Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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)

2012 ANNUAL RESULTS ANNOUNCEMENT

1. IMPORTANT NOTICES

1.1 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.

This annual results announcement has been extracted from the Company's annual report. Investors should read the full text of the annual report for details. The full text of the annual report is published on www.sse.com.cn.

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

1.3 Ernst & Young Hua Ming LLP audited and issued a standard unqualified opinion on the financial statements of the Company.

1.4 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. COMPANY PROFILE

Stock abbreviation	馬鋼股份
Stock code	600808
Places of listing	The Shanghai Stock Exchange
Stock abbreviation	馬鞍山鋼鐵
Stock code	323
Places of listing	The Stock Exchange of Hong Kong Limited

Contact people and details	Secretary to the Board of Directors	Representative for Securities Affairs
Name	Ren Tianbao	Hu Shunliang
Telephone	86-555-2888158/2875251	86-555-2888158/2875251
Fax	86-555-2887284	86-555-2887284
Email address	mggfdms@magang.com.cn	mggfdms@magang.com.cn

3. EXTRACTS OF ACCOUNTING AND BUSINESS DATA

3.1 Major Accounting Data

Masteel Group Financial Co., Ltd ("MASTEEL-Financial") was acquired by the Company under common control. Certain financial figures in the preceding year have been restated in accordance with Accounting Standards for Business Enterprises. The below comparable financial indicator presented the restated figures separately. Please refer to Section 10 – "Financial Report" for details about the acquisition of MASTEEL-Financial.

Unit: RMB'000

	2012	2011		**Increase/ decrease compared to the previous year**	2010
		After restated	Before restated	*(%)*	
Operating revenue	**74,404,364**	86,854,060	86,842,202	–14.33	64,981,112
Net profit attributable to shareholders of the Company	**–3,863,233**	82,369	69,578	–4,790.15	1,101,839
Net profit excluding non-recurring gains or losses attributable to shareholders of the Company	**–3,949,152**	–18,183	–30,976	–	999,677
Net cash flows from operating activities	**5,592,587**	1,110,022	982,680	403.83	400,007

	As at the end of 2012	As at the end of 2011		**Increase/ decrease compared to the end of the previous year**	As at the end of 2010
		After restated	Before restated	*(%)*	
Net assets attributable to shareholders of the Company	**23,126,644**	27,387,202	26,954,411	–15.56	27,294,087
Total assets	**76,011,164**	81,224,642	81,113,029	–6.42	70,104,925

3.2 Major Financial Indicators

	2012	2011 After restated	2011 Before restated	**Increase/ decrease compared to the previous year** *(%)*	2010
Basic earnings per share (RMB/share)	**–0.502**	0.011	0.009	–4,790.15	0.143
Diluted earnings per share (RMB/share)	**–0.502**	0.011	0.009	–4,790.15	0.143
Basic earnings per share excluding non-recurring gains or losses (RMB/share)	**–0.513**	–0.002	–0.004	–	0.130
Return on net assets (weighted average) (%)	**–15.30**	0.30	0.26	decreased by 15.60 percentage points	4.08
Return on net assets excluding non-recurring gains or losses (weighted average) (%)	**–15.64**	–0.07	–0.11	decreased by 15.57 percentage points	3.70

3.3 Items of Non-recurring Gains or Losses

Unit: RMB'000

Items of non-recurring gains or losses	**2012**	2011	2010
Gains/(losses) from disposal of non-current assets	**9,839**	–18,754	–6,514
Government subsidies recognized in current gains and losses	**47,578**	84,456	78,449
Fair value gains/(losses) of financial assets held for trading	**–21**	–219	–210
Non-operating income and expenses other than the above items	**1,182**	–5,012	–5,800
Amortization of deferred income	**90,746**	82,109	79,527
Other investment income	**137**	466	403
Effects of minority interests	**–255**	–7,699	–9,531
Effects of income tax	**–63,287**	–34,795	–34,163
Total	**85,919**	100,552	102,161

4. SHAREHOLDING OF SHAREHOLDERS AND CONTROLLING FRAMEWORK

4.1 Shareholding of the Top Ten Shareholders

Unit: Shares

Total number of shareholders at the end of the reporting period	358,663	**Total number of shareholders as at the fifth trading day before publication of the annual report**	351,459

Shareholding of the top ten shareholders

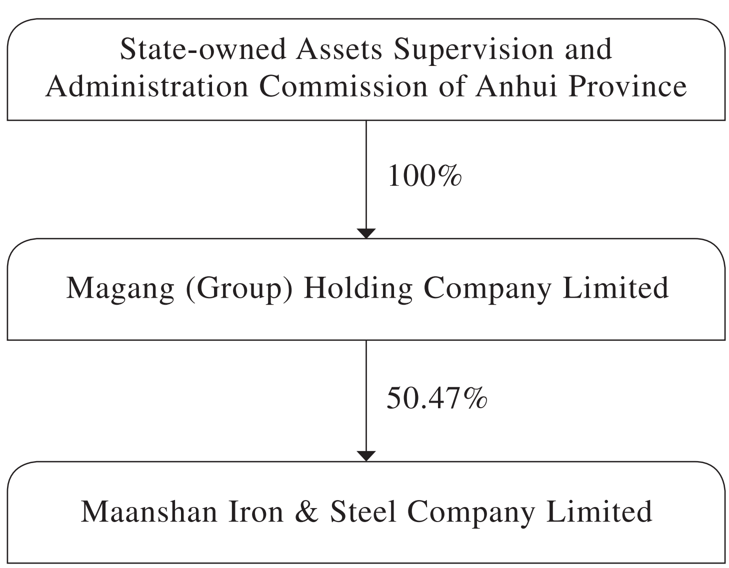
Name of shareholder	Type of shareholders	As a percentage to number of shares held *(%)*	Total number of shares held	Number of shares held with selling restrictions	Number of pledged or frozen shares
Magang (Group) Holding Company Limited	State-owned shareholder	50.47	3,886,423,927	0	0
HKSCC (Nominees) Limited	Foreign shareholder	22.17	1,706,995,898	0	Unknown
中國建設銀行－鵬華價值優勢股票型證券投資基金	Unknown		50,000,000	0	Unknown
王勇	Unknown		20,840,000	0	Unknown
白計平	Unknown		8,209,900	0	Unknown
何文華	Unknown		8,188,110	0	Unknown
張俊英	Unknown		7,520,000	0	Unknown
北京好石佳燃氣設備有限責任公司	Unknown		6,900,000	0	Unknown
張武	Unknown		6,600,000	0	Unknown
中國工商銀行－開元證券投資基金	Unknown		6,336,156	0	Unknown

Shareholding of the top ten shareholders without selling restrictions

Name of shareholder	Number of shares held without selling restrictions	Type and number of shares	
Magang (Group) Holding Company Limited	3,886,423,927	RMB-denominated ordinary shares	3,886,423,927
HKSCC (Nominees) Limited	1,706,995,898	Overseas-listed foreign shares	1,706,995,898
中國建設銀行－鵬華價值優勢股票型證券投資基金	50,000,000	RMB-denominated ordinary shares	50,000,000
王勇	20,840,000	RMB-denominated ordinary shares	20,840,000
白計平	8,209,900	RMB-denominated ordinary shares	8,209,900
何文華	8,188,110	RMB-denominated ordinary shares	8,188,110
張俊英	7,520,000	RMB-denominated ordinary shares	7,520,000
北京好石佳燃氣設備有限責任公司	6,900,000	RMB-denominated ordinary shares	6,900,000
張武	6,600,000	RMB-denominated ordinary shares	6,600,000
中國工商銀行－開元證券投資基金	6,336,156	RMB-denominated ordinary shares	6,336,156

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 Chairman's Statement

Dear Shareholders,

On behalf of the Board, I hereby present to you the operating results of the Group for 2012.

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 2012 remained difficult. The pace of recovery in the US economy fell short of expectation while Europe was still mired in the debt crisis. Economic growth of the emerging economies all declined and steel prices were further depressed, the output of steel products maintained growth nonetheless. Global crude steel output increased by 1.2% to 1.55 billion tonnes, hitting a historic high. Affected by the macro-control policies, China's national economy was pacing down in the first three quarters before stabilizing in the fourth quarter. For the whole year, growth in the principal steel-consuming sectors slackened. As a result of weakening demand for steel and an increase in steel production, there has been an oversupply of steel. The profit margin of the iron and steel sector continued to decline. According to statistics from the Ministry of Industry and Information Technology, the sales margin of the iron and steel enterprises in 2012 was 0.04%.

