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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)

SUMMARY OF 2014 INTERIM RESULTS ANNOUNCEMENT

§1 IMPORTANT NOTICE

- 1.1 The board of directors (the “Board”), the supervisory committee, the directors, the supervisors and senior management of the Company warrant that there are no false representations or misleading statements contained in, or material omissions from, this report; and jointly and severally accept full responsibility for the truthfulness, accuracy and completeness of the information contained in this report.
- 1.2 All members of the Board attended the Board meeting.
- 1.3 The interim financial reports of the Company are unaudited but approved by the Audit Committee of the Company.
- 1.4 Mr. Ding Yi, the person-in-charge of the Company, Mr. Qian Haifan, the person-in-charge of accounting operations, and Mr. Xing Qunli, the person-in-charge of the Accounting Department, make representations in respect of the truthfulness, accuracy and completeness of the financial statements contained in this interim report.
- 1.5 No appropriation of fund on a non-operating basis by the controlling shareholder or its related parties was found in the Company.
- 1.6 There is no violation of regulations, decisions or procedures in relation to provisions of external guarantees.

§2 COMPANY BASIC INFORMATION

2.1 Company profile

Stock abbreviation Magang Stock
Stock code 600808
Places of listing Shanghai Stock Exchange

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

	Secretary to the Board	Representative for Securities Affairs
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§3 THE COMPANY'S MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

3.1 Major accounting data and financial indicators

3.1.1 Major accounting data

Major accounting data	Reporting period (January to June)	Corresponding period of the previous year	<i>Unit: RMB'000</i>
			Increase/(decrease) at the reporting period as compared to the corresponding period of the previous year
Operating revenue	28,864,352	36,952,562	-21.89
Net profit attributable to shareholders of the Company	-730,266	-332,823	-
Net profit excluding non-recurring gains or losses attributable to shareholders of the Company	-792,094	-393,338	-
Net cash flows from operating activities	1,388,044	3,758,529	-63.07
	As at the end of the reporting period	As at the end of the previous year	Increase/(decrease) at the end of the reporting period as compared to the end of the previous year
Net assets attributable to shareholders of the Company	22,411,803	23,131,446	-3.11
Total assets	73,299,178	71,821,618	2.06

3.1.2 Major financial data

Major financial indicators	Reporting period (January to June)	Corresponding period of the previous year	Increase/(decrease) at the reporting period as compared to the corresponding period of the previous year
Basic earnings per share (RMB/share)	-0.095	-0.043	-
Diluted earnings per share (RMB/share)	-0.095	-0.043	-
Basic earnings per share excluding non-recurring gains or losses (RMB/share)	-0.103	-0.051	-
Return on net assets (weighted average) (%)	-3.21	-1.45	Decrease by 1.76 percentage points
Return on net assets excluding non-recurring gains or losses (weighted average) (%)	-3.48	-1.72	Decrease by 1.76 percentage points

3.2 ITEMS OF NON-RECURRING GAINS OR LOSSES

Unit: RMB'000

Items of non-recurring gains or losses	Amount
Loss from disposal of non-current assets	-521
Subsidy income	37,960
Amortization of deferred income	48,586
Non-operating income and expenses other than the above items	13,429
Fair value losses of financial assets held for trading	-20
Other investment income	6
Impact of income tax	-26,076
Impact of minority interests (After tax)	-11,537
	<hr/>
Total	<u>61,827</u>

§4 REPORT OF THE BOARD

4.1 Management discussion and analysis of overall operations during the reporting period

4.1.1 The macro environment for production and operation

During the period under review, US economy regained its momentum and the employment market continued to improve, while Eurozone and Japan shown moderate recovery. However, growth of emerging economies has slowed down. The drop in demand of steel has led to the fluctuation and decrease in steel price. As at the end of June, the price index for international steel products was 162.1, down 0.92% year-on-year.

During the period under review, China's overall national economic performance remained steady. GDP grew by 7.4%, down 0.2 percentage point year-on-year; while fixed asset investment across the country grew by 17.3%, down 2.8 percentage point year-on-year. The general oversupply situation in the Chinese domestic iron and steel industry became intense, while the pace of growth in the major down stream steel-consuming sectors decelerated so that the demand intensity for steel products declined, leading to a fluctuation and decrease in steel price. The consolidated price index for domestic steel products as at the end of June was 92.99, down 5.61% year-on-year.

As for imports and exports, according to customs statistics, exported steel products during the first half of 2014 amounted to 41,010,000 tonnes, a year-on-year increase of 33.63%, while imported steel products amounted to 7,250,000 tonnes, a year-on-year increase of 6.15%. Equivalent net export of crude steel amounted to 35,700,000 tonnes in the first half of 2014, a year-on-year increase of 42.34%.

During the period under review, the prices of main raw materials, such as iron ore and coking coal, dropped significantly, which has released the cost pressure faced by steel companies. In the first half of 2014, the average CIF price of China's imported iron ore fell by 11.38% year-on-year to US\$118.04/tonne. According to CISA's statistics, their member companies' average rate of return on sales was 0.41% in the first half of the year, which increased slightly in comparison with that in the corresponding period of prior year.

4.1.2 Production and operation of the Company

During the reporting period, the Company's production and sales volume has decreased as compared to the corresponding period last year, while fixed costs has increased. Coupled with the continued fluctuation and decrease in steel price, the Company has reported larger losses compared with the corresponding period last year.

