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)

2013 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 of, 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 The financial statements are prepared in accordance with the China Accounting Standards for Business Enterprises. Ernst & Young Hua Ming LLP audited and issued a standard unqualified opinion on the financial statements of the Company.

1.4 Mr. Ding Yi, legal representative of the Company, Mr. Qian Haifan, in charge of the accounting operations, and Mr. Xing Qunli, 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	00323
Places of listing	The Stock Exchange of Hong Kong Limited

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3. KEY EXTRACTS OF ACCOUNTING AND FINANCIAL DATA

3.1 Major Accounting Data

Unit: RMB'000

Major accounting data	**2013**	2012		**Increase/decrease compared to previous year**	2011	
		After restated	Before restated	*(%)*	After restated	Before restated
Operating revenue	**73,848,883**	74,404,364	74,404,364	–0.75	86,854,060	86,842,202
Net profit/(loss) attributable to equity holders of the parent	**157,220**	–3,863,233	–3,863,233	–	82,369	69,578
Net loss excluding non-recurring gains or losses attributable to equity holders of the parent	**–445,730**	–3,949,152	–3,949,152	–	–18,183	–30,976
Net cash flows from operating activities	**5,091,359**	5,592,587	5,592,587	–8.96	1,110,022	982,680

	As at the end of 2013	As at the end of 2012		**Increase/decrease compared to the end of the previous year**	As at the end of 2011	
		After restated	Before restated	*(%)*	After restated	Before restated
Net assets attributable to equity holders of the parent	**23,131,446**	23,126,644	23,126,644	0.02	27,387,202	26,954,411
Total assets	**71,317,212**	76,011,164	76,011,164	–6.18	81,224,642	81,113,029

3.2 Major Financial Data

Major financial indicators

	2013	2012 After restated	2012 Before restated	**Increase/decrease compared to previous year** *(%)*	2011 After restated	2011 Before restated
Basic earnings (losses) per share (RMB/share)	**0.020**	–0.502	–0.502	–	0.011	0.009
Diluted earnings (losses) per share (RMB/share)	**0.020**	–0.502	–0.502	–	0.011	0.009
Basic losses per share excluding non-recurring gains or losses (RMB/share)	**–0.058**	–0.513	–0.513	–	–0.002	–0.004
Return on net assets (weighted average) (%)	**0.68**	–15.30	–15.30	increased by 15.98 percentage points	0.30	0.26
Return on net assets excluding non-recurring gains or losses (weighted average) (%)	**–1.93**	–15.64	–15.64	increased by 13.71 percentage points	–0.07	–0.11

Note: 1. 42% shares in Masteel Group Financial Co., Ltd ("Masteel Financial") was acquired by the Company in 2012 and thereby became a subsidiary. Certain financial information in 2011 have been restated in accordance with China Accounting Standards for Business Enterprises by the Company.

Note: 2. In January to February 2014, the Ministry of Finance formulated "Accounting Standards for Business Enterprises No. 39 – Fair Value Measurement" and "Accounting Standards for Business Enterprises No. 40 – Joint Venture Arrangement"; it also revised "Accounting Standards for Business Enterprises No. 2 – Long-term Equity Investments", "Accounting Standards for Business Enterprises No. 30 – Presentation of Financial Statements", "Accounting Standards for Business Enterprises No. 9 – Employee Compensation", and "Accounting Standards for Business Enterprises No. 33 – Consolidated Financial Statements". The above 6 accounting standards shall be implemented as of 1 July 2014. However, companies listed in the overseas are encouraged for early adoption. As the Company is listed in both domestic and overseas markets, the Company adopted the above 6 accounting standards in the presentation of the 2013 annual financial statements, and took reference to "International Financial Reporting Standard 12 – Disclosure of Interests in Other Entities" and applied the relevant policies. The comparable figures requiring restate have been retrospectively adjusted accordingly.

3.3 Items & Amounts of Non-recurring Gains or Losses

Unit: RMB'000

Items of non-recurring gains or losses	**2013**	2012	2011
Gains/(losses) from disposal of non-current assets	**433,638**	9,839	–18,754
Government subsidies recognized in current gains and losses	**359,275**	47,578	84,456
Fair value losses of financial assets held for trading	**–78**	–21	–219
Non-operating income and expenses other than the above items	**–5,894**	1,182	–5,012
Amortization of deferred income	**93,436**	90,746	82,109
Other investment income	**17**	137	466
Effects of minority interests	**–206**	–255	–7,699
Effects of income tax	**–277,237**	–63,287	–34,795
Total	**602,951**	85,919	100,552

4. SHAREHOLDING OF SHAREHOLDERS

4.1 Shareholding of the Top Ten Shareholders

Unit: Shares

Total number of shareholders at the end of the reporting period	336,842	**Total number of shareholders as at the fifth trading day before publication of the annual report**	333,146

Shareholding of the Top Ten Shareholders

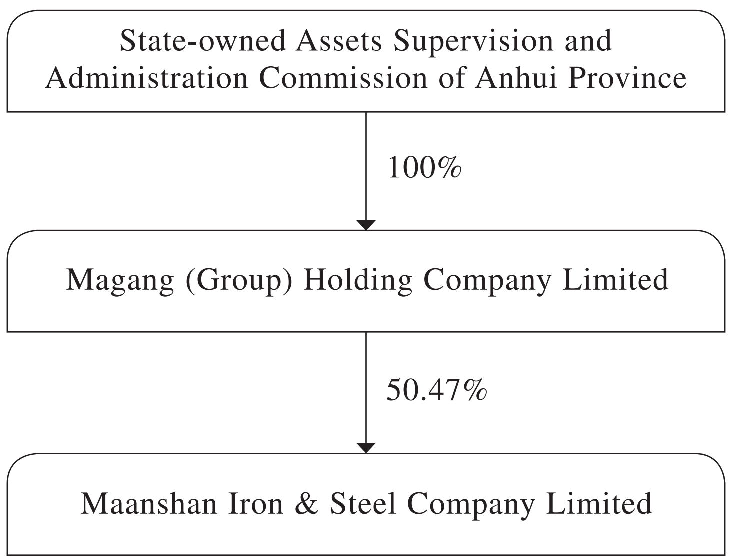
Name of shareholder	Types of shareholders	As a percentage to number of shares held (%)	Total number of shares held	Number of shares held with selling restrictions	Number of pledged or frozen shares
Magang (Group) Holding Company Limited	State-owned shareholders	50.47	3,886,423,927	0	0
HKSCC (Nominees) Limited	Foreign shareholder	22.18	1,707,742,898	0	Unknown
中國建設銀行－鵬華價值優勢股票型證券投資基金	Unknown	0.58	45,000,000	0	Unknown
張沐城	Unknown	0.35	27,300,000	0	Unknown
王勇	Unknown	0.26	20,250,000	0	Unknown
何文華	Unknown	0.16	11,983,587	0	Unknown
張武	Unknown	0.13	10,200,000	0	Unknown
肖國文	Unknown	0.13	10,181,358	0	Unknown
白計平	Unknown	0.11	8,209,900	0	Unknown
海通－中行－渣打銀行（香港）有限公司	Unknown	0.10	7,800,000	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	1,707,742,898	Overseas-listed foreign shares	1,707,742,898
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	45,000,000
張沐城	27,300,000	RMB-denominated ordinary shares	27,300,000
王勇	20,250,000	RMB-denominated ordinary shares	20,250,000
何文華	11,983,587	RMB-denominated ordinary shares	11,983,587
張武	10,200,000	RMB-denominated ordinary shares	10,200,000
肖國文	10,181,358	RMB-denominated ordinary shares	10,181,358
白計平	8,209,900	RMB-denominated ordinary shares	8,209,900
海通－中行－渣打銀行（香港）有限公司	7,800,000	RMB-denominated ordinary shares	7,800,000

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 associate 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 2013.

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.

In 2013, there emerged a multi-speed development trend on the back of the persistently slow global economic recovery and the adjustment of the global economic landscape. Driven by Asia, Africa and the Middle East, global crude steel output grew 3.5% year-on-year to 1,607 million tonnes, hitting a historic high. China's national economy headed stably toward a positive direction, recording a growth of 7.7% in GDP. However, it was in a period of transitional adjustment and therefore still under downside pressure. For the whole year, steel consumption in major downstream sectors increased steadily but there was a decline in growth when compared with last year, except for the automobile sector. The issue of steel oversupply was still prominent. According to statistics from the Ministry of Industry and Information Technology, the sales margin of the iron and steel enterprises in 2013 was 2.9%, the lowest level among industrial sectors.