Faced with a challenging and complex market environment, the Company implemented the strategy of "closely monitoring the market and efficiency, speeding up the Company's transformation and development and fully enhancing the Group's competitiveness" to steer its production and operations. The Company regarded reducing losses and enhancing efficiency as the first and foremost priority. By taking a number of measures to address constraints and challenges, the Company ensured normal operations. Through the implementation of all-rounded and full-process measures, a positive momentum of enhancing cost reductions and improving efficiency was initially formed. The Company's production cost in 2012 decreased significantly compared to last year. Month-on-month losses in the core steel business decreased gradually. The Company intensified the adjustment of its product mix and strengthened the linkage of R&D, production and sales. It focused on the development of key products and increased the output of high value added automobile plates by 7 percentage points compared to last year. Various preparations for reviewing high-speed CRH train wheel were completed in line with the requirements of the Ministry of Railways. The test run of high-power locomotive wheels progressed on schedule. Successful development and production of specialty steel such as wheel steel and axle shaft steel was made with electric furnaces. In 2012, the Group produced 17,370,000 tonnes of pig iron, 17,340,000 tonnes of crude steel and 16,590,000 tonnes of steel products, up 8.22%, 3.96% and 4.27% year-on-year respectively. Of which, the Company produced 13,340,000 tonnes of pig iron, 13,280,000 tonnes of crude steel and 12,780,000 tonnes of steel products, down 1.24%, 4.56% and 3.21% year-on-year respectively.

Under the PRC Accounting Standards, the Group's operating revenue for 2012 amounted to RMB74.404 billion, representing a decrease of 14.33% over the previous year; net loss attributable to shareholders of the Company in 2012 amounted to RMB3.863 billion; basic losses per share amounted to RMB0.502, compared to a profit from the previous year. As at the end of the reporting period, the Group's total assets amounted to RMB76.011 billion, representing a decrease of 6.42% year-on-year; and net assets attributable to shareholders of the Company amounted to RMB23.127 billion, representing a year-on-year decrease of 15.56%. As at the end of the reporting period, the Group's gearing ratio was 66.44%, an increase of 2.7 percentage points compared to last year.

In view of a sizable loss suffered by the Company in 2012, the Board recommended not to pay any cash dividend for 2012 and no capital reserve fund will be transferred to share capital. Undistributed profits will be transferred to 2013. 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 short-term financing bonds of RMB3.5 billion on 24 October 2012 at coupon rate of 4.71%. Compared with loans at People's Bank of China's benchmark one-year lending rate, this short-term financing bonds could lower the cost of financing by about 20%. The financial expenses during the cost-saving period were about RMB38 million. The money raised through the issue of this short-term financing bonds was used entirely to repay the US dollar loans, improving the currency basket of the Company's liabilities and mitigating exchange rate risk.

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 2012, the Company retained the title of "Metallurgical Greening Advanced Enterprise in China" for years as a result of its vigorous efforts to promote the construction of environmentally-friendly plants with newly built greenbelt of 35,400 square meters. In 2012, the Company continued to deepen the comprehensive utilization of its energy and resources as well as energy conservation and emission reduction. During the reporting period, the Company's consumption of new water per tonne of steel was 4.3 m^3; the compliance rate of waste water discharge was 100%; the comprehensive utilization rate of solid waste was 99.3%; and the ratio of self-generated power was 72.7%.

Looking forward to 2013, recovery remains anemic across developed economies and growth is slowing down in developing countries. The International Monetary Fund's projection of the global economic growth is 3.6% for 2013. Steel demand remains weak in international markets. The general tone of China's economy will be to seek progress while ensuring stability. The shift in economic development model and economic fundamental adjustment will accelerate. The steel industry might be looking at an improving domestic market environment, but excess capacity and oversupply are unlikely to change any time soon. On the other hand, as import dependency remains high on iron ore, steel companies still find themselves at the mercy of foreign iron ore suppliers, and will have to muddle through difficulties.

In 2013, the Group plans to produce 18.11 million tonnes of pig iron, 18.61 million tonnes of crude steel and 18.15 million tonnes of steel products (of which the Company plans to produce 13.50 million tonnes of pig iron, 13.96 million tonnes of crude steel and 13.53 million tonnes of steel products). The Company's strategy already is to focus on innovation and transformation to spare no efforts in narrowing losses:

- Promote service process reengineering to support the transformation: The Company continues to adopt a customer-centric and demand-driven approach. It strives to drive more synergy between manufacturing and sales, proactively source new orders, optimize orders sorting and consolidation and resource allocation, increase the proportions of manufacturing on order and direct supply and reduce logistic layers. It aims to build a service-based marketing organization with account managers taking the lead, develop more specialized technical services and customized services with strong points of differentiation, accelerate the nurturing of a service-minded staff and improve the customer service management information system. It will set up an automobile plates sheets promotion office, explore the new integrated model of research, production and sales and improve service system.

- Company-wide recalibration to unlock potential, cost reduction and efficiency operational enhancement. During the pre-iron making period, the Company will optimize burdening, streamline processes and building of economic blast furnaces to save costs of pig iron production. For steel rolling, the Company will implement both cost reduction and product mix reconfiguration to achieve goals for cost saving and efficiency gain. It will also push ahead with centralized tendering to lower the cost of purchasing raw materials, reserve parts and spare components. By integrating such processes as purchasing, loading and unloading, transportation by rail and by motor, and distribution, it will streamline the flow of logistics and lower logistic costs.

- Intensify the adjustment of variety portfolio in favor of value added products: First, the Company will actively capture opportunities from state-own infrastructure projects on the back of strong economic growth by offering steel for construction, railway transportation and marine engineering. It will increase the size of orders of shock resistant reinforcing steel and high-strength reinforcing steel and grow the market share of cold heading steel, H-shaped steel and plates and strips in such market segments as railway, marine engineering and aviation. Second, the Company will accelerate product mix readjustment with a focus on increasing the shares of galvanised plates of automoblies and mid to electric steel. Third, the Company will maintain and enhance the existing advantages on wheel products, develop second-mover advantages around electric furnace products and position color-coated sheets in the mid-to-high range of the market.

- Product quality enhancement: Focusing on the improvement of product performace and surface quality stability, the Company will further enforce total quality management and process controls; develop crowd-based quality control programs; establish internal processes for quality and cost accountability tracing.

- Improve economic operations of equipments and energy momentum: The Company will stick to the principles of "economic inputs and manageable risk", strengthen the chain of responsibility for equipment maintenance, service and repair and adopt a flexible service and repair model. It will establish a rigorous control system for economic operation of energy and improve economic operation model of energy momentum.

- Energy saving and emissions reduction: The Company will fully implement energy performance contracting to improve energy saving during manufacturing and the recycling and reuse of energy.

- Regulate the operation of the risk management system for existing non-steel business and the alert system in order to monitor risk control.

In the coming year, the Board and senior management of the Company will defy any hardship that comes our way and work strenuously to lead the employees in a collective effort. We hope and believe that with the support of the shareholders and various sectors of society, the Company will be able to make a great progress on various tasks.

Su Jiangang
Chairman

26 March 2013
Maanshan City, Anhui Province, the PRC

5.2 Management Discussion and Analysis

- ***Business Environment***

(1) The steel product market

In 2012, after gradually reaching a year high in the first quarter, the prices of steel products in the global market then declined dramatically, recovering moderately in December. The average consolidated price index for global steel products was 184.6, down 21.3 year-on-year, representing a decrease of 10.3%. In particular, the average price index for long products was 206.2, down 24.6 year-on-year, representing a decrease of 10.7%; the average price index for steel plates was 173.8, down 19.8 year-on-year, representing a decrease of 10.2%. The biggest difference in consolidated price index for steel products was 27.9, a decrease of 22.5% over the previous year.

The price of steel products in the domestic market declined significantly year-on-year, after dropped down to the year lowest in early September, price of steel slightly rebounded in the fourth quarter. In particular, the average price index for long products was 115.34, dropped 22.25 year-on-year, representing an decrease of 16.17%; the average price index for steel plates was 109.62, dropped 17.51 year-on-year, representing an decrease of 13.77%. The biggest difference in consolidated price index for steel products was 19.65, an increase of 29.27% over the previous year.

Net exports of steel products in the PRC continued to pick up significantly in 2012. According to customs statistics, exported steel products in aggregate during the year amounted to 55,730,000 tonnes, a year-on-year increase of 14.0%, imported steel products in aggregate during the year amounted to 13,660,000 tonnes, a year-on-year decrease of 12.3%. Net exports of steel products was 42,070,000 tonnes, a year-on-year increase of 26.3%.

Generally speaking, in 2012 the price of steel products in the international and domestic markets were all lower than those in the previous year. The price trends of long products and steel plates were roughly the same in the first three quarters, while price trend of steel plates was better than that of long products in the fourth quarter.