During the reporting period, the Company's major work included:

- The establishment of iron-making technology office, which has help our blast furnace operation to endure the worst time, and provide strong support for the stable and smooth operation of our blast furnace. During the reporting period, the Group produced 8,650,000 tonnes of pig iron, representing a year-on-year decrease of 1.6%; 9,050,000 tonnes of crude steel and 8,730,000 tonnes of steel products, representing a year-on-year increase of 0.7%, and 0.3%, respectively (in which the Company produced 6,150,000 tonnes of pig iron, 6,600,000 tonnes of crude steel and 6,330,000 tonnes of steel products, representing a year-on-year decrease of 8.3%, 4.9% and 4.4%, respectively).
- The formation of regional sales company, which has formed a marketing and sales network that covered our major customer base, and accelerated our transformation to become a service provider. During the reporting period, the Group's total sales of steel products amounted to 8,660,000 tonnes, in which sales of steel plates, section steels, wire rods, train wheels and rims amounted to 3,840,000 tonnes, 1,090,000 tonnes, 3,640,000 tonnes and 90,000 tonnes, respectively.
- The acquisition of SAS VALDUNES, which has positive effects for our railway wheel products to tap into the high-speed railway markets in China.

4.1.3 Financial position and exchange risks

As at 30 June 2014, the total amount of loans borrowed by the Group amounted to RMB22.444 billion, including loans of RMB16.977 billion for working capital and long-term loans of RMB5.467 billion. Except for foreign currency loans amounting to US\$1,059 million and EUR €20 million, among which US\$724 million were import bill advance, all other loans were denominated in Renminbi. Except for US dollar loans amounting to US\$355 million with interest rates of LIBOR plus a fixed percentage, among the Renminbi loans of the Group, loans amounting to RMB10.139 billion carried fixed interest rates and loans amounting to RMB5.621 billion carried floating interest rates. Also, the Group issued corporate bonds of RMB5.5 billion in 2011, mid-term notes of RMB2.8 billion in 2011 and short-term notes of RMB1.5 billion in 2013. The amounts of all the Group's loans varied according to the scale of production and construction projects. The Group had no overdue loans in the reporting period.

At present, all capital required for the Company's construction were derived from self-generated cash. As at the end of the reporting period, banking facilities provided by banks to the Group amounted to approximately RMB42,028 million.

As at 30 June 2014, the Group's cash and bank balances amounted to RMB7,067 million. Bills receivable amounted to RMB8,676 million. Proceeds of sales received constituted a substantial part of the cash and bank balances and bank acceptance bills.

Group's import of raw materials was mainly settled in US dollar, while import of equipment and spare parts was settled in Euro or Japanese Yen, and export of products was settled in US dollar. During the reporting period, the payment amount of facilities purchased in Europe and Japan was insignificant and as a result, the impact of foreign exchange fluctuations on procurement payment was relatively small.

4.1.4 Status of internal control

Pursuant to the "Basic Standards for Internal Control of Enterprises" jointly published by the Ministry of Finance in conjunction with the China Securities Regulatory Commission, the National Audit Office, the China Banking Regulatory Commission and the China Insurance Regulatory Commission (the "five ministries and commissions"), the Company has established an internal control system that covers the whole process of production and operation management. The system ensures orderly conduct of various work of the Company and forms a regulated management system, giving effective identification and control over operating risks.

During the reporting period, the Company compiled and published the "Self-evaluation Report on Internal Control of Maanshan Iron & Steel Co., Ltd. for Year 2013". The Company enhances control measures to improve the internal control policy; and continues to improve the internal control system to ensure its internal control always remains effective.

4.1.5 The environment for production and operation and coping strategies

In the second half of the year, we will still operate in a complex global economy, and the influence of geopolitical risk will keep rising. In order to promote the healthy growth of the country's economy, China will adhere to the main theme of "make progress while maintaining stability" for its work, to maintain consistent and stable macroeconomic policies. The effects of the measures for maintaining stability will show gradually, and may drive up steel consumption, the extent, however, may be limited. As there is no obvious improvement on the issue of overcapacity of steel, the business environment of steel companies will still be challenging.

In the second half of the year, the Company will do a better job in the following areas by adhering to the approach of production operation, which is "Enhancing Efficiency as Core, Exploring Market as Primary Task, Restructuring as Direction, Stabilizing Production as Foundation, Lowering Cost as Key, Strengthening Management as Guarantee":

- Strengthening our manufacturing system while stabilizing production, pre-metallurgy system will focus on blast furnaces, while steel rolling system will aim at delivering orders. To better utilize the ideal time of the equipment for maintenance. To centralize production activities and operate in an economic manner, so as to ensure high efficiency and stability of production;

- Strive for further reducing the cost of our manufacturing system, to study into every cost reduction measures to make sure that it will work as expected;
- To adjust our strategy, seize every opportunity, as well as strive for lowering procurement costs;
- Put more effort on restructuring product mix, and promote the efficiency of our sales system;
- Further ensuring consistent product quality, as well as improving order fulfilment rate and enhancing customer satisfaction.

4.2 Principal operation by industry and products

Unit: RMB Million

Business 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 (±%)
Iron and steel	26,954	26,482	1.75	-10.29	-9.25	Decrease by 1.12 percentage points
Product segment						
Steel plates	11,712	11,372	2.90	-12.06	-9.31	Decrease by 2.94 percentage points
Section steels	2,736	2,764	-1.02	-31.38	-30.29	Decrease by 1.58 percentage points
Wire rods	10,189	10,179	0.10	-6.20	-6.57	Increase by 0.39 percentage points
Train wheels and wheel rims	690	563	18.41	6.15	6.63	Decrease by 0.36 percentage points

Of which: the Group has entered into connected transaction in respect of the sale of products and provision of services with the controlling shareholder and its subsidiaries amounted to RMB523.75 million in aggregate.