Faced with a challenging and complex market environment, the Company's strategy is to focus on innovation and transformation to steer its production and operations. The Company regarded reducing losses and enhancing efficiency as the first and foremost priority. It spared no effort to enhance cost reduction and efficiency gain, a new step taken in responding to the crisis and challenges and accelerating transformational development. In 2013, the Company implemented all-rounded measures to cut costs and enhance efficiency, continuously intensified the adjustment of its product mix, actively carried out the restructuring of assets, thereby reversing the loss-making situation. Progress was achieved in new product R&D: our independent innovation project on high-power locomotive wheels passed the technical assessment of China Railway Corporation and CRH train wheels were ready for test run; 46 specialty steel products were developed for use in three major sectors, namely energy, high-end equipment manufacturing and rail transportation. In 2013, the Company produced 18,120,000 tonnes of pig iron, 18,790,000 tonnes of crude steel and 18,130,000 tonnes of steel products, up by 4.3%, 8.4% and 9.3% year-on-year respectively. Of which, the Company produced 13,450,000 tonnes of pig iron, 14,040,000 tonnes of crude steel and 13,360,000 tonnes of steel products, up by 0.8%, 5.7% and 4.5% year-on-year respectively.

Under the PRC Accounting Standards, the Group's operating revenue for 2013 amounted to RMB73.849 billion, representing a decrease of 0.75% over the previous year; net profit attributable to shareholders of the Company in 2013 amounted to RMB157 million; basic earnings per share amounted to RMB0.02, successfully turning loss into profit. As at the end of the reporting period, the Group's total assets amounted to RMB71.317 billion, representing a year-on-year decrease of 6.18%; and net assets attributable to shareholders of the Company amounted to RMB23.131 billion, representing a slight increase of 0.02% year-on-year. As at the end of the reporting period, the Group's gearing ratio was 63.97%, a decrease of 2.47 percentage points compared to last year.

Taking into full consideration of the industry conditions, company profitability, future development needs and shareholders' interests, the Board recommended not to pay any cash dividend for 2013 and no capital reserve fund will be transferred to share capital. Undistributed profits will be transferred to 2014. 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 RMB1.5 billion on 13 September 2013 at coupon rate of 6% for replenishing working capital.

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 2013, the Company innovated its environmental protection management model and introduced professional operators for the implementation of entrusted environmental operations. The Company has ensured that facilities efficiently run through standardized management of environmental protection facilities. Currently, the Company has altogether 21 online monitoring facilities, including 12 water facilities and 9 gas facilities, linked with the network of provincial and municipal environmental protection departments, and thus the Company's compliance on emission with national requirements is ensured. In 2013, 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 $4.1m^3$; the comprehensive utilization rate of solid waste was 99.3%; and the ratio of self-generated power was 75.0%.

Looking forward to 2014, the global economy is still in a stage of intensive adjustment and quite a number of unstable and uncertain factors remain. The recovery of developed economies is mild, while emerging economies and developing countries are generally confronted with issues such as economic growth slowdown and rising inflation pressure. The International Monetary Fund's projection of the global economic growth is 3.7% for 2014. Steel demand remains weak in international markets. The general tone of China's economy will be to make progress while ensuring stability. The continuity and stability of macroeconomic policies will be maintained and reforms will be intensified at full swing. Innovation will be driven and the shift in economic development model, economic fundamental adjustment and industry upgrade will accelerate. However, excess capacity and oversupply in the steel industry are unlikely to change any time soon. Steel companies still find themselves muddling through difficulties.

In 2014, the Group plans to produce 18.46 million tonnes of pig iron, 19.41 million tonnes of crude steel and 19.15 million tonnes of steel products (of which the Company plans to produce 13.80 million tonnes of pig iron, 14.71 million tonnes of crude steel and 14.45 million tonnes of steel products). The Company is to focus on improving profitability in its comprehensive reform and innovation with greater emphasis on the enhancement of economic systems operation and operating efficiency to create a new situation for its transformation:

- Arrange production in a scientific and efficient manner and systematically improve production arrangement policies to achieve long-term stable production and promote specialized production. The Company will optimize the allocation of resources, adopt a market-oriented approach with priorities tilting toward product lines and products with high contribution margin. The Company will reinforce the scientific assessment and rigid implementation of production and operation plans with an aim of improving order fulfillment rate. It will further enhance division of work among production lines for higher operating efficiency.

- Intensify the adjustment of product portfolio and accurately capture the positioning of products to strengthen differentiated competitive edges for more powerful core products. By bringing into full play relative advantages in terms of technology and equipment and relying on branding and marketing strength, the Company will continue to consolidate competitive advantages in products such as cargo train wheels, metro wheels and H-shaped steel for marine engineering, vigorously increase the size of orders of large truck wheels, wheels for export and high-grade H-shaped steel, and actively develop the markets of high-power locomotive wheels, heavy-duty wheels and high-speed CRH train wheels. The Company will create comparative advantages of strategic products. For strategic products such as high-strength automotive sheets, medium and high-grade silicon steel, high-grade industrial wires, high-grade pipeline steel, high-strength machinery steel and high-grade color-coated sheets, the Company will selectively identify market segments to be entered for brand building. As for general products such as rebar, construction wire rods, general industrial wires, medium plates and channel beams, the Company will maintain its competitive edges by adhering to the policy for scale-up and low cost so as to cope with challenges arising from a vicious price competition under a homogeneous environment. New products will be developed in an orderly manner. The Company will firmly establish the concept of customer-oriented input and output in defining the path for new ideas and processes to accelerate the development process.

- Establish market-oriented procurement and distribution systems and vigorously enhance the control over purchasing to build a service-oriented marketing structure. The Company will continue to operate with low levels of inventory aiming at capturing the right purchase time, enhancing procurement strategies and reducing procurement costs. The Company's purchasing, production and technical departments will join hands for iron ore mix optimization to achieve cost reduction. With our customers in mind, the Company will establish the Brand Product and Gold Service concept to improve marketing services in collaboration with sales, production and technology, striving to provide customers with system solutions. The Company will strengthen the awareness toward "itinerant trader" with the implementation of sales contract system for key products and vigorous development of strategic users and direct users to focus on major projects. The Company will accelerate the building of regional sales branches and strip processing centers to strengthen the development of regional end-user markets and value-added services. It will set up a spot trade center for enhanced processing placement to achieve added value.

- To continuously enhance quality management standards. The Company will improve its quality supervision and inspection mechanisms as well as quality management and assessment mechanisms to expand rewards and penalties for quality control work so as to have strict accountability on positions and individuals. The Company will reinforce the personal accountability system for quality control whereby quality performance indicators become an important basis for the selection and appraisal of senior technical directors and chief engineer. The Company will strengthen the awareness toward quality among employees on intensifying quality control activities and increasing efforts to disclose quality issues to create a featured quality culture.

- Build efficient operating mechanisms for energy production, supply and application. The Company will reinforce energy fundamental management, improve energy evaluation systems and vigorously conducts contracted energy management for better energy saving effects.

- Vigorously promote environmental operations. The Company will implement the concept of environmental management throughout the entire process of production and management and actively foster green purchasing and manufacturing, clean production, energy saving and emission reduction with an aim of building an environmental-friendly enterprise. The Company will strengthen the availability of environmental protection facilities and stable operation online with focus on the control over the emission volume from the source, regulate emission targets and keep environmental risks in control to prevent the occurrence of material environmental events. It will strictly implement the accountability system for environmental management by objectives, improve the environmental management accountability system and incentive mechanisms and increase the environmental performance indicators assessment efforts and the accountability over environmental events.

In the coming year, the Board and senior management of the Company will defy any hardship in 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.

Ding Yi
Chairman

26 March 2014
Maanshan City, Anhui Province, the PRC

5.2 Management Discussion and Analysis

5.2.1 Business Environment

The steel product market

The price trends of steel products in the international and domestic markets were roughly the same in 2013: after shakily reaching a year high in the first quarter, the prices of steel products fell sharply to a year low at the end of June and then experienced a shock rebound. The average consolidated price index for global steel products was 171.2, down 13.4 year-on-year, representing a decrease of approximately 7.3%. In particular, the average price index for long products was 190.17, down 16.03 year-on-year, representing a decrease of approximately 7.8%. The average price index for steel plates was 162.1, down 11.7 year-on-year, representing a decrease of 6.7%. The biggest difference in consolidated price index for steel products was 17.5, a decrease of 37.3% over the previous year.

The average consolidated price index for domestic steel products was 102.61, down 2.7 year-on-year, representing a decrease of 2.56%. In particular, the average price index for long products was 104.87, down 10.47 year-on-year, representing a decrease of approximately 9.08%; and the average price index for steel plates was 102.16, down 7.46 year-on-year, representing a decrease of approximately 6.81%. The biggest difference in consolidated price index for steel products was 11.47, a decrease of 41.63% over the previous year.

