT Differences in respect of any prior years.

In response to the notice issued by the relevant tax authority and communication with the relevant tax authority, the directors of the Company consider that it is uncertain whether the relevant tax authorities will retrospectively claim additional CIT from the Company and that it is not possible to reliably estimate the eventual outcome of this matter. Consequently, no provision has been made in these financial statements in respect of the CIT differences arising from prior years.

Certain subsidiaries of the Company were foreign investment enterprises which shall be subject to corporate income tax rates ranging from 22% to 25% and enjoy the "Two years exempted and subsequent three years with 50% reduction" tax holiday policy. Certain subsidiaries of the Company were high technology enterprises which shall be subject to corporate income tax at the rate of 15%. Income tax for a subsidiary in Hong Kong has been provided at the rate of 16.5% on the profits arising in Hong Kong during the year. Other subsidiaries located elsewhere have been calculated at the tax rate of 30% prevailing in the countries, in which the subsidiaries operate, based on existing legislation, interpretations and practices in respect thereof.

14. EARNINGS PER SHARE

Basic earnings per share shall be calculated by dividing net income attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the current reporting period. Shares are usually included in the weighted average number of shares from the date of their issue.

The calculations of basic and diluted earnings per share amounts are as follows:

	2011	2010
Net profit attributable to Owners of the parent	**69,578,129**	1,101,838,516
Weighted average number of ordinary shares in issue during the period	**7,700,681,186**	7,700,681,186
Basic earnings per share (cents)	**0.90**	14.30

Diluted earnings per share is calculated by adjusted net profit for the current period attributable to ordinary shareholders of the parent by the adjusted weighted average number of ordinary shares outstanding.

During the current period, there was no dilutive item to adjust the Group's basic earnings per share.

15. BUSINESS COMBINATION INVOLVING ENTITIES NOT UNDER COMMON CONTROL

As at 30 April 2011, the Company acquired a 55% equity interest in Anhui Chang Jiang Iron and Steel for a cash consideration of RMB1,234,444,444. The consideration of acquisition has been paid, and the procedures for the transfer of equity interest have been completed on 30 April 2011. The acquisition date was determined as 30 April 2011.

As at the acquisition date, the book values and fair values of Anhui Chang Jiang Iron and Steel's identifiable assets and liabilities were as follows:

	30 April 2011 **Fair value**	**30 April 2011** **Book value**
Net assets	2,244,444,444	2,106,536,915
Minority interests	1,010,000,000	947,941,612
	1,234,444,444	1,158,595,303
Goodwill	–	
Cost of acquisition	1,234,444,444	

The operating result and cash flow of Anhui Chang Jiang Iron and Steel during the period from the date of acquisition to the period end are as follows:

	From 30 April 2011 to 31 December 2011
Revenue	4,330,053,918
Net profit	55,172,259
Net cash flows from operating activities	153,723,864
Net cash flows from investing activities	(850,612,317)
Net cash flows from financing activities	(64,940,319)

16. CONTINGENT LIABILITIES

(a) Guarantee

As at 31 December 2011, the Company had provided guarantees amounting to approximately RMB347 million (31 December 2010: approximately RMB356 million) to banks for trading facilities granted to certain subsidiaries.

(b) Difference of corporate income tax

As detailed in note 13, the Group still has potential risks on corporate income tax in prior years to be determined. The directors of the Company consider that it is not possible to reliably estimate whether the relevant tax authorities will retrospectively claim additional CIT from the Company and that it is not possible to reliably estimate the eventual outcome of this matter. Consequently, no provision or adjustment has been made in these financial statements in respect of the extra tax and related tax concessions, deferred tax, penalty and interests (if applicable).

17. NET CURRENT ASSETS

	Group		**Company**	
	2011	2010	**2011**	2010
Current assets	**39,516,166,270**	30,515,450,995	**27,757,450,810**	25,047,202,788
Less: Current liabilities	**29,432,677,640**	29,166,308,995	**18,707,771,692**	23,735,484,088
Net current assets	**10,083,488,630**	1,349,142,000	**9,049,679,118**	1,311,718,700

18. TOTAL ASSETS LESS CURRENT LIABILITIES

	Group		**Company**	
	2011	2010	**2011**	2010
Total assets	**81,113,028,919**	70,104,925,186	**66,825,015,545**	62,727,462,683
Less: Current liabilities	**29,432,677,640**	29,166,308,995	**18,707,771,692**	23,735,484,088
Net total assets less liabilities	**51,680,351,279**	40,938,616,191	**48,117,243,853**	38,991,978,595

19. POST BALANCE SHEET EVENTS

On 9 February 2012, the Company and the Holding entered into a share transfer agreement. The Holding agreed to transfer 42% equity interest in MASTEEL-Financial to the Company, at a price of RMB429,290,000. The price was determined based on ordinary trading terms, with reference to the valuation report made by Anhui Guoxin Asset Valuation Limited Liability Company, an independent valuation agency. The fair value of MASTEEL-Financial's net assets as at 31 December 2011 is valued at RMB1,022,120,000. Upon the completion of the agreement, the share holdings of the Company and the Holding in MASTEEL-Financial will be 91% and 9%, respectively. The account of MASTEEL-Financial will be consolidated in the Group's financial statements. By the report date, the above transaction has not yet been approved by the China Banking Regulatory Commission.

Maanshan Iron & Steel Company Limited
Su Jiangang
Chairman

28 March 2012
Maanshan City, Anhui Province, the PRC

As at the date of this announcement, the directors of the Company include:

Executive Directors: Su Jiangang, Qian Haifan, Ren Tianbao
Non-executive Director: Zhao Jianming
Independent Non-executive Directors: Qin Tongzhou, Yang Yada, Wu Tat Man Damon Albert