4.3 Principal operation by region

Unit: RMB Million

Region	Ratio (%)	Operating income	Increase/(decrease) in operating income as compared to the corresponding period of the previous year (±%)
Anhui	42.02	12,128	-34.53
Jiangsu	14.99	4,328	-5.19
Shanghai	11.65	3,364	-1.29
Zhejiang	6.24	1,802	-14.11
Guangdong	4.34	1,253	-24.97
Other PRC regions	15.75	4,545	-21.96
Exports	5.00	1,444	67.13

4.4 Reasons and explanation for the substantial change in its principal business and structure

✓ Not applicable

4.5 Reasons and explanation for the substantial change in the profitability (gross profit margin) of its principal business as compare to last year

✓ Not applicable

4.6 Reasons and analysis for the substantial in the profit mix as compare to last year

✓ Not applicable

4.7 Securities investment

Item no	Securities code	Abbreviation	Initial investment amount (RMB)	Number of shares held (share)	Book value at the end of the reporting period (RMB)	Proportion of securities investment at the end of the reporting period (%)	Gain/loss generated during the reporting period (RMB)
1	601857	PetroChina	584,500	35,000	263,900	53.90	-5,950
2	601186	China Railway Construction	181,600	20,000	92,200	18.83	-1,600
3	601390	China Railway Group	158,400	33,000	85,140	17.39	-3,300
4	601898	China Coal Energy	201,960	12,000	48,360	9.88	-8,880
Total			<u>1,126,460</u>	<u>/</u>	<u>489,600</u>	<u>100</u>	<u>-19,730</u>

4.8 Details of use of Proceeds

4.8.1 Use of Proceeds

✓ Not applicable

4.8.2 Change in use of Proceeds

✓ Not applicable

4.9 Projects financed by other than fundraising proceeds

Project name	Project amount	Project progress
Rolled Rebar Finishing Project of Special Steel Company	224.8	Equipment assembling and debugging stage
Major maintenance of 1#、2# shaft furnace of No. 2 Iron-making Factory	60.5	Equipment assembling
Desulfurization project of B# sintering machine of No. 3 Iron-making Factory	48.0	Equipment debugging
Total	333.3	/

Unit: RMB Million

4.10 Plan to amend the operation plan of the Board of Directors for the second half of the year

✓ Not applicable

4.11 *A significant changes of profit alert and explanation from the Company who expects loss in accumulative net profit during the period from the beginning of the year to the end of the third quarter when compare with the same period of last year.*

The Company expects a loss in accumulative net profit during the period from the beginning of the year to the end of the third quarter mainly because although the production operation of the Company has improved since July and turned around, the aggregate net loss of the Company as at the end of the reporting period is still significant.

4.12 *Explanation from the Board of Directors of the Company on the “Non-standard Audit Opinions” of the Accounting Firm during the period under review.*

✓ Not applicable

4.13 *Explanation from the Board of Directors of the Company on the development and progress of the issues leading to the accountant’s “Non-standard report” for last year*

✓ Not applicable

§5 SIGNIFICANT MATTERS

5.1 Material Litigation, Arbitration

5.1.1 *Litigation and Arbitration Cases or Media Controversies already disclosed in the Temporary Announcements and without New Development*

Summary of the case and type of controversy	Information source
Adjudication of Bankruptcy of Logistics Company	http://www.sse.com.cn ; http://www.hkex.com.hk

5.2 Insolvency or restructuring related matters

Other than event aforementioned, no insolvency or restructuring related matters occurred during the reporting period.

5.3 Asset transactions and merger of companies

Summary and type of the case	Information source
Acquisition of Valdunes’ Assets	http://www.sse.com.cn ; http://www.hkex.com.hk

5.4 Guarantees

✓ Not applicable

5.5 Creditors and debtors with connected parties

✓ Not applicable

5.6 Explanation on other Significant Matters

On 8 May 2014, the 40th Meeting of the Seven Session of the Board of Directors of the Company has approved the Resolution on the Adjustment in Depreciation Period of Fixed Assets. The Resolution was approved by the 2013 Annual General Meeting on 27 June 2014.

5.6.1 Summary of the changes of accounting estimates

According to the Accounting Standard for Enterprises, the Company has reviewed the actual useful life of all fixed assets, and determined to adjust the depreciation period of certain fixed assets from 1 July 2014, the detailed plan is as follows:

Type of fixed assets	Depreciation period before adjustment (year) (%)	Depreciation period after adjustment (year) ($\pm\%$)
Structures and buildings	20	30
Equipment	13	15

5.6.2 Explanation on Accounting Estimates Changes

The original value of the Company's existing fixed assets is RMB 61 billion, including RMB 41.2 billion for equipment-class fixed assets, RMB 15.5 billion for buildings & structures-class fixed assets and RMB 4.3 billion for other-class fixed assets. The original value of fixed assets still in use after the due date of their depreciation period is RMB 7.3 billion. These are basically online equipment-class assets and buildings and structures still in use, with their asset status and production capacity remaining at a normal level. The RMB 22.6 billion fixed-asset investment already made and to be made by the Company during the "Twelfth Five-Year Plan" period has boosted the overall technology advance of the Company's fixed assets. Meanwhile, in recent years, by intensifying efforts to maintenance and relevant technological transformation programs, the Company has relatively restored the equipment accuracy, improved the equipment performance and extended the usable period of equipment, buildings & structures. From the perspective of the re-verified actual service life of the Company's fixed assets, their actual service life is generally longer than the previously identified accounting estimate period. According to the provisions of Accounting Standards for Business Enterprises, the Company shall at least re-check the service life, expected residual value and depreciation method of fixed assets by the end of each year, and if there is a difference between the expected service life and the previously estimated service life of fixed assets, the service life of fixed assets shall be adjusted. In consideration of the overall status of the

Company's fixed assets and the depreciation level within the industry, the Company believes that, by adjusting the service life of equipment-class assets from 13 years to 15 years and adjusting the service life of buildings & structures-class assets from 20 years to 30 years, the Company's financial information will be made more objective.