Net exports of steel products in the PRC continued to pick up in 2013. According to customs statistics, exported steel products in aggregate during the year amounted to 62,340,000 tonnes, a year-on-year increase of 11.9%; imported steel products in aggregate during the year amounted to 14,080,000 tonnes, a year-on-year increase of 3.1%. Net exports of steel products were 48,260,000 tonnes, a year-on-year increase of 14.7%.

Generally speaking, in 2013, the prices of steel products in the international and domestic markets trended in a similar way, which were both lower than those in the previous year. The price trends of long products and steel plates were roughly the same while the price trend of long products was better than that of steel plates.

The markets of raw materials and fuels

In 2013, as steel prices dropped significantly in the first half, the prices of iron ore, coking coal and scrap steel also fell but the rate of decline in iron ore prices was smaller than that of steel. In the second half, steel prices underwent a shock rebound and then iron ore prices also picked up, still demonstrating the “easy-to-rise and hard-to-fall” characteristics. For the whole year, the prices of raw materials and fuels still hovered at high levels. According to statistics from the Ministry of Industry and Information Technology, the average CIF price of imported iron ores in China was 129.03 USD/t, a slight increase of 0.22% year-on-year.

5.2.2 Major work

In 2013, the Company's strategy is to focus on innovation and transformation to steer its production and operations and to enhance cost saving and efficiency gain, striving to turn loss into profit. For the year as a whole, the Company produced 7,471,600 tonnes of steel plates, 2,614,500 tonnes of section steel, 7,851,400 tonnes of wire rods and 172,800 tonnes of train wheels and rims.

During the reporting period, the Company implemented all-rounded measures to cut costs and enhance efficiency and promoted economic running of systems. In terms of purchasing, the Company adopted measures such as avoiding purchases at peak times, alternative optimization and price benchmarking to improve cost effectiveness. In terms of distribution, the Company promoted service-oriented marketing and expanded the proportion of direct sales and the room for efficiency gains by better linking production and distribution. Meanwhile, the Company also vigorously conducted centralized tendering to lower costs and enhance efficiency in purchasing and distribution. Continuous recalibration to unlock potential of manufacturing systems: during the pre-iron making period, the Company systematically designed coal mix and iron ore mix solutions by better linking production to distribution with focus on blast furnaces and promoted direct distribution of coke to enable stable and balanced production with low levels of raw materials and fuel inventory. During the post-iron making period, the Company adopted an order-driven approach in optimizing division of work among production lines and implementing dynamic balance of resources to ensure production of major lines and varieties.

The Company continued to operate with low levels of inventory, substantially squeezing inventories of its bulk raw materials and fuels, intermediate and finished goods as well as spare parts and materials and thus trimming cash outlays by RMB600 million. The Company promoted centralized management of scrap steel resources and recycled more than 300,000 tonnes of settling materials, further improving the integrated use of solid waste. The Company improved its management model of "economic inputs" and "manageable risks" to strengthen equipment controls and "zero failure" management, as a result of which the Company won the honor as "Outstanding Enterprise in Equipment Management in China". The Company improved economic operations of systems and energy momentum, thereby overfulfilling annual energy saving and emission reduction targets promulgated by provincial and municipal authorities.

The Company consolidated scientific research and development and achieved breakthroughs in a number of key technologies. Our independent innovation project on high-power locomotive train wheelset, a major scientific and technological program of the former Ministry of Railways, passed the identification organized by China Railway Corporation. Our high-speed CRH train wheels completed all certification tests prior to test run and have passed the technical loading assessment. Our cold steel for LNG tanks passed the product identification of China Steel Association and the Company was the first in China capable of supplying them in bulk quantities. Our high-power locomotive train wheels were approved as the National-level Key New Product. Three technological achievements including the development of environmental-friendly hot-dip galvanized steel for home appliances won the Anhui Province's Scientific and Technological Progress Award. For the whole year, the Company developed altogether 1,456,300 tonnes of new products and achieved profits of RMB122 million.

The Company reinforced intellectual property management which led to a number of innovation achievements. The Company promoted the building of intellectual property management and technical standards systems and upgraded the management of technical knowhow. The Company obtained 174 patents, including 64 inventions and 125 utility models.

The Company enhanced quality management systems and established a regular reporting system for significant quality objection. The position of chief quality officer was set up to further improve product quality. The Company received the Gold Award for three products such as 400MPa grade rebar, of which, H-shaped steel for offshore platforms also received the "Exceptional Quality Award". Total loss on quality per tonne was RMB10.64, down 23.5% year-on-year; and the amount of payment for external quality claims decreased by 45.92% year-on-year.

5.2.3 Operating results during the reporting period under PRC Accounting Standards

Operating income decreased by 0.75% over the previous year mainly due to the decline in the selling prices of steel products for the year. Operating costs decreased by 3% over the previous year mainly due to the reduction in materials and process energy consumption and the drop in the purchase prices of raw materials and fuels. Operating profit, total profit and net profit attributable to the parent company increased substantially over the previous year. The turn from loss to profit was mainly due to the Company's successful cost reduction and efficiency enhancement during the reporting period and the partial disposal of non-iron and steel assets.

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

In 2013, the Group recorded a net profit of RMB157 million attributable to the equity holders of the parent. Compared with the net increase of RMB5,091 million in cash flow generated from operating activities, the difference was RMB4,934 million mainly due to the decrease in cash paid for goods during the reporting period. Net cash flow from operating activities decreased by 9% over the previous year mainly due to the decrease in cash received from the sales of goods during the reporting period. Net expenditure on cash flows used in investing activities decreased by 25% over the previous year mainly due to the cash received from the disposal of non-iron and steel assets during the year. Net cash flows used in financing activities increased by 146% over the previous year mainly due to the decrease in cash from borrowings during the year.

5.2.5 Major risks posed to the Company and coping strategies

Macro policy risks

Macro policy risks mainly include housing sector regulation, mandatory phase-out of obsolete capacities in the steel industry and environmental protection policy. The Company is situated in the Yangtze River Delta region which is subject to the special air pollutants emission limit under the "12th Five-year" Plan and thus regulation over energy saving and environmental protection in the iron and steel industry will be more stringent.

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 appliances steel plates, high-grade silicon steel, and high-speed CRH train wheels. 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.

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 price volatility on raw materials and fuels, which in turn will lead to uncertainties 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 monitors and fully accounts 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. Leveraging futures, iron ore swaps and medium and long-term electronic steel trading markets, the Company will conduct futures trading on iron and steel related raw materials and fuels as well as steel products or medium and long-term electronic steel hedging business to avoid and reduce risks associated with price volatility on raw materials, fuels and steel.

Financial risk

As profit level dropped 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 as well as RMB1,500 million short-term financing notes in 2013. Of which, RMB3,160 million corporate bonds, RMB2,800 million medium-term notes and RMB1,500 million short-term financing notes are to be expired during the year, which means the Company will be exposed to a greater repayment pressure. 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 cash and accelerate the cash flow turnover. The Company will leverage the easy access to financing of Masteel Financial, 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, income statement and cash flow statement

Unit: RMB'000

Items	**2013**	**2012**	**Increase/ decrease compared to the previous year** *(%)*
Revenue	**73,848,883**	74,404,364	–0.75
Cost of sales	**70,393,963**	72,840,275	–3.36
Selling expenses	**423,074**	349,695	20.98
Administrative expenses	**1,333,992**	1,378,086	–3.20
Financial expenses	**1,154,160**	1,463,236	–21.12
Net cash flows from operating activities	**5,091,359**	5,592,587	–8.96
Net cash flows used in investing activities	**–4,542,699**	–6,056,635	–
Net cash flows used in financing activities	**–5,300,587**	–2,152,926	–
Research and development expenditure	**785,623**	472,726	66.19

Analysis of the above and other items which changed over 30%:

(1) Accounts receivable decreased by 43% year-on-year, which was mainly due to the stepped-up efforts in collecting payment from customers during the year, as a result of which the overall cash flow turnover rate was improved and the sales on credit for the year could thus be timely settled.

(2) Prepayments decreased by 50% year-on-year, which was mainly attributable to the decrease of prepayments for the purchase of raw materials and fuels.

(3) Other receivables increased by 315% year-on-year, which was mainly attributable to the consideration receivables due from Magang (Group) Holding Company Limited ("the Holding") in relation to the assets reorganization during the year.

(4) Loans and advances to customers increased by 126% year-on-year, mainly because of the increase in loans extended by Masteel Financial.