(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 2012. Price of raw materials such as iron ore has dropped down due to price of steel dropped down but the rate of decline was lower than that of steel. According to the statistics of the CISA, in 2012, the average CIF price of imported iron ores in China was 128.6 USD/t, dropped down 21.5% year-on-year. The average price of domestic iron concentrates, coking coal and scrap steel dropped down 20.41%, 15.89% and 16.79%.

- ***Major Work***

  In 2012, the Company operated under the theme of "Concentrating on market and profit, accelerating transformation and improving competitiveness", reacted proactively to serious challenges and maintained uninterrupted operation. For the year as a whole, the Company produced 6.903 million tonnes of steel plates, 2.602 million tonnes of section steel, 6.864 million tonnes of wire rods and 206,000 tonnes of train wheels and rims.

  During the reporting period, the Company moved forward on full steam with a turnaround plan for its core steel business, which led to narrowing losses month after month. By better linking production to distribution, improving coal mix and iron ore mix, optimizing the burden composition and flexibly adapting iron ore purchasing plans, the Company was able to lower purchasing costs, keep inventories low and support uninterrupted furnace operations. By improving the mix of cold stock for steelmaking and investing more in scrap recycling, the Company also made progress on iron and steel materials consumption indices. By improving production scheduling, consolidating smaller orders and dynamically balancing resources, the Company was able to make further cost savings in the steel rolling process.

  Substantially cutting inventories and expenditure and improving working capital management: In 2012, the Company trimmed cash outlays by RMB2.8 billion by cutting inventories. It also issued RMB3.5 billion worth of short-term bonds. By paring down expenditure and overheads and moderately curbing project investment, the Company was able to maintain healthy cash flows from operating activities in the industry, which bolstered the normal running of its manufacturing and operating activities.

  Diversifying non-steel businesses and actively expand into strategic emerging industries: The finance company continued to diversify its business activities. Anhui XinChuang Energy Saving and Environmental protection Technology Co. Ltd., became a state-accredited vendor of energy saving services. The railway transportation equipment project jointly funded with Jinxi Axle Co., Ltd. broke ground. A joint venture specialized in laser tailor-welded blanks, Masteel (Hefei) Advanced Materials Technology Co., Ltd., was founded with JAC Motors.

  The Company continued to move ahead on "research, production and sales" and such efforts yielded good results. In 2012, the Company won 14 technology progress awards at and above city level, filed 246 patents and led in the drafting (amendment) of 9 industry standards which successfully passed and took effect. 5 new products including large-power locomotive wheel and high-strength and high weathering-resistance steel for rolling stock received provincial-level new product recognition. The heavy-duty wheel for railway wagons was the recipient of the "Chinese steel industry product development and marketing excellence award". The Company delivered 1.03 million tonnes of new products for the whole year, which boosted its bottom lines and moved its product portfolio towards higher value-add.

The Company focused its resources on improving quality and enforcing quality process controls. It received the Gold Award of the China Iron and Steel Association for its zinc-plated steel plates, boiler vessel plates and annealing-free cold heading steel, the last of which also received an additional "Exceptional Performance Award".

- ***Operating results during the reporting period under PRC Accounting Standards***

  Operating income decreased by 14% over the previous year mainly due to the decline in the selling prices of steel products for the year, while sales volume generally remained the same as that of previous year. Operating costs decreased by 13% over the previous year mainly due to the drop in the purchase prices of raw materials and fuels. Operating profit, total profit and net profit attributable to the parent company dropped substantially over the previous year. The turn from profit to loss was mainly due to the extent of decline in the prices of steel products during 2012 being higher than the extent of decline in the prices of raw materials and fuels as well as an obvious rise in financial expenses, and the impairment of certain assets.

- ***Group's cash flow analysis during the reporting period under PRC Accounting Standards***

  In 2012, the Group recorded a net loss of RMB3,863 million attributable to the shareholders of the Company. Compared with the net increase of RMB5,593 million in cash flow generated from operating activities, the difference was RMB9,456 million mainly due to the decrease in working capital caused by receivables from operating activities, payables from operating activities and changes of inventories. Net cash flow generated from operating activities increased by 404% over the same period of the previous year mainly due to the decrease in working capital caused by receivables from operating activities, payables from operating activities and changes of inventories. Net expenditure on cash flow generated from investing activities increased by 52% over the same period of the previous year mainly due to the increase in pledged deposit. Net cash flow generated by financing activities decreased by 132% over the same period of the previous year mainly due to the Company's reduced amount of financing and the increase in cash for the repayment of debt during the reporting period.

- ***Major risks posed to the Company and Coping Strategies***

  (1) Macro policy risks

  Macro policy risks mainly include further housing sector regulation, mandatory phase-out of obsolete capacities in the steel industry and energy-saving and emissions reduction targets. Major downside risks for the steel industry in 2013 also include the updating of standards for next-generation steel products. For example, the mandatory ban on the production and use of HPB235 wires and HRB335 steel bars will likely affect the product mix of certain producers as well as the customers.

How to respond: The Company will build further specialization and strength around its core steel business and make steeper cuts in cost and strong gains in efficiency. It will accelerate product mix adjustment by redefining product development priorities in the high-end segment such as automotive steel sheets, home appliance steel plates, high-grade silicon steel, and high-speed train wheels. It will expedite the construction and production of such projects as 1580 hot-rolled steel and silicon steel Phase II. On cost saving and efficiency gains, the Company will optimize the burden composition, reengineer manufacturing technology, improve equipment management for zero failure and streamline jobs in each manufacturing stage. The Company will also achieve higher cost efficiency by maintaining undisrupted production and delivering products with reliable quality. It will act in accordance with China's latest industrial policy to work on emission reduction.

(2) Risks associated with price volatility on raw materials and fuels

As the price of imported iron ore remains at high position, meanwhile futures transactions and indexed pricing models are introduced on coke, iron ore and coking coal, steel companies will see large price volatility on raw materials and fuels, which in turn will lead to large fluctuations in the cost of production, swings in the Company's business performance.

How to respond: The Company will make better projections of the movement of steel, raw material and fuel markets and improve price watch in purchases and sales. The Company monitor and fully account for the inventories of its raw materials and fuels such as iron ore and coal, intermediate and finished products, equipment, reserve parts and spare components, and the steel inventories of its subsidiaries and affiliates. While maintaining undisrupted production, the Company will strive to minimize inventories.

(3) Financial risk

As profit level dropped down significantly in iron and steel industry, pressure is mounting over the availability of cash needed for the production and operations by iron and steel enterprises, including the Company. The company issued total amount of RMB5,500 million corporate bonds and RMB2,800 million medium-term notes in 2011, the company has issued RMB 3,500 million short term financing note that it will be exposed to a greater 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.

How to respond: Enhanced utilization of investment and accelerate the cash flow turnover. The Company will leverage the easy access to financing of the finance company, actively adjust the Company's capital structure, keep cash flows safe and stable and prevent financial risks.

5.3 Analysis of Principal Operation

5.3.1 Analysis of the change in items of the balance sheets and income statement

Analysis of the items which changes over 30%

(1) Dividends receivable amounted to RMB46,800,000, a decrease of 53% over the previous year, which was mainly attributable to the receipt of dividends declared, but not yet distributed from associates, Jiyuan JinMa Coke and Henan LongYu Energy Co., Ltd, using the cost method in previous years.

(2) Prepayments amounted to RMB2,037,721,944, a decrease of 44% over the previous year, which was mainly attributable to the decrease of prepayments of steel trading business.

(3) Other receivable balances amounted to RMB469,008,747, a decrease of 32%, which was mainly attributable to the direct payment was made for import tariff and value-added tax in 2012 rather than prepayment, which was the case in 2011.

(4) Loans and advances balances amounted to RMB215,562,806, an increase of 1,597%, which was mainly because MASTEEL-Financial obtained loan qualifications in April, 2012, and as a result, it has diversified into lending beyond discounting bills.

(5) Construction materials, plant and equipment amounted to RMB673,731,960, a 154% increase over FY2011. This is mainly because in FY2012 the Company's subsidiary Hefei Steel started a large project to develop high-end products. The expenditure was for the purchase of imported equipment and other construction materials.

(6) Repurchase agreements is generated from the rediscounting of received discounted notes from the Group and its subsidiaries at the People's Bank of China. It amounted to RMB494,753,998, an increase of 626% over the previous year, which was mainly attributable to the business growth.

(7) Short term loans amounted to RMB9,777,449,423, an increase of 68% over the previous year, which was mainly attributable to the issuance of one-year short-term commercial paper amounting to RMB3.5 billion.

(8) Other payables amounted to RMB1,058,965,107, an increase of 45% over the previous year, which was mainly attributable to the wider gap between charged prices of steel products and the actual prices, resulting from the decrease in steel price in 2012.