5.6.3 Impact on the Company From Accounting Estimates Changes

The adjustment of depreciation period on fixed assets is expected to reduce the Company's annual depreciation expenses of fixed assets by RMB900.58 million and to increase owners' equities and net profits by RMB675.44 million. With the new depreciation period being effective since July 2014, the depreciation expenses of fixed assets for 2014 will reduce by RMB450.29 million, while owners' equities and net profits will increase by RMB337.72 million.

Please refer to Shanghai Securities News issued 9 May 2014 and 28 June 2014, the websites of Shanghai Stock Exchange and Stock Exchange (www.sse.com.cn and www.hkexnews.hk) for details.

§6 SHARE MOVEMENT AND SHARE HOLDING

6.1 Share Movement

✓ Not applicable

6.2 The number of shareholders and shareholding structure

Unit: Shares

Total number of shareholders at the end of the reporting period 328,797

Shareholding of the top ten shareholders

Name of shareholder	Type of shareholders	As a percentage to number of shares held (%)	Total number of shares held	Number of shares held with selling restrictions	Number of pledged or frozen shares
Magang (Group) Holding Company Limited (馬鋼(集團)控股有限公司)	State-owned shareholder	50.47	3,886,423,927	0	None
HKSCC (Nominees) Limited (香港中央結算(代理人)有限公司)	Foreign shareholder	22.18	1,707,732,898	0	Unknown
Zhang Mucheng(張沐城)	Others	0.36	27,379,500	0	Unknown
Wang Yong(王勇)	Others	0.26	20,250,000	0	Unknown
Xiao Guouen (肖國文)	Others	0.16	12,063,862	0	Unknown
He Wenhua (何文華)	Others	0.16	11,983,587	0	Unknown
Zhang Wu (張武)	Others	0.14	10,600,000	0	Unknown
Hu Lixin(胡立新)	Others	0.11	8,366,484	0	Unknown
Bai Jiping (白計平)	Others	0.11	8,209,900	0	Unknown
Zhang Junying (張俊英)	Others	0.10	7,520,000	0	Unknown

Shareholding of 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 (馬鋼(集團) 控股有限公司)	3,886,423,927	RMB-denominated ordinary shares
HKSCC (Nominees) Limited (香港中央結算(代理人) 有限公司)	1,707,732,898	Overseas-listed foreign shares
Zhang Mucheng(張沐城)	27,379,500	RMB-denominated
Wang Yong(王勇)	20,250,000	ordinary shares
Xiao Guouen (肖國文)	12,063,862	RMB-denominated
He Wenhua (何文華)	11,983,587	ordinary shares
Zhang Wu (張武)	10,600,000	RMB-denominated
Hu Lixin(胡立新)	8,366,484	ordinary shares
Bai Jiping (白計平)	8,209,900	RMB-denominated
Zhang Junying (張俊英)	7,520,000	ordinary shares

Description of any connected relationships or concerted actions among the abovementioned shareholders

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

6.3 Details of change in controlling shareholder(s) or beneficial controller(s)

✓ Not applicable

§7 PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the first half of 2014, the Company did not redeem any of its securities. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities.

§8 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 for new shares in proportion to their shareholdings whenever the Company issues new shares.

§9 PUBLIC FLOAT REQUIREMENT

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.

§10 CODE ON CORPORATE GOVERNANCE PRACTICES

In the first half of 2014, the Company complied with all the code provisions under the Code on Corporate Governance Practices in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

§11 INFORMATION ABOUT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

11.1 Changes in the shareholding of Directors, Supervisors and senior management

✓ Not applicable

§12 FINANCIAL REPORT

12.1 Change in the scope of consolidation

Apart from the newly established subsidiary of Magang Valdunes being merged to the scope of consolidation, during the period, there is no change to the consolidation scope of the Group's financial statements as compared to the latest financial reports.

12.2 During the reporting period, there is no correction to accounting errors of the Company for the previous reporting period.

CONSOLIDATED AND COMPANY BALANCE SHEET

30 June 2014

Renminbi Yuan

ASSETS	Note	30 June 2014 Group Unaudited	31 December 2013 Group Audited	30 June 2014 Company Unaudited	31 December 2013 Company Audited
CURRENT ASSETS:					
Cash and bank balances		7,067,349,627	5,106,718,069	7,644,245,547	4,232,355,957
Financial assets measured at fair value through profit or loss		489,600	509,330	489,600	509,330
Bills receivable	4	8,676,114,795	8,629,108,926	3,939,449,556	4,924,057,882
Trade receivables	5	677,162,983	800,946,475	1,737,519,624	1,292,033,185
Dividends receivable		–	44,787,460	–	44,787,460
Interest receivable		11,346,317	3,540,453	–	–
Prepayments	6	706,374,243	1,022,394,879	366,985,511	837,535,356
Other receivables		438,905,075	1,948,145,123	255,560,136	1,766,161,692
Inventories		10,422,523,572	10,049,721,134	7,070,152,099	7,151,763,970
Loans and advances to customers		578,702,049	486,511,748	–	–
Other current assets		598,362,342	504,406,279	294,632,327	294,632,327
Total current assets		<u>29,177,330,603</u>	<u>28,596,789,876</u>	<u>21,309,034,400</u>	<u>20,543,837,159</u>
NON-CURRENT ASSETS:					
Available-for-sale investments		126,772,160	126,772,160	126,772,160	126,772,160
Long term equity investments		974,207,929	950,065,445	6,020,507,374	5,907,348,550
Investment properties		63,593,287	64,412,476	78,945,347	79,758,318
Fixed assets		36,164,440,923	30,668,420,630	27,105,979,197	24,560,421,961
Construction materials		61,617,734	29,788,206	–	–
Construction in progress		4,165,684,829	8,729,815,208	3,810,515,429	6,477,395,016
Intangible assets		1,774,235,401	1,900,179,245	1,018,316,540	1,033,117,375
Deferred tax assets		791,295,414	755,374,754	725,692,115	723,967,462
Total non-current assets		<u>44,121,847,677</u>	<u>43,224,828,124</u>	<u>38,886,728,162</u>	<u>38,908,780,842</u>
TOTAL ASSETS		<u>73,299,178,280</u>	<u>71,821,618,000</u>	<u>60,195,762,562</u>	<u>59,452,618,001</u>