(5) Investment properties rose by 1,364% year-on-year, which was mainly due to the Company's newly-added investment properties in real estate during the year.

(6) Construction materials declined by 96% year-on-year, which was mainly attributed to the decrease in the purchase of construction materials during the year.

(7) Construction in progress increased by 53% year-on-year, which was mainly attributable to the commencement of construction projects of the subsidiary, Anhui Chang Jiang Iron and Steel Co., Ltd. ("Anhui Chang Jiang Iron and Steel") during the year.

(8) Deposit received increased by 146% year-on-year, which was mainly because the Company transferred 10 directly-controlled subsidiaries and 8 branches to the Holding in 2013.

(9) Repurchase agreements decreased by 30% year-on-year, which was mainly due to the reduced cash demand from Masteel Financial during the year.

(10) Non-current liabilities due within one year increased by 495% year-on-year, which was mainly attributable to the increase in long-term loans due within one year and bonds payable within one year during the year.

(11) Long-term loans dropped by 39% year-on-year, which was mainly because approximately RMB2 billion of long-term loans was transferred into non-current liabilities due within one year during the year.

(12) Bonds payable decreased by 72% year-on-year, mainly because corporate bonds worth RMB3.16 billion to be expired in 2014 were reclassified as non-current liabilities due within one year at the end of the year.

(13) General reserve increased by 77% year-on-year, which was mainly because of the growth of Masteel Financial's lending and discounted bill businesses during the year.

(14) Exchange fluctuation reserve decreased by 337% year-on-year, which was mainly due to the depreciation of the Australian dollars held by the overseas subsidiary Ma Steel Australia against Renminbi during the year.

(15) Business taxes and surcharges increased by 41% year-on-year, which was mainly due to the increase in turnover tax during the year leading to an increase in accrued surcharges such as urban maintenance and construction tax, educational surcharge, local educational surcharge and water conservancy fund.

(16) Asset impairment loss declined by 57% year-on-year, which was mainly attributable to the accrual of a great sum of impairment provisions against other receivables in 2012.

(17) Investment income decreased by 53% year-on-year, which was mainly attributable to the deemed disposal gain of Maanshan Masteel Yuyuan Logistics Co., Ltd. worth RMB480 million in 2012.

(18) Non-operating income rose by 481% year-on-year, which was mainly attributable to the gain from disposal of non-current assets to the Holding and the subsidy received from Maanshan Government for carve-out of the non-core business during the year.

(19) Income tax increased by 111% year-on-year, which was mainly due to the increase in total profit during the year.

(20) Net cash flows used in financing activities increased by 146% year-on-year, which was mainly attributable to the reduction in cash received from loans during the year.

(21) Cash outflows arising from the effect of exchange rate changes on cash and cash equivalents rose by 212% year-on-year, which was mainly due to the depreciation of the Company's foreign currencies against Renminbi.

5.3.2 Revenue

(1) Analysis of product revenue by goods sales

Unit: 10,000 tonnes

Product segment	Capacity during the period	Sales during the period	Inventory by the end of the period
Steel plates	737.2	746.4	4.2
Section steels	261.5	261.1	1.7
Wire rods	786.7	780.0	12.5
Train wheels and wheel rims	17.3	18.1	0.8

(2) Major customers

The Group's sales to the top five customers totaled RMB8,554.7 million, representing 11.6% 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 2013	% of total cost in 2013	Amount in 2012	% of total cost in 2012	Amount changes in ratio over the previous year *(%)*
Steel	Raw materials	51,434	80.0	53,065	81.6	–3.1
	Salary	4,023	6.3	3,945	6.1	2.0
	Amortization	3,733	5.8	3,450	5.3	8.2
	Fuels	3,463	5.4	3,218	4.9	7.6
	Others	1,645	2.5	1,364	2.1	20.6

(2) *Major suppliers*

In 2013, the Group's purchase from the top five suppliers totaled RMB26,074.3 million, accounting for 24.5% of the Group's total purchase amount for the year. Among the abovementioned suppliers, the Holding is the controlling shareholder of the Company. Other than that, in 2013, none of the Directors, Supervisors, their associate 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.

5.3.4 Research and development (R&D) expenditure

R&D expenditure breakdown

Unit: RMB'000

Expensed R&D expenditure in FY2013	785,623
Capitalized R&D expenditure in FY2013	–
Total R&D expenditure	785,623
Total R&D spend as a share of net asset value (%)	3.40
Total R&D spend as a share of operating revenue (%)	1.06

5.3.5 Analysis by Operation of Industry, Products or Region

(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	63,046	61,148	3.01	1.13	–1.57	Increased 2.66 percentage points

			Product segment			
Product 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**
			(%)	*(%)*	*(%)*	*(%)*
Steel plates	27,495	26,056	5.23	3.07	–2.78	Increased 5.17 percentage points
Section steels	7,893	7,896	–0.04	–12.43	–15.21	Increased 3.28 percentage points
Wire rods	23,767	23,453	1.32	1.83	1.97	Decreased 0.14 percentage points
Train wheels and wheel rims	1,329	1,127	15.20	–25.96	–22.44	Decreased 3.85 percentage points

During the reporting period, revenue from principal operation was RMB66,303 million, among which revenue from iron and steel operation was RMB63,046 million, accounting for 95% of the revenue from principal operation.

(2) Analysis of principal operation by region

Unit: RMB million

Region	**Operating income**	**Year-on-year increase/ (decrease) of operating income**
		(%)
Anhui	15,178	–52.82
Jiangsu	11,951	14.35
Shanghai	7,017	–15.58
Guangdong	2,797	7.33
Zhejiang	2,252	–50.86
Other regions	30,346	124.19
Overseas and Hong Kong	4,308	57.00

(3) *Notes on the use of assets at fair value and changes to the measurement of prime assets*

In 2013, 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". In the reporting period, there were no significant changes to the measurement of prime assets.

5.4 Investment Analysis

5.4.1 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 *(%)*	Gains/losses in the reporting period *(RMB)*
1	Stock	601857	PetroChina	584,500	35,000	269,850	52.98	–12,950
2	Stock	601186	China Railway Construction	181,600	20,000	93,800	18.42	–39,400
3	Stock	601390	China Railway Group	158,400	33,000	88,440	17.36	–11,880
4	Stock	601898	China Coal Energy	201,960	12,000	57,240	11.24	–13,560
			Total	1,126,460	/	509,330	100	–77,790

At the end of the reporting period, the Company held no stock in other listed firms or equity 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.

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

- Ma Steel (Hefei) Iron & Steel Co., Ltd. has a registered capital of RMB2,500 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 RMB15 million. As at the end of the reporting period, it had total assets amounting to RMB5,517 million and net assets of RMB3,313 million.

- Anhui Chang Jiang Iron and Steel 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 RMB48 million, total assets of RMB7,152 million and net assets of RMB2,408 million.

- Masteel 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 RMB142 million. At the end of the reporting period, its total asset value was RMB8,057 million and net asset value was RMB1,252 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 RMB5 million. As at the end of the reporting period, it had total assets amounting to RMB193 million and net assets of RMB134 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 RMB7 million. As at the end of the reporting period, it had total assets amounting to RMB810 million and net assets of RMB104 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 RMB13 million. As at the end of the reporting period, it had total assets amounting to RMB1,155 million and net assets of RMB176 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 RMB12 million. As at the end of the reporting period, it had total assets amounting to RMB608 million and net assets of RMB142 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 RMB12 million. As at the end of the reporting period, it had total assets amounting to RMB581 million and net assets of RMB184 million.

- Anhui Masteel Holly Industrial Co., Ltd. ("Holly Industrial") 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 RMB15 million. As at the end of the reporting period, it had total assets amounting to RMB548 million and net assets of RMB168 million.

- Maanshan Iron and Steel (Australia) Proprietary Limited, a wholly-owned subsidiary of the Company, 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 RMB97 million. As at the end of the reporting period, it had total assets amounting to RMB244 million and net assets of RMB225 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 RMB150 million. As at the end of the reporting period, it had total assets amounting to RMB687 million and net assets of RMB627 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 RMB14 million. As at the end of the reporting period, it had total assets amounting to RMB770 million and net assets of RMB153 million.

In 2013, Masteel Financial achieved a total profit of RMB189.61 million, an increase of 48.17% over the previous year, mainly due to:

- Increase in the scale of deposit received and credit. Average daily balance of customer deposits of Masteel Financial grew by 86.19% over the previous year, and credit scale recorded a year-on-year growth of 44.52%, leading to an increase in the Company's interest income.