(9) Non-current liabilities due within one year amounted to RMB1,335,542,400, a decrease of 50% over the previous year, which was mainly attributable to the repayment of bank loans.

(10) Special reserve amounted to RMB14,768,610, an increase of 100% over the previous year, which was mainly attributable to the accruals of safety production reserve.

(11) General reserve amounted to RMB55,650,161, an increase of 43,683% over the previous year, which was mainly attributable to the growth of MASTEEL-Financial's lending and discounted bill businesses.

(12) Exchange fluctuation reserve amounted to RMB30,510,424, an increase of 85% over the previous year, which was mainly attributable to the appreciation of certain overseas subsidiaries' functional currencies against Renminbi.

(13) Financial expenses amounted to RMB1,463,236,344, an increase of 51% over the previous year, which was mainly attributable to the increase in the average amounts of loans in the current year.

(14) Asset impairment losses amounted to RMB2,722,485,738, an increase of 302% over the previous year, which was mainly attributable to the accrual of impairment provision against other receivables and inventories.

(15) Investment income amounted to RMB613,911,017, an increase of 327% over the previous year, which was mainly attributable to the deemed disposal gain of Yuyuan, one subsidiary of the Company. The Company lost its control over the subsidiary in 2012.

(16) Non-operating expenses amounted to RMB3,498,367, a decrease of 86% over the previous year, which was mainly attributable to the decrease in the disposal loss of fixed assets.

(17) Income tax amounted to RMB54,205,870, a decrease of 53% over the previous comparative year, which was mainly attributable to the decrease in profit before tax.

(18) Share of profit or loss of minority interests amounted to RMB62,709,119, a decrease of 48% over the previous comparative year, which was mainly attributable to the decrease in the profits of non-wholly owned subsidiaries.

5.3.2 Revenue

(1) Analysis of product revenue by goods sales

Unit: 10,000 tonnes

Product segment	**Capacity during the period**	**Capacity during the period**	**Inventory by the end of the period**
Steel plates	690.3	689.3	3.4
Section steels	260.2	248.9	1.3
Wire rods	686.4	681.2	5.9
Train wheels and wheel rims	20.6	20.2	1.7

(2) Major customers

The Group's sales to the top five customers totaled RMB9,016 million, representing 12% of the total sales revenue of the Group for the year.

5.3.3 Cost

(1) Analysis of cost

Unit: million

By industry	Cost structure	Amount in 2012	% of total cost in 2012	Amount in 2011	% of total cost in 2011
Steel	Raw materials	27,290	50.82	34,242	54.71
	Salary	3,587	6.68	3,630	5.80
	Amortization	3,022	5.63	3,973	6.35
	Fuels	15,792	29.41	17,739	28.35
	Others	4,006	7.46	2,999	4.79

Note: The above are Company's figures

(2) Major suppliers

In 2012, the Group's purchase from the top five suppliers totaled RMB11,563 million, accounting for 20% of the Group's total purchase amount for the year. Other than that, in 2012, 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 share) held any beneficial interest in the Group's five largest suppliers.

(3) Research and development (R&D) expenditure

R&D expenditure breakdown

Unit: RMB10,000

Expensed R&D expenditure in FY2012	47,272.6
Capitalized R&D expenditure in FY2012	–
Total R&D expenditure	47,272.6
Total R&D spend as a share of net asset value (%)	2.04
Total R&D spend as a share of operating revenue (%)	0.64

5.4 Analysis by Operation of Industry, Products or Regional

5.4.1 Principle operation by industry and products

Unit: RMB million

Business segment

Business segment	Operating income	Operating cost	Gross profit (%)	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 (%)
Iron and steel	62,343	62,126	0.35	–14.41	–12.15	Decrease by 2.56 percentage points

Product 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 (%)
Steel plates	26,676	26,802	–0.47	–19.42	–19.21	Decrease by 0.26 percentage points
Section steels	9,013	9,312	–3.32	–10.75	–6.56	Decrease by 4.63 percentage points
Wire rods	23,340	22,999	1.46	–9.74	–4.42	Decrease by 5.49 percentage points
Train wheels and wheel rims	1,795	1,453	19.05	20.39	7.07	Increase by 10.07 percentage points

During the reporting period, revenue from principal operation was RMB65,853 million, among which revenue from iron and steel operation was RMB62,343 million, accounting for 95% of revenue from principal operation.

5.4.2 *Analysis of principal operation by region*

Unit: RMB million

Region	Operating income	Year-on-year increase/ (decrease) of operating income *(%)*
Anhui	32,172	–25.16
Jiangsu	10,451	–18.71
Shanghai	8,312	–7.24
Zhejiang	4,583	–21.00
Guangdong	2,606	–41.49
Other regions	13,536	34.50
Overseas and Hong Kong	2,744	60.00

5.4.3 *Notes on the use of assets at fair value and changes to the measurement of prime assets*

In 2012, 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. For details, please refer to "Securities Investment".

5.5 Investment Analysis

5.5.1 *Securities investment*

Item no.	Type of securities	Securities code	Abbreviation	Initial investment amount *(RMB)*	Numbers of shares held	EOP book value *(RMB)*	Share of total EOP securities investment *(%)*	Gain/loss in the reporting period *(RMB)*
1	Stock	601857	PetroChina	584,500	35,000	282,800	48.17	–58,100
2	Stock	601186	China Railway Construction	181,600	20,000	133,200	22.69	57,400
3	Stock	601390	China Railway Group	158,400	33,000	100,320	17.09	17,160
4	Stock	601898	China Coal Energy	201,960	12,000	70,800	12.05	–37,320
			Total	1,126,460	/	587,120	100	–20,860

At the end of the reporting period, the Company held no stock holdings in other listed firms or equity holdings in private financial firms except for those listed above. In the reporting period, the Company did not trade in the stocks of other listed firms.

5.5.2 Analysis of the Group's major subsidiaries and invested entities

– Ma Steel (Hefei) Iron & Steel Co., Ltd. has a registered capital of RMB1,700 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 RMB60 million. As at the end of the reporting period, it had total assets amounting to RMB4,021 million and net assets of RMB2,498 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 RMB49 million, total assets of RMB5,946 million and net assets of RMB2,363 million.

– Masteel Group's finance company has a registered capital of RMB1 billion and 91% of its equity is directly owned by the Company. The finance company is chiefly responsible for providing corporate finance, financial advisory, consulting and intermediary services to its members. It provides guarantee against borrowing, offers note acceptance and discount, lending and financial leasing services to its members. Its other activities include inter-lending, collection and payment for transactions between members, approved insurance brokerage, entrustment loans for members, internal transfer and bill settlement, design of settlement and liquidation plans, and taking deposits from members. In the reporting period, the finance company posted a net profit of RMB96 million. At the end of the reporting period, its total asset value was RMB9,060 million and net asset value RMB1,110 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 profit for the reporting period amounted to RMB238 million. As at the end of the reporting period, it had total assets amounting to RMB2,622 million and net assets of RMB48 million.

– Anhui Masteel Engineering Technologies Co., Ltd has RMB100 million in registered capital. The Company owns 58.96% direct equity and 7.86% indirect equity in the company. The company is specialized in the planning and design of metallurgical, construction and environmental projects. In the reporting period, it posted a net profit of RMB27 million. At the end of the reporting period, its total asset value was RMB291 million and net asset value RMB183 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 RMB0.1 million. As at the end of the reporting period, it had total assets amounting to RMB187 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 RMB8 million. As at the end of the reporting period, it had total assets amounting to RMB911 million and net assets of RMB102 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 RMB0.09 million. As at the end of the reporting period, it had total assets amounting to RMB1,021 million and net assets of RMB163 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 RMB1.9 million. As at the end of the reporting period, it had total assets amounting to RMB814 million and net assets of RMB133 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 RMB2.7 million. As at the end of the reporting period, it had total assets amounting to RMB619 million and net assets of RMB175 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 RMB46 million. As at the end of the reporting period, it had total assets amounting to RMB488 million and net assets of RMB155 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 RMB98 million. As at the end of the reporting period, it had total assets amounting to RMB672 million and net assets of RMB655 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 RMB15 million. As at the end of the reporting period, it had total assets amounting to RMB1,037 million and net assets of RMB432 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 RMB153 million. As at the end of the reporting period, it had total assets amounting to RMB686 million and net assets of RMB633 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 RMB7.1 million. As at the end of the reporting period, it had total assets amounting to RMB929 million and net assets of RMB140 million.

5.5.3 Projects financed by other than fundraising proceeds

During the reporting period, the Group's expenses on construction projects amounted to RMB5,104 million, representing an increase of 33.92% over the previous year.