CONSOLIDATED AND COMPANY BALANCE SHEET (CONTINUED)

30 June 2014

Renminbi Yuan

LIABILITIES AND SHAREHOLDERS' EQUITY	30 June 2014 Group Unaudited	31 December 2013 Group Audited	30 June 2014 Company Unaudited	31 December 2013 Company Audited
	<i>Note</i>			
CURRENT LIABILITIES:				
Borrowing funds		500,000,000	–	–
Customer deposits		1,333,475,291	1,390,609,858	–
Repurchase agreements		179,480,250	344,732,675	–
Short term loans		8,292,159,355	8,553,509,860	1,760,000,000
Bills payable	7	5,354,867,166	5,542,646,513	2,884,215,326
Accounts payable	8	8,382,863,793	6,524,149,751	10,205,199,476
Deposits received		4,725,819,028	5,125,265,201	3,633,699,521
Payroll and benefits payable		271,742,432	208,890,914	227,401,492
Taxes payable		166,614,369	233,964,348	112,542,787
Interest payable		439,087,786	165,365,086	433,605,153
Dividends payable		80,753,711	80,642,412	6,407,961
Other payables		1,344,615,143	962,699,474	1,009,345,497
Non-current liabilities due within one year		8,684,685,695	7,951,717,780	8,684,685,695
Accrued liabilities		4,140,000	4,140,000	4,140,000
Total current liabilities		39,760,304,019	37,088,333,872	28,961,242,908
NON-CURRENT LIABILITIES:				
Long term loans		5,466,884,000	6,059,444,300	7,397,648,000
Bonds payable		2,330,466,188	2,328,266,077	2,330,466,188
Deferred income		776,720,278	609,637,532	536,302,301
Deferred tax liabilities		35,046,101	36,900,781	–
Total non-current liabilities		8,609,116,567	9,034,248,690	10,264,416,489
Total liabilities		48,369,420,586	46,122,582,562	39,225,659,397
Share capital		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
Special reserve		16,251,680	13,055,678	–
Surplus reserve		3,789,735,764	3,789,735,764	2,991,017,140
General reserve		98,706,649	98,706,649	–
Retained profits		2,542,140,562	3,272,406,740	1,940,046,440
Including: Proposed cash dividend	9	–	–	–
Exchange fluctuation reserve		(64,780,684)	(72,208,059)	–
Equity attributable to owners of the parent		22,411,802,820	23,131,445,621	20,970,103,165
Minority interests		2,517,954,874	2,567,589,817	–
Total shareholders' equity		24,929,757,694	25,699,035,438	20,970,103,165
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		73,299,178,280	71,821,618,000	60,195,762,562

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2014

Renminbi Yuan

Items	Note	For the six months, Ended 30 June		For the six months, Ended 30 June	
		2014 Group	2013 Group	2014 Company	2013 Company
Revenue	10	28,864,351,998	36,952,562,339	24,747,723,089	28,406,184,227
Less: Cost of sales	10	27,822,934,411	35,243,795,361	24,135,823,168	27,397,270,636
Business taxes and surcharges		92,669,574	134,915,427	67,497,312	108,379,714
Selling expenses		231,264,336	183,696,105	116,254,118	108,402,129
Administrative expenses		598,280,425	683,662,180	435,644,904	442,659,437
Financial expenses	11	693,487,627	625,836,335	495,215,864	540,654,229
Assets impairment losses		344,320,395	477,830,557	343,864,457	478,376,386
Loss on fair value changes		19,730	97,570	19,730	97,570
Add: Investment income		74,343,808	69,382,866	74,769,282	78,815,095
including: share of profits of associates and jointly-controlled entities		67,142,483	49,520,681	67,409,827	51,466,354
Operating profit/(loss)		(844,280,692)	(327,888,330)	(771,827,182)	(590,840,779)
Add: Non-operating income		101,415,452	84,830,273	46,898,578	44,958,231
Less: Non-operating expenses		1,960,924	3,055,983	1,050,767	1,857,411
including: loss from disposal of non-current assets		520,880	1,702,335	329,534	1,412,016
Profit/(loss) before tax		(744,826,164)	(246,114,040)	(725,979,371)	(547,739,959)
Less: Income tax	13	18,669,331	77,113,128	(1,724,653)	17,346,955
Net profit/(loss)		<u>(763,495,495)</u>	<u>(323,227,168)</u>	<u>(724,254,718)</u>	<u>(565,086,914)</u>
Including: Net profit attributable to the acquiree prior to business combination under common control		-	-	-	-
Less: Minority interests		(33,229,317)	9,595,910		
Net profit/(loss) attributable to the equity holders of the parent		<u>(730,266,178)</u>	<u>(332,823,078)</u>		
EARNINGS/(LOSS) PER SHARE:	14				
Basic		(9.48) cents	(4.32) cents		
Diluted		(9.48) cents	(4.32) cents		
Other comprehensive income/(loss)		8,216,051	(91,343,384)	-	-
Total comprehensive income		<u>(755,279,444)</u>	<u>(414,570,552)</u>	<u>(724,254,718)</u>	<u>(565,086,914)</u>
Including:					
Total comprehensive income attributable to owners of the parent		(722,838,803)	(424,166,462)		
Total comprehensive income attributable to minority shareholders		(32,440,641)	9,595,910		