- Strengthening communication and contact with commercial banks, actively seeking the optimal interbank deposit rate, as well as a reasonable allocation of funds, leading comprehensive interbank deposit rate to reach 4.31%, 1.31% higher than the budget, and resulted in an increase in interest income.

- Capital market price hikes, and considerable rise in interbank deposit rate and bills discount prices during the reporting period caused interest income to increase.

5.4.3 Projects financed by other than fundraising proceeds

Unit: RMB Million

Project name	Project amount	Project progress
Hot-rolled pickling plate project at No.4 steel & rolling plant	678.90	Pilot production
Total	678.90	/

5.5 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 attributed to the shareholders of the Company shown in the consolidated statement for the dividend year	Ratio between the dividends and the net profit attributed to the shareholders of the Company in the consolidated statement (%)
2013	0	0	0	0	157.2	0
2012	0	0	0	0	–3,863.2	0
2011	0	0	0	0	82.4	0

6. SIGNIFICANT MATTERS

6.1 Major Litigation and Arbitration Cases and Media Controversies

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
Bankruptcy and restructuring of a logistic company	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
Disposal of certain non-iron and steel related assets to Magang (Group) Holding Company Limited	http://static.sse.com.cn/disclosure/listedinfo/announcement/c/2013-08-22/600808_20130823_4.pdf http://static.sse.com.cn/disclosure/listedinfo/announcement/c/2013-10-29/600808_20131030_1.pdf
Acquisition (acceptance of the assignment) of an 11% equity interest in Maanshan Iron & Steel (Hong Kong) Limited from Ma Steel International Trade & Economic Corporation	http://static.sse.com.cn/disclosure/listedinfo/announcement/c/2013-12-27/600808_20131228_4.pdf

6.4 Remunerations of the Auditors

During the year, Ernst & Young Hua Ming LLP was appointed as the auditors of the Group and had audited the attached financial reports and internal control audit report prepared under the PRC Accounting Standards. The remuneration for Ernst & Young Hua Ming LLP amounted to RMB5.115 million. Of this fee, the annual audit fee (exclusive of taxes) amounted to RMB4.20 million (including an internal control audit fee of RMB600,000) and the fee for agreed-upon procedures for 2013 interim report ("agreed-upon procedures fee") of RMB585,000 (exclusive of taxes); fee for the relevant comfort letters issued for the Company's disposal of non-iron and steel related assets amounted to RMB330,000 (inclusive of taxes). The aforementioned audit fee and agreed-upon procedures 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 2013. The incumbent committee members were presented at all the meetings they were supposed to attend, except that Madam Yang Yada, an independent director, commissioned Mr. Qin Tongzhou, an independent director, to attend the meeting and exercise the voting rights on behalf of her on 26 April 2013. 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 2012 annual accounts, the 2013 first quarterly accounts, the 2013 interim accounts and the 2013 third quarterly accounts of the Company. It reviewed the summary report presented by the external accounting firm as a result of a FY2012 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 2013 annual accounts were reviewed by the Audit Committee.

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

In 2013, 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 fund raising, associate 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 assessment report on the Company's internal control in 2013, 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 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 2013.

All of the Directors of the Company have confirmed in written 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. FINANCIAL REPORT

9.1 Auditor's Opinion

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

9.2 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.

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

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

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

In 2013, Anhui Chang Jiang Iron and Steel, a subsidiary controlled by the Company, formed three new subsidiaries, namely Anhui Chang Jiang Iron and Steel Trading Nanjing Co., Ltd., Anhui Chang Jiang Iron and Steel Trading Hefei Co., Ltd. and Maanshan Chang Jiang Iron and Steel Metal Co., Ltd. which were included in the consolidated reporting of the Group.

On 22 August 2013, the Company entered into a Disposal of Equity Interests and Assets Agreement with the Group for the transfer to the Holding of the equity interests held by the Company in ten subsidiaries engaged in the non-iron and steel principal business, the equity interests in two associated companies and the underlying assets of certain subsidiaries of the Company engaged in non-iron and steel principal business. The transfer was completed on 31 October 2013. The ten subsidiaries engaged in the non-iron and steel principal business were Ma Steel International Trade and Economic Corporation ("Masteel International Trade Corp."), Anhui Masteel Engineering Technology Company Limited ("Masteel Engineering Technology"), MG Control Technique Company Limited, Ma Steel United Electric Steel Roller Co. Ltd., Maanshan Used Vehicle Trading Centre Co. Ltd., Maanshan Masteel Electric Repair Co., Ltd., Maanshan Masteel Steel Structure Technology Co., Ltd., Maanshan Masteel Surface Engineering Technology Co., Ltd., Maanshan Masteel Equipment Installation and Engineering Co., Ltd. and Ma Steel Powder Metallurgy Co., Ltd. From 31 October 2013, the aforesaid subsidiaries were no longer included in the scope of consolidation of the Group.

Anhui Jiangnan Iron and Steel Material Quality Monitoring and Testing Co., Ltd. ("Jiangnan Iron and Steel") and Shanghai Maanshan Iron & Steel Electrical and Mechanical Technology Co., Ltd. ("Shanghai Electrical and Mechanical Technology") are wholly owned subsidiaries of Ma Steel International Trade Corp. and Masteel Engineering Technology, respectively. As a result of the disposal of the aforesaid equity interests, Ma Steel International Trade Corp. and Masteel Engineering Technology were no longer included in the consolidated reporting of the Group since 31 October 2013. Accordingly, Jiangnan Iron and Steel and Shanghai Electrical and Mechanical Technology were no longer included in the consolidated reporting of the Group since 31 October 2013.

Anhui Masteel Intelligent Stereoscopic Parking Equipments Company Limited ("Masteel Auto-parking") is a subsidiary indirectly owned by the Company, which means Holly Industrial, a subsidiary of the Company, and Maanshan Iron & Steel (HK) Limited ("Masteel (HK)") hold a 75% equity interest and a 25% equity interest in the company respectively. On 9 April 2013, Holly Industrial transferred its entire equity interest in Masteel Auto-parking to a third party (the "Equity Transferee"). The date of the transfer was 9 April 2013. Upon completion of the transfer, Ma Steel (HK)'s equity interest in Masteel Auto-parking remains unchanged. Pursuant to the new Articles of Association of Masteel Auto-parking, the Board consists of three directors, including one appointed by Ma Steel (HK) and the other two appointed by the Equity Transferee who has the right of control over Masteel Auto-parking. Accordingly, after Masteel Auto-parking was changed to an associated company of the Group on 9 April 2013, it was no longer included in the consolidated reporting of the Group since 9 April 2013.

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 2013

Renminbi Yuan

ASSETS	*Note*	**31 December 2013 Group**	31 December 2012 Group (Restated)	**31 December 2013 Company**	31 December 2012 Company (Restated)
CURRENT ASSETS:					
Cash and bank balances		**5,106,718,069**	9,782,424,115	**4,232,355,957**	6,359,785,755
Financial assets measured at fair value through profit or loss		**509,330**	587,120	**509,330**	587,120
Bills receivable	3	**8,629,108,926**	8,060,760,260	**4,924,057,882**	5,001,092,227
Trade receivables	4	**800,946,475**	1,411,927,109	**1,292,033,185**	1,785,315,692
Dividends receivable		**44,787,460**	46,800,000	**44,787,460**	66,475,194
Interest receivable		**3,540,453**	4,846,087	**–**	5,159,705
Prepayments	5	**1,022,394,879**	2,037,721,944	**837,535,356**	1,044,242,745
Other receivables		**1,948,145,123**	469,008,747	**1,766,161,692**	279,377,529
Inventories		**10,049,721,134**	11,250,937,262	**7,151,763,970**	8,172,351,955
Loans and advances to customers		**486,511,748**	215,562,806	**–**	–
Total current assets		**28,092,383,597**	33,280,575,450	**20,249,204,832**	22,714,387,922
NON-CURRENT ASSETS:					
Available-for-sale investments		**126,772,160**	142,612,160	**126,772,160**	126,772,160
Long term equity investments		**950,065,445**	1,067,699,249	**5,907,348,550**	6,581,925,449
Investment properties		**64,412,476**	4,400,618	**79,758,318**	17,188,937
Fixed assets		**30,668,420,630**	32,478,798,396	**24,560,421,961**	27,725,274,143
Construction materials		**29,788,206**	673,731,960	**–**	350,239,732
Construction in progress		**8,729,815,208**	5,697,669,676	**6,477,395,016**	4,115,011,626
Intangible assets		**1,900,179,245**	1,963,421,181	**1,033,117,375**	1,148,988,370
Deferred tax assets		**755,374,754**	702,255,349	**723,967,462**	679,495,010
Total non-current assets		**43,224,828,124**	42,730,588,589	**38,908,780,842**	40,744,895,427
TOTAL ASSETS		**71,317,211,721**	76,011,164,039	**59,157,985,674**	63,459,283,349