Unit: RMB Million

Project name	Project amount	Project progress
1,580mm hot rolling project at No.4 steel & rolling plant	2,950	Equipment assembling stage
Hot-rolled pickling plate project at No.4 steel & rolling plant	1,008	Equipment installation stage
Silicon steel project phase 2	1,494	Equipment assembling stage
Finishing line for alloy steel bars for EAF plants	225	Pre-work preparation stage
Total	5,677	/

5.6 The Dividend Distribution or Capital Reserves Capitalisation and Bonus Sharing Declared by the Company in the Last Three Years (Reporting Period Inclusive)

Unit: RMB Million

Year of dividend	Bonus shared for each 10 shares (share)	Dividend distributed for each 10 shares (RMB) (Taxes inclusive)	Transfer of capital reserve to shares for each 10 shares (share)	Total amount of cash dividends (Taxes inclusive)	Net profits/(loss) attributed to the shareholders of the Company shown in the consolidated statement for the dividend year	Ratio between the dividends and the net profit/(loss) attributed to the shareholders of the Company in the consolidated statement (%)
2012	0	0	0	0	–3,863.2	0
2011 (Before restated)	0	0	0	0	69.6	0
2010	0	0.50	0	385	1,101.8	34.94

6. SIGNIFICANT MATTERS

6.1 Major Litigation and Arbitration Cases and Media Controversies

6.1.1 Major litigation and arbitration cases and media controversies already disclosed in the temporary announcements and without new development

Summary of the case and type of controversy	Information source
Board of Director was noticed litigation brought by a logistic company over trade dispute with suppliers. To recover the outstanding goods and payment, the logistic company already raise civil proceeding through intermediate People's Court at Maanshan city on 21 Sept 2012.	http://static.sse.com.cn/disclosure/listedinfo/announcement/c/2012-09-25/600808_20120925_1.pdf
Board of Director agreed to accept the application of bankruptcy liquidation filed by the logistic company to the court and lead by court to consolidation	http://static.sse.com.cn/disclosure/listedinfo/announcement/c/2012-10-09/600808_20121009_1.pdf
The court accepted the logistic company's case for bankruptcy liquidation	http://static.sse.com.cn/disclosure/listedinfo/announcement/c/2012-10-13/600808_20121013_3.pdf

6.2 Matters Related to Bankruptcy and Restructuring

See Section 6.1 "Major litigation and arbitration cases and media controversies" for details.

6.3 Asset Transactions and Merger of Companies

Brief description and nature of the matter	Information source
Acquisition (acceptance of the assignment) of a 42% equity interest in a finance company from the Group Company	http://static.sse.com.cn/disclosure/listedinfo/announcement/c/2012-02-10/600808_20120210_1.pdf

6.4 Remunerations of the Auditors

During the year, Ernst & Young Hua Ming LLP was appointed as the auditors of the Group and have audited the attached financial reports prepared under the PRC Accounting Standards. The remuneration for Ernst & Young Hua Ming LLP amounted to RMB4,815,000. Among which, (i) RMB4,785,000 represented fee payable for audit services, including annual audit fee (exclusive of taxes) of RMB4,200,000 (including internal audit fee of RMB600,000) and the fees for agreed-upon procedures for 2012 interim financial report of RMB585,000; (ii) RMB30,000 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. In addition, the fee payable to Ernst & Young Tax Services Limited for tax compliance services amounted to RMB28,000. The aforementioned audit fee and other verification fee were already inclusive of disbursements incurred by the auditors. Meal and accommodation expenses incurred by auditors while performing professional services at the Company were borne by the Company.

6.5 Audit Committee

The Audit Committee of the board of directors held four meetings in 2012. The incumbent committee members were present at all the meetings they were supposed to attend. The committee was chaired by Mr. Qin Tongzhou and duly performed its duties of reviewing and monitoring the finance and internal control of the Group. It reviewed the 2011 annual accounts, the 2012 first quarterly accounts, the 2012 interim accounts and the 2012 third quarterly accounts of the Company. It reviewed the summary report presented by the external accounting firm as a result of a FY2011 auditing exercise on the Company and made an independent opinion on the Company's engagement of auditors, associated party transactions and external security.

The Company's 2012 annual accounts were reviewed by the Audit Committee.

6.6 Purchase, Sales or Redemption of Listed Securities of the Company

In 2012, the Company has not redeemed any of its securities. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities.

6.7 Pre-emptive Rights

According to the articles of association of the Company and the laws of the PRC, there are no provisions to grant the existing shareholders of the Company pre-emptive rights for subscribing new shares in proportion to their shareholdings whenever the Company issues new shares.

6.8 Public Float

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company, as at the date of this announcement, the Company has fulfilled the public float requirement as prescribed by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

7. 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 Board's self-assessment report on the Company's internal control in 2012, and the formation and execution of the Company's internal control system. 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.

8. 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 2012.

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.

9. POST BALANCE SHEET EVENTS

On 5 March 2013, Ma Steel (Hefei) Iron & Steel Co., Ltd., a subsidiary of the Company, obtained the approval of the board of directors, regarding the issuance of medium-term note with a registration amount of RMB900 million, which will be expired within 5 years. The medium-term note was not issued as of the reporting date.

10. FINANCIAL REPORT

10.1 Auditor's Opinion

Financial Report	☐ Unaudited	✓ Audited
Auditor's Opinion	✓ Unqualified standard opinion	☐ Non-standard opinion

10.2 Comparison of the Consolidated and the Company's Balance Sheets, Income Statements, Cash Flow Statements and Statements of Changes in Equity (Set Out Below)

10.3 Changes in the Accounting Policies, Estimates and Audit Procedures as Compared to the Latest Annual Report

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

10.4 Details, Correction Amount, Reasons and Influence of Significant Accounting Errors

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

10.5 Change of Consolidated Scope as Compared with that of the Report of Last Year

In addition to the inclusions of Masteel Hefei Steel Sheets, Hefei Materials Technology and Masteel Powder Metallurgy in consolidated reporting, MASTEEL-Financial was also acquired from 5 April 2012. Masteel Yuyuan Logistics Co., Ltd was no longer consolidated as of 12 October 2012. During the year, except for the above, there was no change to the scope of financial statements consolidation of the Group compared with the previous financial year.

CONSOLIDATED AND COMPANY BALANCE SHEET

31 December 2012

Renminbi Yuan

ASSETS:	*Note*	**31 December 2012 Group**	31 December 2011 Group (Restated)	**31 December 2012 Company**	31 December 2011 Company
CURRENT ASSETS:					
Cash and bank balances		**9,782,424,115**	10,611,862,099	**6,359,785,755**	4,768,791,715
Financial assets held for trading		**587,120**	607,980	**587,120**	607,980
Bills receivable	4	**8,060,760,260**	9,034,711,272	**5,001,092,227**	6,866,227,009
Trade receivables	5	**1,411,927,109**	1,883,404,218	**1,785,315,692**	2,412,923,730
Dividends receivable		**46,800,000**	99,902,452	**66,475,194**	152,701,212
Interest receivable		**4,846,087**	–	**5,159,705**	–
Prepayments	6	**2,037,721,944**	3,651,999,532	**1,044,242,745**	3,035,017,626
Other receivables		**469,008,747**	694,493,241	**279,377,529**	87,210,086
Inventories		**11,250,937,262**	14,132,127,677	**8,172,351,955**	10,433,971,452
Loans and advances to customers		**215,562,806**	12,699,577	**–**	–
Total current assets		**33,280,575,450**	40,121,808,048	**22,714,387,922**	27,757,450,810
NON-CURRENT ASSETS:					
Long term equity investments		**1,210,311,409**	1,113,949,039	**6,708,697,609**	5,408,814,497
Investment properties		**4,400,618**	4,540,409	**17,188,937**	17,593,986
Fixed assets		**32,478,798,396**	32,418,075,602	**27,725,274,143**	28,163,111,487
Construction materials		**673,731,960**	265,351,474	**350,239,732**	282,303,496
Construction in progress		**5,697,669,676**	4,672,053,374	**4,115,011,626**	3,415,642,243
Intangible assets		**1,963,421,181**	2,002,437,828	**1,148,988,370**	1,182,953,916
Deferred tax assets		**702,255,349**	626,426,316	**679,495,010**	597,145,110
Total non-current assets		**42,730,588,589**	41,102,834,042	**40,744,895,427**	39,067,564,735
TOTAL ASSETS		**76,011,164,039**	81,224,642,090	**63,459,283,349**	66,825,015,545

CONSOLIDATED AND COMPANY BALANCE SHEET (CONTINUED)