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

Renminbi Yuan

	Attributable to owners of parent							Sub-total	Minority interests	Total shareholders' equity
	Share capital	Capital reserve	Special reserves	Surplus reserves	General reserve	Retained profits	Exchange fluctuation reserve			
1. At 1 January 2014	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
2. Increase/(decrease) during the year										
1) Net profit	-	-	-	-	-	(730,266,178)	-	(730,266,178)	(33,229,317)	(763,495,495)
2) Other comprehensive income	-	-	-	-	-	-	7,427,375	7,427,375	788,676	8,216,051
Total comprehensive income	-	-	-	-	-	(730,266,178)	7,427,375	(722,838,803)	(32,440,641)	(755,279,444)
3) Capital contribution and withdrawal by shareholders										
(i) Capital contribution by minority shareholders	-	-	-	-	-	-	-	-	(17,044,732)	(17,044,732)
4) Profits appropriation										
(i) Distribution to shareholders	-	-	-	-	-	-	-	-	(149,570)	(149,570)
5) Special reserve										
(i) Additions	-	-	36,880,367	-	-	-	-	36,880,367	-	36,880,367
(ii) Used	-	-	(33,684,365)	-	-	-	-	(33,684,365)	-	(33,684,365)
3. At 30 June 2014	<u>7,700,681,186</u>	<u>8,329,067,663</u>	<u>16,251,680</u>	<u>3,789,735,764</u>	<u>98,706,649</u>	<u>2,542,140,562</u>	<u>(64,780,684)</u>	<u>22,411,802,820</u>	<u>2,517,954,874</u>	<u>24,929,757,694</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2013

Renminbi Yuan

	Attributable to owners of parent							Sub-total	Minority interests	Total shareholders' equity
	Share capital	Capital reserve	Special reserves	Surplus reserves	General reserve	Retained profits	Exchange fluctuation reserve			
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/(loss)	-	-	-	-	-	(332,823,078)	-	(332,823,078)	9,595,910	(323,227,168)
2) Other comprehensive income	-	-	-	-	-	-	(91,343,384)	(91,343,384)	-	(91,343,384)
Total comprehensive income	-	-	-	-	-	(332,823,078)	(91,343,384)	(424,166,462)	9,595,910	(414,570,552)
3) Capital contribution and withdrawal by shareholders										
(i) Capital contribution by minority shareholders	-	-	-	-	-	-	-	-	49,000,000	49,000,000
4) Profits appropriation										
(i) Distribution to shareholders	-	-	-	-	-	-	-	-	(8,098,096)	(8,098,096)
5) Special reserve										
(i) Additions	-	-	34,535,364	-	-	-	-	34,535,364	-	34,535,364
(ii) Used	-	-	(38,110,541)	-	-	-	-	(38,110,541)	-	(38,110,541)
3. At 30 June 2013	7,700,681,186	8,329,067,663	11,193,433	3,750,928,170	55,650,161	2,912,214,895	(60,832,960)	22,698,902,548	2,435,910,199	25,134,812,747

CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2014

Renminbi Yuan

	For the six months ended 30 June	
	2014	2013
	Unaudited	Unaudited
1. Cash flows from operating activities:		
Cash received from sale of goods or rendering of services	35,464,305,325	43,267,584,026
Net increase in customer deposits	442,865,433	645,730,999
Cash received for interest charges, fees and commissions	57,343,968	93,092,742
Refunds of taxes	31,444,100	30,700,900
Net decrease in loans and advances to customers	–	57,196,897
Net increase in repurchase agreements	–	45,366,814
Cash received relating to other operating activities	21,385,601	8,342,396
Sub-total of cash inflows	36,017,344,427	44,148,014,774
Cash paid for goods and services	(30,965,465,209)	(36,484,040,595)
Cash paid to and on behalf of employees	(2,087,424,094)	(2,356,167,479)
Cash paid for all taxes	(937,536,383)	(1,141,528,277)
Net decrease in repurchase agreements	(165,252,425)	–
Net increase in loans and advances to customers	(94,111,239)	–
Cash paid for interest charges, fees and commissions	(13,041,281)	(11,313,510)
Cash paid relating to other operating activities	(366,470,195)	(396,436,092)
Sub-total of cash outflows	(34,629,300,826)	(40,389,485,953)
Net cash flows from operating activities	1,388,043,601	3,758,528,821
2. Cash flows from investing activities:		
Cash received from investment income	172,430,953	130,955,833
Net cash received from disposal of fixed assets, intangible assets and other long term assets	1,914,418,028	2,431,799
Net cash received from disposal of subsidiaries and other entities	–	7,098,066
Cash received due to decrease in pledged deposits, net	758,227,076	332,362,593
Cash received relating to other investing activities	3,280,763	12,212,013
Sub-total of cash inflows	2,848,356,820	485,060,304
Cash paid for acquisitions of fixed assets, intangible assets and other long term assets	(869,020,371)	(3,318,419,052)
Cash paid for acquisitions of investments	(62,044,732)	(58,480,000)
Cash paid for acquisitions of subsidiaries	(109,097,300)	–
Sub-total of cash outflows	(1,040,162,403)	(3,376,899,052)
Net cash flows from investing activities	1,808,194,417	(2,891,838,748)

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

For the six months ended 30 June 2014

Renminbi Yuan

	For the six months ended 30 June	
	2014	2013
	Unaudited	Unaudited
3. Cash flows from financing activities:		
Cash received from borrowings	4,390,247,153	11,572,038,827
Cash received from capital contribution	–	49,000,000
Including: capital contribution by minority shareholders	–	49,000,000
Sub-total of cash inflows	4,390,247,153	11,621,038,827
Cash repayments of borrowings	(4,572,526,941)	(13,067,699,636)
Cash paid for distribution of dividend or profits and for interest expenses	(384,698,835)	(372,855,673)
Including: dividend paid to minority shareholders by subsidiaries	(149,570)	(8,098,096)
Sub-total of cash outflows	(4,957,225,776)	(13,440,555,309)
Net cash flows from financing activities	(566,978,623)	(1,819,516,482)
4. Effect of foreign exchange rate changes on cash	89,599,239	(187,842,013)
5. Net decrease in cash and cash equivalents	2,718,858,634	(1,140,668,422)
Add: Balance of cash and cash equivalents at beginning of period	1,814,518,125	7,577,117,817
6. Balance of cash and cash equivalents at end of period	4,533,376,759	6,436,449,395

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”).