CONSOLIDATED AND COMPANY BALANCE SHEET (CONTINUED)

31 December 2013
Renminbi Yuan

LIABILITIES AND SHAREHOLDERS' EQUITY	*Note*	**31 December 2013 Group**	31 December 2012 Group (Restated)	**31 December 2013 Company**	31 December 2012 Company (Restated)
CURRENT LIABILITIES:					
Customer deposits		**1,390,609,858**	565,167,982	**–**	–
Repurchase agreements		**344,732,675**	494,753,998	**–**	–
Short term loans		**8,553,509,860**	9,777,449,423	**2,009,536,713**	4,970,468,532
Bills payable	6	**5,542,646,513**	5,096,302,242	**2,380,386,149**	1,552,887,366
Accounts payable	7	**6,524,149,751**	7,029,326,670	**8,843,343,090**	7,982,070,150
Deposits received		**5,125,265,201**	6,122,954,555	**4,325,598,569**	4,595,208,580
Payroll and benefits payable		**208,890,914**	228,107,066	**136,411,098**	119,617,400
Taxes payable		**(270,441,931)**	(331,007,320)	**(179,415,288)**	(217,257,558)
Interest payable		**165,365,086**	205,268,222	**160,616,364**	207,613,733
Dividends payable		**80,642,412**	80,492,522	**6,296,662**	6,146,772
Other payables		**962,699,474**	1,058,965,107	**623,463,137**	809,058,988
Non-current liabilities due within one year		**7,951,717,780**	1,335,542,400	**7,951,717,780**	1,335,542,400
Accrued liabilities		**4,140,000**	–	**4,140,000**	–
Total current liabilities		**36,583,927,593**	31,663,322,867	**26,262,094,274**	21,361,356,363
NON-CURRENT LIABILITIES:					
Long term loans		**6,059,444,300**	9,914,180,000	**8,289,928,800**	11,817,407,500
Bonds payable		**2,328,266,077**	8,261,992,704	**2,328,266,077**	8,261,992,704
Deferred income		**609,637,532**	618,997,012	**583,338,640**	592,659,282
Deferred tax liabilities		**36,900,781**	40,614,884	**–**	–
Total non-current liabilities		**9,034,248,690**	18,835,784,600	**11,201,533,517**	20,672,059,486
Total liabilities		**45,618,176,283**	50,499,107,467	**37,463,627,791**	42,033,415,849
Share capital		**7,700,681,186**	7,700,681,186	**7,700,681,186**	7,700,681,186
Capital reserve		**8,329,067,663**	8,329,067,663	**8,338,358,399**	8,338,358,399
Special reserve		**13,055,678**	14,768,610	**–**	–
Surplus reserve		**3,789,735,764**	3,750,928,170	**2,991,017,140**	2,964,168,101
General reserve		**98,706,649**	55,650,161		
Retained profits		**3,272,406,740**	3,245,037,973	**2,664,301,158**	2,422,659,814
Including: Proposed cash dividend	8	**–**	–	**–**	–
Exchange fluctuation reserve		**–72,208,059**	30,510,424	**–**	–
Equity attributable to owners of the parent		**23,131,445,621**	23,126,644,187	**21,694,357,883**	21,425,867,500
Minority interests		**2,567,589,817**	2,385,412,385	**–**	–
Total shareholders' equity		**25,699,035,438**	25,512,056,572	**21,694,357,883**	21,425,867,500
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**71,317,211,721**	76,011,164,039	**59,157,985,674**	63,459,283,349

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2013
Renminbi Yuan

Items	*Note*	**2013 Group**	2012 Group	**2013 Company**	2012 Company
Revenue	9	**73,848,883,383**	74,404,364,038	**56,385,722,558**	57,733,842,196
Less: Cost of sales	9	**70,393,962,617**	72,840,274,575	**54,498,417,736**	57,471,075,172
Business taxes and surcharges		**226,431,646**	160,138,327	**161,497,080**	99,240,696
Selling expenses		**423,074,212**	349,695,028	**228,294,265**	249,792,077
Administrative expenses		**1,333,991,968**	1,378,085,886	**888,482,627**	869,032,366
Financial expenses	10	**1,154,159,806**	1,463,236,344	**982,149,711**	1,539,317,048
Assets impairment losses		**1,164,499,129**	2,722,485,738	**1,161,281,311**	2,077,664,511
Loss on fair value changes		**77,790**	20,860	**77,790**	20,860
Add: Investment income		**289,004,676**	613,911,017	**950,135,547**	299,279,236
including: share of profits of associates and jointly-controlled entities		**177,184,255**	111,905,442	**177,224,960**	119,172,376
Operating loss		**(558,309,109)**	(3,895,661,703)	**(584,342,415)**	(4,273,021,298)
Add: Non-operating income	12	**888,138,225**	152,842,514	**813,515,855**	106,573,714
including: income from disposal of non-current assets		**433,638,305**	9,838,599	**432,576,296**	12,272,652
Less: Non-operating expenses	13	**7,683,672**	3,498,367	**5,118,831**	1,559,216
Profit/(loss) before tax		**322,145,444**	(3,746,317,556)	**224,054,609**	(4,168,006,800)
Less: Income tax	14	**114,210,366**	54,205,870	**(44,435,774)**	(82,238,642)
Net profit/(loss)		**207,935,078**	(3,800,523,426)	**268,490,383**	(4,085,768,158)
Including: Net profit attributable to the acquiree prior to business combination under common control		**–**	11,496,935		
Less: Minority interests		**50,714,880**	62,709,119		
Net profit/(loss) attributable to the equity holders of the parent		**157,220,198**	(3,863,232,545)		
EARNINGS/(LOSS) PER SHARE:	15				
Basic		**2.04 cents**	(50.17) cents		
Diluted		**2.04 cents**	(50.17) cents		
Other comprehensive income					
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations		**(104,711,105)**	14,026,744	**–**	–
The net amount of other comprehensive income after deducting tax effect		**(104,711,105)**	14,026,744	**–**	–
Total comprehensive income		**103,223,973**	(3,786,496,682)	**268,490,383**	(4,085,768,158)
Including:					
Total comprehensive income attributable to owners of the parent		**54,501,715**	(3,849,205,801)		
Total comprehensive income attributable to minority shareholders		**48,722,258**	62,709,119		

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2013
Renminbi Yuan

	Attributable to owners of parent									
	Share capital	Capital reserve	Special reserves	Surplus reserves	General reserve	Retained profits	Exchange fluctuation reserve	Sub-total	Minority interests	Total shareholders' equity
1. At 1 January 2013	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
2. Increase/(decrease) during the year										
1) Net profit	–	–	–	–	–	157,220,198	–	157,220,198	50,714,880	207,935,078
2) Other comprehensive income	–	–	–	–	–	–	(102,718,483)	(102,718,483)	(1,992,622)	(104,711,105)
Total comprehensive income	–	–	–	–	–	157,220,198	(102,718,483)	54,501,715	48,722,258	103,223,973
3) Capital contribution and withdrawal by shareholders										
(i) Capital contribution by minority shareholders	–	–	–	–	–	–	–	–	281,000,000	281,000,000
4) Profits appropriation										
(i) Transfer to surplus reserve	–	–	–	104,726,623	–	(104,726,623)	–	–	–	–
(ii) Transfer to general reserve	–	–	–	–	26,399,571	(26,399,571)	–	–	–	–
(iii) Distribution to shareholders	–	–	–	–	–	–	–	–	(11,655,176)	(11,655,176)
(iv) Others	–	–	–	–	16,656,917	–	–	16,656,917	1,055,082	17,711,999
5) Special reserve										
(i) Additions	–	–	74,080,251	–	–	–	–	74,080,251	10,943,433	85,023,684
(ii) Used	–	–	(75,793,183)	–	–	–	–	(75,793,183)	(12,344,922)	(88,138,105)
6) Disposal of subsidiaries	–	–	–	(65,919,029)	–	1,274,763	–	(64,644,266)	(135,543,243)	(200,187,509)
3. At 31 December 2013	7,700,681,186	8,329,067,663	13,055,678	3,789,735,764	98,706,649	3,272,406,740	(72,208,059)	23,131,445,621	2,567,589,817	25,699,035,438

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Year ended 31 December 2012
Renminbi Yuan