31 December 2012
Renminbi Yuan

LIABILITIES AND SHAREHOLDERS' EQUITY:	*Note*	**31 December 2012 Group**	31 December 2011 Group (Restated)	**31 December 2012 Company**	31 December 2011 Company
CURRENT LIABILITIES:					
Customer deposits		**565,167,982**	697,944,982	**–**	–
Repurchase agreements		**494,753,998**	68,180,659	**–**	–
Short term loans		**9,777,449,423**	5,822,785,816	**4,970,468,532**	720,152,772
Bills payable	7	**5,096,302,242**	5,142,687,963	**1,552,887,366**	2,219,224,949
Accounts payable	8	**7,029,326,670**	7,030,282,017	**7,982,070,150**	6,868,767,357
Deposits received		**6,122,954,555**	7,028,115,939	**4,595,208,580**	5,644,238,568
Payroll and benefits payable		**228,107,066**	243,707,642	**119,617,400**	175,902,146
Taxes payable		**(331,007,320)**	(325,437,540)	**(217,257,558)**	(388,139,010)
Interests payable		**205,268,222**	218,784,755	**207,613,733**	215,949,993
Dividends payable		**80,492,522**	80,281,968	**6,146,772**	5,936,218
Other payables		**1,058,965,107**	731,863,459	**809,058,988**	564,693,699
Non-current liabilities due within one year		**1,335,542,400**	2,681,045,000	**1,335,542,400**	2,681,045,000
Total current liabilities		**31,663,322,867**	29,420,242,660	**21,361,356,363**	18,707,771,692
NON-CURRENT LIABILITIES:					
Long term loans		**9,914,180,000**	12,506,772,000	**11,817,407,500**	12,838,172,000
Bonds payable		**8,261,992,704**	9,243,722,051	**8,261,992,704**	9,243,722,051
Deferred income		**618,997,012**	552,778,524	**592,659,282**	523,714,144
Deferred tax liabilities		**40,614,884**	44,328,987	**–**	–
Total non-current liabilities		**18,835,784,600**	22,347,601,562	**20,672,059,486**	22,605,608,195
Total liabilities		**50,499,107,467**	51,767,844,222	**42,033,415,849**	41,313,379,887
SHAREHOLDERS' EQUITY:					
Share capital		**7,700,681,186**	7,700,681,186	**7,700,681,186**	7,700,681,186
Capital reserve		**8,329,067,663**	8,758,358,399	**8,338,358,399**	8,338,358,399
Special reserve		**14,768,610**	–	**–**	–
Surplus reserve		**3,750,928,170**	3,444,137,388	**2,964,168,101**	2,964,168,101
General reserve		**55,650,161**	127,104	**–**	–
Retained profits		**3,245,037,973**	7,467,413,825	**2,422,659,814**	6,508,427,972
Including: Proposed cash dividend	9	**–**	–	**–**	–
Exchange fluctuation reserve		**30,510,424**	16,483,680	**–**	–
Equity attributable to equity holders of the parent		**23,126,644,187**	27,387,201,582	**21,425,867,500**	25,511,635,658
Minority interests		**2,385,412,385**	2,069,596,286	**–**	–
Total shareholder's equity		**25,512,056,572**	29,456,797,868	**21,425,867,500**	25,511,635,658
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**76,011,164,039**	81,224,642,090	**63,459,283,349**	66,825,015,545

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2012
Renminbi Yuan

Items	*Note*	**2012 Group**	2011 Group (Restated)	**2012 Company**	2011 Company
Revenue	10	**74,404,364,038**	86,854,060,117	**57,733,842,196**	78,067,121,225
Less: Cost of sales	10	**72,840,274,575**	83,365,438,019	**57,471,075,172**	76,284,120,046
Taxes and surcharges		**160,138,327**	227,777,606	**99,240,696**	169,681,572
Selling expenses		**349,695,028**	285,821,929	**249,792,077**	235,331,501
Administrative expenses		**1,378,085,886**	1,295,361,613	**869,032,366**	887,825,688
Financial expenses	11	**1,463,236,344**	969,175,097	**1,539,317,048**	530,013,425
Assets impairment losses		**2,722,485,738**	676,843,268	**2,077,664,511**	674,480,000
Loss on fair value changes		**20,860**	218,660	**20,860**	218,660
Add: Investment income		**613,911,017**	143,607,614	**299,279,236**	206,612,395
including: share of profits of associates and jointly controlled entities		**111,905,442**	122,027,420	**119,172,376**	130,918,471
Operating profit/(loss)		**(3,895,661,703)**	177,031,539	**(4,273,021,298)**	(507,937,272)
Add: Non-operating income	13	**152,842,514**	166,979,551	**106,573,714**	120,142,902
Less: Non-operating expenses	14	**3,498,367**	24,179,555	**1,559,216**	7,755,393
including: net loss on disposal of non-current assets		**–**	18,753,548	**–**	5,261,751
Profit/(loss) before tax		**(3,746,317,556)**	319,831,535	**(4,168,006,800)**	(395,549,763)
Less: Income tax	15	**54,205,870**	116,286,461	**(82,238,642)**	(117,377,808)
Net profit/(loss)		**(3,800,523,426)**	203,545,074	**(4,085,768,158)**	(278,171,955)
Including: Net profit attributable to the acquiree prior to business combination under common control business combination under common control		**11,496,935**	13,967,471		
Less: Minority interests		**62,709,119**	121,175,866		
Net profit/(loss) attributable to the equity holders of the parent		**(3,863,232,545)**	82,369,208		
EARNINGS PER SHARE:	16				
Basic		**(50.17) cents**	1.07cents		
Diluted		**(50.17) cents**	1.07cents		
Other comprehensive income		**14,026,744**	(24,221,088)	**–**	–
Total comprehensive income		**(3,786,496,682)**	179,323,986	**(4,085,768,158)**	(278,171,955)
Attributable to:					
Equity holders of the parent		**(3,849,205,801)**	58,148,120		
Minority interests		**62,709,119**	121,175,866		

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2012

Renminbi Yuan

	Attributable to equity holders of the parent									
	Share capital	Capital reserve	Special reserve	Surplus reserve	General Reserve	Retained profits	Exchange fluctuation reserve	Sub-total	Minority Interests	Total Shareholders' equity
1. 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
Business combination under common control	–	420,000,000	–	1,271,040	127,104	11,392,935	–	432,791,079	91,257,072	524,048,151
2. At 1 January 2012(Restated)	7,700,681,186	8,758,358,399	–	3,444,137,388	127,104	7,467,413,825	16,483,680	27,387,201,582	2,069,596,286	29,456,797,868
3. Increase/(decrease) during the year										
1) Net profit/(loss)	–	–	–	–	–	(3,863,232,545)	–	(3,863,232,545)	62,709,119	(3,800,523,426)
2) Other comprehensive income	–	–	–	–	–	–	14,026,744	14,026,744	–	14,026,744
Total comprehensive income	–	–	–	–	–	(3,863,232,545)	14,026,744	(3,849,205,801)	62,709,119	(3,786,496,682)
3) Capital contribution and withdraw By shareholders										
(i). Capital contribution by minority shareholders	–	–	–	–	–	–	–	–	396,000,000	396,000,000
(ii). Others	–	–	–	3,170,532	–	–	–	3,170,532	(116,318,272)	(113,147,740)
4) Profit appropriation										
(i). Transfer to surplus reserves	–	–	–	303,620,250	–	(303,620,250)	–	–	–	–
(ii). Transfer to general reserves	–	–	–	–	55,523,057	(55,523,057)	–	–	–	–
(iii). Dividend paid	–	–	–	–	–	–	–	–	(26,574,748)	(26,574,748)
(iv). Business combination involving entities under common control	–	(429,290,736)	–	–	–	–	–	(429,290,736)	–	(429,290,736)
(5) Special reserves										
1. Additions	–	–	85,616,047	–	–	–	–	85,616,047	–	85,616,047
2. Used	–	–	(70,847,437)	–	–	–	–	(70,847,437)	–	(70,847,437)
4. At 31 December 2012	7,700,681,186	8,329,067,663	14,768,610	3,750,928,170	55,650,161	3,245,037,973	30,510,424	23,126,644,187	2,385,412,385	25,512,056,572