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 30 June 2014, and the results of their operations and their cash flows for the six months ended 30 June 2014.

2. SCOPE OF FINANCIAL STATEMENT CONSOLIDATION

2.1 Change in the scope of consolidation

Except for the newly established subsidiaries during the current period and the statement in Note 2.2, the scope of financial statement consolidation is consistent with that in the previous year.

2.2 Entities newly included in the consolidation scope in the current period

In the current period, the subsidiaries newly included in the consolidation scope are as follows:

	Net assets at 30 June 2014	Net profit from the date of incorporation to period end
MG-VALDUNES S.A.S.	1,540,242	138,880

2.3 Exchange rates used to translate the financial statements of foreign operations

	Average rates		Closing rates	
	Six months ended 30 June 2014	30 June 2013	30 June 2014	31 December 2013
EUR	8.4068	8.1856	8.3946	8.4189
HKD	0.7900	0.8037	0.7938	0.7862
AUD	5.6183	6.1212	5.8064	5.4301
USD	6.1249	6.2321	6.1528	6.0969
JPY	0.0593	0.0680	0.0608	0.0578

The closing rate comes from the RMB middle rate announced by the State Administration of Foreign Exchange.

3. 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 and Shanghai Trading.
- Trading of steel, iron ores and raw materials: 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

	For the six months ended 30 June	
	2014	2013
	Unaudited	Unaudited
Sale of steel products	26,505,766,957	29,680,878,570
Sale of steel billets and pig iron	447,844,013	364,639,204
Sale of coke by-products	500,456,377	468,415,809
Others	514,523,071	1,388,090,950
	<u>27,968,590,418</u>	<u>31,902,024,533</u>

Geographical information

External principal operation income

	For the six months ended 30 June	
	2014	2013
	Unaudited	Unaudited
The PRC	26,790,198,483	31,038,470,291
Overseas	1,178,391,935	863,554,242
	<u>27,968,590,418</u>	<u>31,902,024,533</u>

Non-current assets

	For the six months ended 30 June	
	2014	2013
	Unaudited	Unaudited
The PRC	43,121,599,045	42,267,826,947
Overseas	208,953,218	201,626,423
	<u>43,330,552,263</u>	<u>42,469,453,370</u>

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

Major customer information

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

4. BILLS RECEIVABLE

	30 June	31 December
	2014	2013
	Unaudited	Unaudited
Bank acceptance bills	8,608,970,775	8,623,990,738
Commercial acceptance bills	67,144,020	5,118,188
	<u>8,676,114,795</u>	<u>8,629,108,926</u>

As at 30 June 2014, all hosting bills of the Company in Ma'anshan Branch of Industrial and Commercial Bank of China were pledged as security to obtain bank loans of RMB1,000,000,000 (31 December 2013: RMB1,000,000,000), which includes short-term loans amounting to RMB10,000,000, long term loans due within one year amounting to RMB10,000,000 and long-term loans amounting to RMB980,000,000. 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 30 June 2014, the balance of which was RMB2,529,000,000. Besides, certain of the Group's bank acceptance bills amounting to RMB51,744,074 were pledged as security to banks to issue bank acceptance bills to suppliers (31 December 2013: RMB163,734,443).

5. TRADE RECEIVABLES

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

The ageing of trade receivables is analyzed below:

	30 June 2014 Unaudited	31 December 2013 Unaudited
Within one year	649,893,362	776,614,818
One to two years	32,176,458	28,600,288
Two to three years	502,362	1,184,316
Over three years	8,800,601	8,756,853
	691,372,783	815,156,275
Less: Provisions for bad debts	14,209,800	14,209,800
	677,162,983	800,946,475

The balances of trade receivables are analysed as follows:

	30 June 2014				31 December 2013			
	Book value		Provision for bad debts		Book value		Provision for bad debts	
	Balance	Ratio (%)	Amount	Ratio (%)	Balance	Ratio (%)	Amount	Ratio (%)
Individually significant and assessed for impairment individually	640,150,595	93	(6,927,040)	1	761,681,928	93	(6,927,040)	1
Other insignificant but assessed for impairment individually	51,222,188	7	(7,282,760)	14	53,474,347	7	(7,282,760)	14
	691,372,783	100	(14,209,800)		815,156,275	100	(14,209,800)	

6. PREPAYMENTS

An aged analysis of the prepayments is as follows:

	30 June 2014 (Unaudited)		31 December 2013 (Audited)	
	Balance	ratio (%)	Balance	ratio (%)
Within one year	678,010,011	96	1,000,361,657	98
One to two years	10,325,578	2	12,157,694	1
Two to three years	8,826,560	1	1,265,699	–
Over three years	9,212,094	1	8,609,829	1
	<u>706,374,243</u>	<u>100</u>	<u>1,022,394,879</u>	<u>100</u>

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.

7. BILLS PAYABLE

	30 June	31 December
	2014	2013
	Unaudited	Unaudited
Bank acceptance bills	<u>5,354,867,166</u>	<u>5,542,646,513</u>

As at 30 June 2014 and 31 December 2013, the ageing of the Group's bills payable was all within six months.

The bills payable amounting to RMB5,354,867,166 (31 December 2013: RMB5,542,646,513) are due in the next accounting period. 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.

The balance of bills payable as at 30 June 2014 and 31 December 2013 did not contain any amount due to either shareholders who held 5% or above of the Company's equity interests or related parties.