	Attributable to owners of parent									
	Share capital	Capital reserve	Special reserves	Surplus reserves	General reserve	Retained profits	Exchange fluctuation reserve	Sub-total	Minority interests	Total shareholders' equity
1. At 1 January 2012	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	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 withdrawal 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) Profits appropriation										
(i) Transfer to surplus reserve	–	–	–	303,620,250	–	(303,620,250)	–	–	–	–
(ii) Transfer to general reserve	–	–	–	–	55,523,057	(55,523,057)	–	–	–	–
(iii) Distribution to shareholders	–	–	–	–	–	–	–	–	(26,574,748)	(26,574,748)
(iv) Business combination involving entities not under common control	–	(429,290,736)	–	–	–	–	–	(429,290,736)	–	(429,290,736)
5) Special reserve										
(i) Additions	–	–	85,616,047	–	–	–	–	85,616,047	–	85,616,047
(ii) 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 CASH FLOW STATEMENT

Year ended 31 December 2013
Renminbi Yuan

		2013	2012
1.	Cash flows from operating activities:		
	Cash received from sale of goods or rendering of services	**89,212,385,934**	94,106,132,710
	Refunds of taxes	**45,247,610**	22,597,431
	Net (decrease)/increase in repurchase agreements	**(150,021,323)**	426,573,339
	Net increase/(decrease) in customer deposits	**825,441,876**	(132,777,000)
	Cash received for interest charges, fees and commissions	**199,205,804**	67,787,162
	Cash received relating to other operating activities	**35,243,995**	172,537,666
	Sub-total of cash inflows	**90,167,503,896**	94,662,851,308
	Cash paid for goods and services	**(77,832,649,475)**	(80,715,929,570)
	Net decrease/(increase) of balances with central bank	**78,883,349**	(891,488,602)
	Net increase in loans and advances to customers	**(278,234,150)**	(204,912,353)
	Cash paid to and on behalf of employees	**(4,608,107,096)**	(4,545,616,367)
	Cash paid for all taxes	**(2,020,820,138)**	(2,216,171,232)
	Cash paid for interest charges, fees and commissions	**(31,208,668)**	(12,792,084)
	Cash paid relating to other operating activities	**(384,009,163)**	(483,353,982)
	Sub-total of cash outflows	**(85,076,145,341)**	(89,070,264,190)
	Net cash flows from operating activities	**5,091,358,555**	5,592,587,118
2.	Cash flows from investing activities:		
	Cash received from retrieval of investments	**67,556,005**	14,215,534
	Cash received from investment income	**439,715,038**	185,825,918
	Net cash received from disposal of fixed assets, intangible assets and other long term assets	**301,819,164**	22,745,493
	Net cash received from acquisition of a subsidiary	**391,716,548**	–
	Cash received relating to other investing activities	**84,076,474**	157,104,000
	Sub-total of cash inflows	**1,284,883,229**	379,890,945

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

Year ended 31 December 2013
Renminbi Yuan

		2013	2012
2.	Cash flows from investing activities (continued)		
	Cash paid for acquisitions of fixed assets, intangible assets and other long term assets	**(5,520,646,569)**	(4,946,800,801)
	Cash paid for acquisitions of investments	**(88,480,000)**	(113,500,000)
	Cash paid for purchasing minority interests	**–**	(429,290,736)
	Cash paid for deemed disposal of subsidiaries	**–**	(107,636,270)
	Cash paid due to increase in pledged deposits, net	**(218,455,270)**	(839,298,551)
	Sub-total of cash outflows	**(5,827,581,839)**	(6,436,526,358)
	Net cash flows from investing activities	**(4,542,698,610)**	(6,056,635,413)
3.	Cash flows from financing activities:		
	Cash received from borrowings	**17,698,491,235**	37,968,551,261
	Cash received from capital contribution	**281,000,000**	396,000,000
	Including: capital contribution by minority shareholders	**281,000,000**	396,000,000
	Sub-total of cash inflows	**17,979,491,235**	38,364,551,261
	Cash repayments of borrowings	**(21,986,537,135)**	(38,908,876,560)
	Cash paid for distribution of dividend or profits and for interest expenses	**(1,293,541,070)**	(1,608,600,460)
	Including: dividend paid to minority shareholders by subsidiaries	**(11,655,176)**	(26,574,748)
	Sub-total of cash outflows	**(23,280,078,205)**	(40,517,477,020)
	Net cash flows from financing activities	**(5,300,586,970)**	(2,152,925,759)
4.	Effect of foreign exchange rate changes on cash	**(63,350,942)**	56,748,917
5.	Net decrease in cash and cash equivalents	**(4,815,277,967)**	(2,560,225,137)
	Add: Balance of cash and cash equivalents at beginning of year	**6,629,796,092**	9,190,021,229
6.	Balance of cash and cash equivalents at end of year	**1,814,518,125**	6,629,796,092

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 Accounting policies

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 (collectively known as the "CAS").

As at 31 December 2013, the net current liabilities of the Group were RMB8,491,543,996. The directors of the Company have considered the availability of funding sources, including but not limited to an unused bank credit quota of RMB28.7 billion. After assessment, the Company's board of directors believes that the Group has sufficient resources to continue as a going concern for no less than 12 months after the approval of the financial statements. Therefore, the Company's board of directors continues to prepare the Group's financial statements as at 31 December 2013 on the basis of continuous operations.

The financial statements have been prepared under the historical cost convention, except for certain financial instruments which have been measured at fair value. Provision for impairment is provided in accordance with related regulations when indications of impairment of assets are noted.

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 2013, and the results of their operations and their cash flows for the year then ended.

1.3 Early adoption of several revised/new accounting standards

During January to March 2014, the MOF formulated CAS No.39 – Fair Value Measurement and CAS No.40 – Joint Arrangements, revised and issued the CAS No.2 – Long Term Investment, CAS No.30 – Presentation of Financial Statements, CAS No.9 – Employee Benefits and CAS No.33 – Consolidated Financial Statements. The above six CASs will be effective starting from 1 July 2014, but the MOF encourages the early adoption for overseas listed companies. As listed both domestically and overseas, the Company has prepared the 2013 financial statements in accordance with the above six CASs and accounted under the respective transitional requirements.

For the financial statements, the Company has disclosed the comparative data in a retrospective way to reflect the effects of the above revised/new CASs.

2. OPERATING SEGMENT INFORMATION

Operating segment

The Group divides the operation services into three operating segments which are determined based on the internal organization structure, management requirements and internal reporting system:

- Production and sale of iron and steel products and related by-products: the Company and subsidiaries except for Masteel Financial, Ma Steel International Trade Corp. and Shanghai Trading.

- Trading of steel, iron ores and raw materials: Ma Steel International Trade Corp. and Shanghai Trading.

- Financial service: 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 and it is unnecessary for the Group to disclose more detailed information.

Other information

Products and service information

External principal operation income

	2013	2012
Sale of steel products	**62,297,934,327**	60,824,244,829
Sale of steel billets and pig iron	**748,130,427**	1,519,072,055
Sale of coke by-products	**976,386,077**	905,082,877
Others	**2,280,300,125**	2,604,373,153
	66,302,750,956	65,852,772,914

Geographical information

External principal operation income

	2013	2012
The PRC	**64,487,713,563**	63,132,558,528
Overseas	**1,815,037,393**	2,720,214,386
	66,302,750,956	65,852,772,914

Non-current assets

	2013	2012 (Restated)
The PRC	**42,267,826,947**	41,815,111,602
Overseas	**201,626,423**	213,221,638
	42,469,453,370	42,028,333,240

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.

3. BILLS RECEIVABLE

	2013	2012
Bank acceptance bills	**8,623,990,738**	8,054,237,399
Commercial acceptance bills	**5,118,188**	6,522,861
	8,629,108,926	8,060,760,260

As at 31 December 2013 and 31 December 2012, the ageing of the Group's bills receivable will within six months.

As at 31 December 2013, all hosting bills of the Company in Ma'anshan Branch of Industrial and Commercial Bank of China were pledged as security to obtain short-term loans amounting to RMB10,000,000 and long-term loans amounting to RMB990,000,000 (31 December 2012: none). According to the loan contract, the Company needs to ensure that no less than RMB1,120,000,000 bills receivable be hosted in Ma'anshan Branch of Industrial and Commercial Bank of China, as at 31 December 2013, the balance of which was RMB 3,890,000,000. Besides, certain of the Group's bank acceptance bills amounting to RMB163,734,443 were pledged as security to banks to issue bank acceptance bills to suppliers (31 December 2012: RMB152,972,397).