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Year ended 31 December 2011

Renminbi Yuan

	Attributable to equity holders of the parent								
	Share capital	Capital reserve	Surplus reserve	General Reserve	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									
1) Net profit (Restated)	–	–	–	–	82,369,208	–	82,369,208	121,175,866	203,545,074
2) Other comprehensive income	–	–	–	–	–	(24,221,088)	(24,221,088)	–	(24,221,088)
Total comprehensive income (Restated)	–	–	–	–	82,369,208	(24,221,088)	58,148,120	121,175,866	179,323,986
3) Capital contribution and withdrawal by shareholders									
(i) Capital contribution by minority shareholders	–	–	–	–	–	–	–	1,181,266,000	1,181,266,000
(ii) Others (Restated)	–	420,000,000	–	–	–	–	420,000,000	90,000,000	510,000,000
4) Profits appropriation									
(i) Transfer to surplus reserves (Restated)	–	–	237,936,574	–	(237,936,574)	–	–	–	–
(ii) Transfer to general reserves (Restated)	–	–	–	127,104	(127,104)	–	–	–	–
(iii) Dividend paid	–	–	–	–	(385,034,059)	–	(385,034,059)	(27,521,298)	(412,555,357)
3. At 31 December 2011 (Restated)	7,700,681,186	8,758,358,399	3,444,137,388	127,104	7,467,413,825	16,483,680	27,387,201,582	2,069,596,286	29,456,797,868

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2012

Renminbi Yuan

		2012	2011 (Restated)
1.	Cash flows from operating activities:		
	Cash received from sale of goods or rendering of services	**94,106,132,710**	102,148,046,708
	Refunds of taxes	**22,597,431**	19,600,168
	Net increase in repurchase agreements	**426,573,339**	68,180,659
	Net (decrease)/increase in customer deposits	**(132,777,000)**	697,944,982
	Cash received for interest charges, fees and commissions	**67,787,162**	12,510,108
	Cash received relating to other operating activities	**172,537,666**	234,486,952
	Sub-total of cash inflows	**94,662,851,308**	103,180,769,577
	Cash paid for goods and services	**(80,715,929,570)**	(94,734,101,499)
	Net increase in deposits in the Central Bank	**(891,488,602)**	(112,454,977)
	Net increase in loans and advances to customers	**(204,912,353)**	(12,827,856)
	Cash paid to and on behalf of employees	**(4,545,616,367)**	(4,392,425,754)
	Cash paid for all taxes	**(2,216,171,232)**	(2,249,584,298)
	Cash paid for interest charges, fees and commissions	**(12,792,084)**	(1,887,124)
	Cash paid relating to other operating activities	**(483,353,982)**	(567,465,935)
	Sub-total of cash outflows	**(89,070,264,190)**	(102,070,747,443)
	Net cash flows from operating activities	**5,592,587,118**	1,110,022,134
2.	Cash flows from investing activities:		
	Cash received from retrieval of investments	**14,215,534**	1,760,000
	Cash received from investment income	**185,825,918**	130,419,405
	Net cash received from disposal of fixed assets, intangible assets and other long term assets	**22,745,493**	4,824,524
	Net cash received from acquisition of a subsidiary	**–**	383,261,393
	Cash received relating to other investing activities	**157,104,000**	62,009,300
	Sub-total of cash inflows	**379,890,945**	582,274,622

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

Year ended 31 December 2012
Renminbi Yuan

		2012	2011 (Restated)
2.	Cash flows from investing activities (continued)		
	Cash paid for acquisitions of fixed assets, intangible assets and other long term assets	**(4,946,800,801)**	(4,213,534,239)
	Cash paid for acquisitions of investments	**(113,500,000)**	(50,100,000)
	Cash paid for purchasing minority interests	**(429,290,736)**	–
	Cash paid for subsidiaries disposal	**(107,636,270)**	–
	Cash paid due to increase in pledged deposits, net	**(839,298,551)**	(311,760,491)
	Sub-total of cash outflows	**(6,436,526,358)**	(4,575,394,730)
	Net cash flows from investing activities	**(6,056,635,413)**	(3,993,120,108)
3.	Cash flows from financing activities:		
	Cash received from borrowings	**37,968,551,261**	33,762,382,458
	Cash received from capital contribution	**396,000,000**	681,266,000
	Including: capital contribution by minority shareholders	**396,000,000**	681,266,000
	Cash received from issuance of corporate bonds and medium-term notes	**–**	8,239,888,000
	Sub-total of cash inflows	**38,364,551,261**	42,683,536,458
	Cash repayments of borrowings	**(38,908,876,560)**	(34,050,665,899)
	Cash paid for distribution of dividend or profits and for interest expenses	**(1,608,600,460)**	(1,966,518,396)
	Including: dividend paid to minority shareholders by subsidiaries	**(26,574,748)**	(27,521,298)
	Sub-total of cash outflows	**(40,517,477,020)**	(36,017,184,295)
	Net cash flows from financing activities	**(2,152,925,759)**	6,666,352,163
4.	Effect of foreign exchange rate changes on cash	**56,748,917**	21,701,427
5.	Net increase/(decrease) in cash and cash equivalents	**(2,560,225,137)**	3,804,955,616
	Add: Balance of cash and cash equivalents at beginning of year	**9,190,021,229**	5,385,065,613
6.	Balance of cash and cash equivalents at end of year	**6,629,796,092**	9,190,021,229

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 Accounting polices

The financial statements are prepared in accordance with the "China Accounting Standards for Business Enterprises – General Principles" 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.

1.2 Statement of adoption of the CAS

The financial statements have been prepared in accordance with the CAS, and present truly and completely, the financial position of the Company and the Group as of 31 December 2012, and the results of their operations and their cash flows for the year then ended.

2. BUSINESS COMBINATION INVOLVING ENTITIES UNDER COMMON CONTROL

	The basis of judgement for the business combination under common control	The common controller	Revenue from the beginning of 2012 to the date of acquisition	Net profit from the beginning of 2012 to the date of acquisition
MASTEEL-Financial	Controlled by the same parent company	The Holding	18,933,214	11,496,935

	Net cash flow from operating activities from the beginning of 2012 to the date of acquisition	Net cash flow from investing activities from the beginning of 2012 to the date of acquisition	Net cash flow from financing activities from the beginning of 2012 to the date of acquisition
MASTEEL-Financial	63,631,845	–	–

MASTEEL-Financial was originally a subsidiary of the Holding and an associate of the Company with the Company holding 49% shares. In April 2012, the Company acquired a further 42% of shares in MASTEEL-Financial at a cost of RMB429,290,736, increasing its shareholding to 91%. Since the Company and MASTEEL-Financial are both controlled by the Holding before and after this share transfer, and the control is not transitory, this business combination is a business combination under common control. The acquisition date is determined as 5 April 2012.

As at the acquisition date and the previous accounting period, the book values of MASTEEL-Financial's assets and liabilities were as follows:

	Acquisition date	31 December 2011
Cash and bank balances	**369,686,789**	308,936,211
Other receivables	**22,800**	–
Other current assets	**810,471,500**	779,000,000
Loans and advances to customers	**577,879,157**	690,780,826
Fixed assets	**2,956,998**	2,815,454
Deferred tax assets	**14,021**	–
Total assets	**1,761,031,265**	1,781,532,491
Customer deposits	**705,116,868**	697,944,982
Repurchase agreements	**26,012,588**	68,180,659
Payroll and benefits payable	**50,429**	–
Taxes payable	**2,847,420**	717,029
Interest payable	**776,985**	652,240
Other payables	**762,569**	70,110
Total liabilities	**735,566,859**	767,565,020
Total shareholders' equity	**1,025,464,406**	1,013,967,471
Minority interests (9%)	**92,291,797**	91,257,072
Interests in associates (49%) *(i)*	**503,881,873**	496,844,061
Interests of acquisitions (42%)	**429,290,736**	425,866,338
Incorporating price difference (recorded in shareholders' equity)	**–**	
Consideration *(ii)*	**429,290,736**	

(i) MASTEEL-Financial was an associate of the Company before the Company acquired a further 42% of shares in it.

(ii) The consideration is a cash payment amounting to RMB429,290,736. Since the consideration is equal to the share of net assets of MASTEEL-Financial attributable to the Company, and this acquisition is a business combination under common control, the capital reserve of the Group decreased by RMB429,290,736.

(iii) The comparative data of the financial statement have been restated under the PRC of Accounting Standards of Business Combination Involving Entities under Common Control.

3. **OPERATING SEGMENT INFORMATION**

Operating segment

According to the Group's internal organisation structure, management requirements and internal reporting system, the Group's operating business is divided into three operating segments:

- The production and sale of steel products and its by-products: the Company and other subsidiaries excluding MASTEEL-Financial, Ma Steel International Trade Corp and Shanghai Trading;
- Trading business including steel, iron ore and fuels: Ma Steel International Trade Corp, Shanghai Trading
- Financial services: MASTEEL-Financial

The Group did not consider trade service and financial service as an individual reportable segment, as their revenue, profit and assets are lower than 10% of the Group, and that MASTEEL-Financial mainly offers financial service to internal companies. Therefore, the Group focuses on the production and sale of steel products and its by-products and it is unnecessary for the Group to disclose more detailed information.