8. ACCOUNTS PAYABLE

* The ageing analysis of accounts payable is as follows:

	30 June 2014 Unaudited	31 December 2013 Unaudited
Within one year	8,082,841,197	6,396,013,395
One to two years	226,239,046	53,967,042
Two to three years	15,839,736	21,827,472
Over three years	57,943,814	52,341,842
	<u>8,382,863,793</u>	<u>6,524,149,751</u>

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

9. DIVIDEND

	30 June 2014 Unaudited	31 December 2013 Unaudited
Proposed final- Nil	<u>-</u>	<u>-</u>

The board of directors does not recommend the payment of any dividends for the six months ended 30 June 2014 (30 June 2013:Nil).

10. REVENUE AND COST OF SALES

Revenue is stated as follows:

	For the six months ended 30 June	
	2014	2013
	Unaudited	Unaudited
Principal operating income	27,968,590,418	31,902,024,533
Other operating income	895,761,580	5,050,537,806
Total	<u>28,864,351,998</u>	<u>36,952,562,339</u>

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:

	For the six months ended 30 June	
	2014	2013
	Unaudited	Unaudited
Principal cost of sales	26,967,044,526	30,242,742,825
Other cost of sales	855,889,885	5,001,052,536
	<hr/>	<hr/>
Total	<u>27,822,934,411</u>	<u>35,243,795,361</u>

11. FINANCIAL EXPENSES

	For the six months ended 30 June	
	2014	2013
	Unaudited	Unaudited
Interest expenses (i)	666,498,311	650,833,648
Less: Interest income	32,442,168	19,143,879
Exchange gain, net	2,685,647	(24,205,762)
Others	56,745,837	18,352,328
	<hr/>	<hr/>
Total	<u>693,487,627</u>	<u>625,836,335</u>

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

12. DEPRECIATION AND AMORTIZATION

	For the six months ended 30 June	
	2014	2013
	Unaudited	Unaudited
Depreciation of fixed assets	1,917,139,539	1,888,314,417
Amortisation of investment properties	869,950	34,453
Amortisation of intangible assets	30,313,192	36,611,543
	<hr/>	<hr/>
Total	<u>1,948,322,681</u>	<u>1,924,960,413</u>

13. INCOME TAX

	For the six months ended 30 June	
	2014	2013
	Unaudited	Unaudited
	RMB	RMB
Mainland China:		
Current income tax expense	41,987,993	43,247,408
Adjustments in respect of current tax of previous periods	(2,885,448)	(6,317,977)
Deferred tax income	(37,775,340)	7,576,012
Hong Kong current income tax expense (ii)	–	7,873,632
Overseas current income tax expense	17,342,126	24,734,053
	<hr/>	<hr/>
Total	18,669,331	77,113,128
	<hr/> <hr/>	<hr/> <hr/>

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

	For the six months ended 30 June	
	2014	2013
	Unaudited	Unaudited
	RMB	RMB
Profit/(loss) before tax	(744,826,164)	(246,114,040)
Tax at the applicable tax rate of 25% (i)	(186,206,539)	(61,528,510)
Effect of different tax rates of subsidiaries	1,852,952	81,084
Expenses not deductible for tax	31,254,470	10,892,403
Adjustments in respect of current tax of previous periods	(2,885,448)	(6,317,977)
Other tax concessions	(2,578,954)	(5,000,852)
Income not subject to tax	(1,839,864)	(6,759,401)
Unrecognised deductible temporality difference and tax losses	195,925,171	167,819,165
Tax losses utilised	–	(9,206,195)
Profits and losses attributable to jointly-controlled entities and associates	(16,852,457)	(12,866,589)
	<hr/>	<hr/>
Tax charge at the Group's effective rate	18,669,331	77,113,128
	<hr/> <hr/>	<hr/> <hr/>

- (i) The Group's income tax has been provided at the rate on the estimated taxable profits arising in the PRC during the period. 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 period.

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.

14. 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:

	For the six months ended 30 June	
	2014	2013
	Unaudited	Unaudited
Earnings/(Loss)		
Profit/(loss) attributable to ordinary equity holders of the parent as used in the basic/diluted earnings per share calculation	(730,266,178)	(332,823,078)
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)	<u>(9.48)</u>	<u>(4.32)</u>

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

During the first half of 2014 and 2013, there was no dilutive item to adjust the Group's basic earnings per share.

15. CONTINGENT LIABILITIES

Difference of corporate income tax

As detailed in note 13 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 30 June 2014, 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 entering conciliation proceeding, but without reconciliation agreement.

16. NET CURRENT ASSETS

	Group		Company	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
	Unaudited	Audited	Unaudited	Audited
	RMB	RMB	RMB	RMB
Current assets	29,177,330,603	28,596,789,876	21,309,034,400	20,543,837,159
Less: Current liabilities	39,760,304,019	37,088,333,872	28,961,242,908	26,556,726,601
Net current assets	<u>(10,582,973,416)</u>	<u>(8,491,543,996)</u>	<u>(7,652,208,508)</u>	<u>(6,012,889,442)</u>

17. TOTAL ASSETS LESS CURRENT LIABILITIES

	Group		Company	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
	Unaudited	Audited	Unaudited	Audited
	RMB	RMB	RMB	RMB
Total assets	73,299,178,280	71,821,618,000	60,195,762,562	59,452,618,001
Less: Current liabilities	39,760,304,019	37,088,333,872	28,961,242,908	26,556,726,601
Net total assets minus liabilities	33,538,874,261	34,733,284,128	31,234,519,654	32,895,891,400

By order of the Board
Ding Yi
Chairman

19 August 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, Reu Tianbao

Non-executive Directors: Su Shihuai

Independent Non-executive Directors: Qin Tongzhou, Yang Yada, Liu Fangduan