4. 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 analyzed below:

	2013	2012
Within one year	**776,614,818**	1,322,714,407
One to two years	**28,600,288**	66,792,389
Two to three years	**1,184,316**	7,233,443
Over three years	**8,756,853**	30,263,476
	815,156,275	1,427,003,715
Less: Provisions for bad debts	**14,209,800**	15,076,606
	800,946,475	1,411,927,109

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

Reason	2013	2012
Bankrupt or liquidated debtors	**547,527**	455,560

5. PREPAYMENTS

An aged analysis of the prepayments is as follows:

	2013		2012	
	Balance	**Ratio (%)**	Balance	Ratio (%)
Within one year	**1,000,361,657**	**98**	1,680,045,765	83
One to two years	**12,157,694**	**1**	306,432,163	15
Two to three years	**1,265,699**	**–**	42,159,100	2
Over three years	**8,609,829**	**1**	9,084,916	–
	1,022,394,879	**100**	2,037,721,944	100

Prepayments aged over one year were mainly unsettled prepayments for construction projects and equipment purchase. The final inspection of certain of the Group's construction projects was not yet completed which resulted in the corresponding prepayments not being settled.

6. BILLS PAYABLE

	2013	2012
Bank acceptance bills	**5,542,646,513**	4,573,802,242
Commercial acceptance bills	**–**	522,500,000
	5,542,646,513	5,096,302,242

As at 31 December 2013 and 31 December 2012, the ageing of the Group's bills payable was all within six months.

The bills payable amounting to RMB5,542,646,513 (2012: RMB5,096,302,242) 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.

7. ACCOUNTS PAYABLE

The ageing analysis of accounts payable is as follows:

	2013	2012
Within one year	**6,396,013,395**	6,585,456,835
One to two years	**53,967,042**	341,987,841
Two to three years	**21,827,472**	38,302,737
Over three years	**52,341,842**	63,579,257
	6,524,149,751	7,029,326,670

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

8. DIVIDEND

	2013	2012
Proposed final- Nil	**–**	–

The board of directors does not recommend the payment of any dividends for the year ended 31 December 2013.

9. REVENUE AND COST OF SALES

Revenue is stated as follows:

	2013	2012
Principal operating income	**66,302,750,956**	65,852,772,914
Other operating income	**7,546,132,427**	8,551,591,124
Total	**73,848,883,383**	74,404,364,038

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:

	2013	2012
Principal cost of sales	**62,899,401,695**	64,683,261,287
Other cost of sales	**7,494,560,922**	8,157,013,288
Total	**70,393,962,617**	72,840,274,575

10. FINANCIAL EXPENSES

	2013	2012
Interest expenses (i)	**1,273,862,443**	1,586,090,972
Less: Interest income	**85,077,732**	142,877,305
Exchange gain, net	**(81,515,847)**	(10,201,810)
Others	**46,890,942**	30,224,487
	1,154,159,806	1,463,236,344

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.

11. DEPRECIATION AND AMORTIZATION

	2013	2012
Depreciation of fixed assets	**3,788,221,572**	3,507,763,851
Amortisation of investment properties	**60,787**	139,791
Amortisation of intangible assets	**71,031,962**	60,795,998
Total	**3,859,314,321**	3,568,699,640

12. NON-OPERATING INCOME

	2013	2012
Amortisation of deferred income	**93,435,954**	90,746,124
Subsidies granted by government	**359,274,671**	29,324,737
Gain on disposal of non-current assets	**433,638,305**	9,838,599
Others	**1,789,295**	22,933,054
Total	**888,138,225**	152,842,514

The Group's gains on disposal of non-current assets during the year were mainly derived from the disposal of the Company's non-core business and assets to the Holding, of which excluding relevant land VAT and stamp duty of RMB280,572,361.

13. NON-OPERATING EXPENSES

	2013	2012
Public relief donation	**820,000**	935,000
Others	**6,863,672**	2,563,367
Total	**7,683,672**	3,498,367

14. INCOME TAX

	2013	2012
Mainland China:		
Current income tax expense	**125,134,536**	87,438,340
Adjustments in respect of current tax of previous periods	**(1,894,206)**	(1,822,018)
Deferred tax income	**(56,833,508)**	(79,543,136)
Hong Kong current income tax expense (ii)	**5,687,079**	5,782,624
Overseas current income tax expense	**42,116,465**	42,350,060
Total	**114,210,366**	54,205,870

14. INCOME TAX (Continued)

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

	2013	2012
Profit/(loss) before tax	**322,145,444**	(3,746,317,556)
Tax at the applicable tax rate of 25% (i)	**80,536,361**	(936,579,390)
Effect of different tax rates of subsidiaries	**4,139,448**	1,419,323
Expenses not deductible for tax	**42,095,133**	40,803,027
Adjustments in respect of current tax of previous periods	**(1,894,206)**	(1,822,018)
Other tax concessions	**(74,175,568)**	(57,010,255)
Income not subject to tax	**(9,296,092)**	(3,756,886)
Unrecognised deductible temporality difference and tax losses	**125,520,174**	1,095,848,947
Tax losses utilised	**(8,408,643)**	(58,948,979)
Profits and losses attributable to jointly-controlled entities and associates	**(44,306,241)**	(28,003,918)
Withholding income tax of dividends received from associate in the mainland of the PRC	**–**	2,256,019
Tax charge at the Group's effective rate	**114,210,366**	54,205,870

(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 or regions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

(ii) Income tax for a subsidiary operating in Hong Kong has been provided at the rate of 16.5% on the profits arising in Hong Kong during the year.

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 authorized 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.

15. EARNINGS PER SHARE

Basic earnings per share shall be calculated by dividing profit attributable to ordinary equity holders of the parent entity (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the year. 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 based on:

	2013	2012
Earnings/(Loss)		
Profit/(loss) attributable to ordinary equity holders of the parent as used in the basic/diluted earnings per share calculation	**157,220,198**	(3,863,232,545)
Weighted average number of ordinary shares in issue during the year as used in the basic earnings per share calculation	**7,700,681,186**	7,700,681,186
Basic earnings per share (cents)	**2.04**	(50.17)

During 2013 and 2012, there was no dilutive item to adjust the Group's basic earnings per share.

16. 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).

Pending litigation

As of December 31 2013, the significant pending litigation of the Group and the Company was as follows:

Chongqing Jianghe Coalification (Group) Co., Ltd. sued the Company regarding the dispute of the right of bill recourse, relating to the claim amount of RMB4,140,000. By the Guang'an City Intermediate People's Court of first instance judgment, the Company shall bear joint and several liabilities. The Company has appealed and has been waiting for the decision of the Sichuan Province Higher People's Court.

Zhejiang Wukuang Sanxing Import and Export Co., Ltd. and Zhejiang Wukuang Sanhe Import and Export Co., Ltd. launched litigation against Shanghai Trading regarding dispute over steel trading, and the relevant claim amounts were RMB10,219,694 and RMB30,571,458, respectively. The lawsuits are currently pending for judicial decision by the court.

A natural person sub-contractor of Qiu Guo launched litigation against Ma Steel (Hefei) regarding dispute over an engineering service payment, and the relevant claim amount was RMB8,173,579. The project was sub-contracted by China MMC 17 Group Co., Ltd., and was executed finally by the natural person sub-contractor of Qiu Guo. Ma Steel (Hefei) has settled all the liabilities relevant to the project. The lawsuit is currently pending for judicial decision by the court.

17. NET CURRENT ASSETS

	Group		Company	
	2013	2012	**2013**	2012
Current assets	**28,092,383,597**	33,280,575,450	**20,249,204,832**	22,714,387,922
Less: Current liabilities	**36,583,927,593**	31,663,322,867	**26,262,094,274**	21,361,356,363
Net current (liabilities)/assets	**(8,491,543,996)**	1,617,252,583	**(6,012,889,442)**	1,353,031,559

18. TOTAL ASSETS LESS CURRENT LIABILITIES

	Group		Company	
	2013	2012	**2013**	2012
Total assets	**71,317,211,721**	76,011,164,039	**59,157,985,674**	63,459,283,349
Less: Current liabilities	**36,583,927,593**	31,663,322,867	**26,262,094,274**	21,361,356,363
Net total assets minus liabilities	**34,733,284,128**	44,347,841,172	**32,895,891,400**	42,097,926,986

19. COMPARATIVE DATA

Certain comparative figures have been restated in order to comply with the requirement of presentation. Please refer to note 1.3 for the details.

By order of the Board
Ding Yi
Chairman
Maanshan Iron & Steel Company Limited

26 March 2014

Maanshan City, Anhui Province, the PRC

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

Executive Directors: Ding Yi, Qian Haifan, Ren Tianbao
Non-executive Director: Su Shihuai
Independent Non-executive Directors: Qin Tongzhou, Yang Yada, Liu Fangduan