Other information

Products and service information

External principal operation income

	2012	2011
Sale of steel products	**60,824,244,829**	72,111,502,935
Sale of steel billets and pig iron	**1,519,072,055**	723,246,296
Sale of coke by-products	**905,082,877**	1,040,176,521
Others	**2,604,373,153**	7,543,639,824
Total	**65,852,772,914**	81,418,565,576

Geographical information

External principal operation income

	2012	2011
The PRC	**63,132,558,528**	79,861,669,032
Overseas	**2,720,214,386**	1,556,896,544
Total	**65,852,772,914**	81,418,565,576

Non-current assets

	2012	2011 (Restated)
The PRC	**41,815,111,602**	40,279,019,269
Overseas	**213,221,638**	197,388,457
Total	**42,028,333,240**	40,476,407,726

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

Major customer information

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

4. BILLS RECEIVABLE

	2012	2011 (Restated)
Bank acceptance bills	**8,054,237,399**	9,028,311,927
Commercial acceptance bills	**6,522,861**	6,399,345
Total	**8,060,760,260**	9,034,711,272

As at 31 December 2012 and 31 December 2011, the ageing of the Group's bills receivable were all within six months.

As at 31 December 2012, no bank acceptance bills of the Group were secured to banks to obtain short-term loans (31 December 2011: RMB440,265,525). Besides, certain of the Group's bank acceptance bills amounting to RMB152,972,397 were secured to banks to issue bank acceptance bills to suppliers (31 December 2011: RMB81,302,740).

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:

	2012	2011
Within one year	**1,322,714,407**	1,745,317,179
One to two years	**66,792,389**	101,189,924
Two to three years	**7,233,443**	21,741,448
Over three years	**30,263,476**	30,637,752
	1,427,003,715	1,898,886,303
Less: Provisions for bad debts	**15,076,606**	15,482,085
Total	**1,411,927,109**	1,883,404,218

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

Reason	**2012**	2011
Bankrupt or liquidated debtors	**455,560**	307,896

6. PREPAYMENTS

An aged analysis of the prepayments is as follows:

	2012		2011	
	Balance	**Ratio (%)**	Balance	Ratio (%)
Within one year	**1,680,045,765**	83	**3,577,858,961**	98
One to two years	**306,432,163**	15	**62,936,806**	2
Two to three years	**42,159,100**	2	**3,223,018**	–
Over three years	**9,084,916**	–	**7,980,747**	–
Total	**2,037,721,944**	100	**3,651,999,532**	100

Prepayments aged over one year were mainly prepayments for unsettled construction projects. The final inspection of certain of the Group's construction projects was 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

	2012	2011
Bank acceptance bills	**4,573,802,242**	5,142,687,963
Commercial acceptance bills	**522,500,000**	–
Total	**5,096,302,242**	5,142,687,963

As at 31 December 2012 and 31 December 2011, the ageing of the Group's bills payable were all within six months.

The bills payable amounting to RMB5,096,302,242 (2011: RMB5,142,687,963) are due in the next accounting year.

8. ACCOUNTS PAYABLE

The ageing analysis of accounts payable as follows:

	2012	2011
Within one year	**6,585,456,835**	6,867,603,440
One to two years	**341,987,841**	96,479,369
Two to three years	**38,302,737**	27,701,072
Over three years	**63,579,257**	38,498,136
Total	**7,029,326,670**	7,030,282,017

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

9. DIVIDEND

	2012	2011
Proposed final – Nil	**–**	–

The board of directors does not recommend the payment of any dividends for the year ended 31 December 2012.

10. REVENUE AND COST OF SALES

Revenue is stated as follows:

	2012	2011 (Restated)
Principal operating income	**65,852,772,914**	81,418,565,576
Other operating income	**8,551,591,124**	5,435,494,541
Total	**74,404,364,038**	86,854,060,117

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:

	2012	2011 (Restated)
Principal cost of sales	**64,683,261,287**	78,519,315,485
Other cost of sales	**8,157,013,288**	4,846,122,534
Total	**72,840,274,575**	83,365,438,019

11. FINANCIAL EXPENSES

	2012	2011 (Restated)
Interest expenses (note)	**1,586,090,972**	1,449,374,591
Less: Interest income	**142,877,305**	168,249,321
Exchange gain or loss, net	**(10,201,810)**	(346,756,429)
Others	**30,224,487**	34,806,256
Total	**1,463,236,344**	969,175,097

Note: The Group's interest expenses include interest on bank loans, other loans, corporate bonds and MTN (Medium Term Note) which will expire within five years.

12. DEPRECIATION AND AMORTISATION

	2012	2011 (Restated)
Depreciation of fixed assets	**3,507,763,851**	4,332,908,131
Amortisation of investment properties	**139,791**	184,111
Amortisation of intangible assets	**60,795,998**	53,348,502
Total	**3,568,699,640**	4,386,440,744

13. NON-OPERATING INCOME

	2012	2011
Amortisation of deferred income	**90,746,124**	82,109,482
Subsidies income	**47,577,837**	84,455,658
Gain on disposal of non-current assets	**9,838,599**	–
Others	**4,679,954**	414,411
Total	**152,842,514**	166,979,551

14. NON-OPERATING EXPENSES

	2012	2011 (Restated)
Loss on the disposal of non-current assets	**–**	18,753,548
Public relief donation	**935,000**	1,865,000
Others	**2,563,367**	3,561,007
Total	3,498,367	24,179,555

15. INCOME TAX

	2012	2011 (Restated)
Mainland China:		
Current income tax expense	**87,438,340**	156,414,252
Adjustments in respect of current tax of previous periods	**(1,822,018)**	396,113
Deferred tax income	**(79,543,136)**	(114,480,746)
Hong Kong current income tax expense	**5,782,624**	2,836,237
Overseas current income tax expense	**42,350,060**	71,120,605
Total	**54,205,870**	116,286,461

15. INCOME TAX (continued)

Relationship between income tax and profit/(loss) before tax:

	2012	2011 (Restated)
Profit/(loss) before tax	**(3,746,317,556)**	319,831,535
Tax at the applicable tax rate of 25% *(i)*	**(936,579,390)**	79,957,885
Effect of different tax rates of subsidiaries	**1,419,323**	10,382,413
Expenses not deductible for tax	**40,803,027**	69,053,652
Adjustments in respect of current tax of previous periods	**(1,822,018)**	396,113
Other tax concessions	**(57,010,255)**	(59,526,336)
Income not subject to tax	**(3,756,886)**	(9,054,131)
Unrecognised deductible temporary difference and tax losses *(ii)*	**1,095,848,947**	58,882,495
Tax losses utilised	**(58,948,979)**	(1,383,061)
Profits and losses attributable to jointly-controlled entities and associates	**(28,003,918)**	(32,422,569)
Withholding income tax of dividends received from associates in the mainland of the PRC	**2,256,019**	–
Tax charge at the Group's effective rate	**54,205,870**	116,286,461

(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.

(ii) Including the tax effect of non-deductible tax losses of RMB270 million.

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 applied 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 at 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%. Other subsidiaries located elsewhere and Hong Kong have been calculated at the rates of tax prevailing in the countries, ranging from 16.5% to 30%, in which the subsidiaries operate, based on existing legislation, interpretations and practices in respect thereof.

16. 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:

	2012	2011 (Restated)
Net profit/(loss) attributable to Equity holders of the parent	**(3,863,232,545)**	82,369,208
Weighted average number of ordinary shares in issue during the period	**7,700,681,186**	7,700,681,186
Basic earnings per share (cents)	**(50.17)**	1.07

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

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

17. CONTINGENT LIABILITIES

Difference of corporate income tax

As detailed in note 15 to the financial statements, 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, penalties and interests (if applicable).

18. NET CURRENT ASSETS

	Group		Company	
	2012	2011 (Restated)	**2012**	2011
Current assets	**33,280,575,450**	40,121,808,048	**22,714,387,922**	27,757,450,810
Less: Current liabilities	**31,663,322,867**	29,420,242,660	**21,361,356,363**	18,707,771,692
Net current assets	**1,617,252,583**	10,701,565,388	**1,353,031,559**	9,049,679,118

19. TOTAL ASSETS LESS CURRENT LIABILITIES

	Group		Company	
	2012	2011 (Restated)	**2012**	2011
Total assets	**76,011,164,039**	81,224,642,090	**63,459,283,349**	66,825,015,545
Less: Current liabilities	**31,663,322,867**	29,420,242,660	**21,361,356,363**	18,707,771,692
Net total assets minus liabilities	**44,347,841,172**	51,804,399,430	**42,097,926,986**	48,117,243,853

20. COMPARATIVE DATA

Certain comparative figures have been restated in order to comply with the requirement of presentation. Please refer to note 2 for the details.