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 2013 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.

This summary of interim results has been extracted from the interim report. Investors should read carefully the full text of the interim report for details. The full text of the interim report can be found in the website of the Shanghai Stock Exchange and the company website.

1.2 Directors absent from the Board meeting shall be disclosed separately.

Position of absent directors	Name of absent directors	Reason(s) for absence	Name of Proxy
Director	Su Shihuai	Other business engagement	Ding Yi

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, representative of the Company, Mr. Qian Haifan, person overseeing the accounting operations, and Mr. Zhang Qianchun, head of Accounting Department, make representation in respect of the truthfulness and completeness of the financial statements contained in the 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	Maanshan Iron & Steel
Stock code	600808	323
Places of listing	Shanghai Stock Exchange	The Stock Exchange of Hong Kong Limited

	Secretary to the Board	Representative for Securities Affairs
Name	Ren Tianbao	Hu Shunliang
Correspondence address	No. 8 Jiu Hua Xi Road, Maanshan City, Anhui Province, the PRC	No. 8 Jiu Hua Xi Road, Maanshan City, Anhui Province, the PRC
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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

Unit: RMB'000

Major accounting data	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 (%)
Operating revenue	36,952,562	40,586,883	–8.95
Net profit attributable to shareholders of the Company	–332,823	–1,892,679	–
Net profit excluding non-recurring gains or losses attributable to shareholders of the Company	–393,338	–1,936,196	–
Net cash flows from operating activities	3,758,529	2,333,752	61.05

	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	22,698,903	23,126,644	–1.85
Total assets	77,184,572	76,011,164	1.54

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)	–0.043	–0.246	–
Diluted earnings per share (RMB/share)	–0.043	–0.246	–
Basic earnings per share excluding non-recurring gains or losses (RMB/share)	–0.051	–0.251	–
Return on net assets (weighted average) (%)	–1.45	–7.22	Increase by 5.77 percentage points
Return on net assets excluding non-recurring gains or losses (weighted average) (%)	–1.72	–7.38	Increase by 5.66 percentage points

3.2 ITEMS OF NON-RECURRING GAINS OR LOSSES

Unit: RMB'000

Items of non-recurring gains or losses	Amount
Gains/(losses) from disposal of non-current assets	–1,702
Subsidy income	33,575
Amortization of deferred income	45,787
Non-operating income and expenses other than the above items	4,115
Fair value gains/(losses) of financial assets held for trading	–98
Other investment income	7,278
Impact of income tax	–17,917
Impact of minority interests (After tax)	–10,523
Total	60,515

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

The global economic recovery was weak in the first half of the year. There was moderate economic recovery with an unemployment rate continuing to stay at the 7.6% high level in the U.S.; the economy has shrunk for four consecutive quarters in the euro zone with deteriorating employment; while there was a general slowdown in economic growth rate in the emerging economies, resulting in high price rises. Overseas demand for steel products was weak, and steel prices stayed low. The price index for global steel products stood at 163.6 at the end of June, down 12.10% year-on-year or down 9.06% compared to the end of March.

In the first half of the year, China's overall national economic performance remained steady with a declining growth rate. GDP grew by 7.6%, down 0.2 percentage point year-on-year; while fixed asset investment across the country grew by 20.1%, down 0.3 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 steel-consuming sectors decelerated so that the demand intensity for steel products declined, leading to a fall in steel prices. The domestic steel prices continued to fluctuate and stay at high levels in the beginning of the year, then stayed on a downward trend from March after reaching 112.12 in the end of February. The consolidated price index for domestic steel products as at the end of June was 98.52, down 14.69% year-on-year or down 7.97% compared to the end of March.

As for imports and exports, according to customs statistics, exported steel products during the first half of 2013 amounted to 30,690,000 tonnes, a year-on-year increase of 12.8%, while imported steel products amounted to 6,830,000 tonnes, a year-on-year fall of 1.8%. Equivalent net export of crude steel amounted to 25,080,000 tonnes in the first half of 2013, a year-on-year increase of 17.5%.

Prices of externally purchased raw materials and fuels for iron and steel enterprises remained at high levels during the reporting period, causing increased pressure to the production and operation of iron and steel enterprises. In the first half of 2013, although the average CIF price of China's imported iron ore fell by 4.0% year-on-year to US$133.2/tonne, the decline was far less than that in steel prices. According to CISA's statistics, their member companies' average rate of return on sales was only 0.13% in the first half of the year, yet the lowest level in the industrial sector. The scale of loss was 41.0%, up 3.79 percentage points year-on-year.

4.1.2 Production and operation of the Company

Under such challenging external situations, the Company's strategy was to focus on innovation and transformation to spare no efforts in narrowing losses, thus having made some achievements. The amount of loss was decreasing month by month under an unfavorable situation where steel prices continued to go down.

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

➢ Carried out in-depth potential unleashing and benchmarking to strive to reduce the manufacturing costs of products. However, since the aggregate fall in the prices of steel products far exceeded the aggregate fall in the prices of raw materials and fuels during the reporting period, the iron and steel industry continued to record losses. During the reporting period, the Group produced 8,790,000 tonnes of pig iron, 8,990,000 tonnes of crude steel and 8,700,000 tonnes of steel products, representing a year-on-year increase of 3.41%, 4.90% and 6.75%, respectively (in which the Company produced 6,710,000 tonnes of pig iron, 6,940,000 tonnes of crude steel and 6,620,000 tonnes of steel products, representing a year-on-year increase of 2.60%, 5.15% and 4.25%, respectively).

➢ Made every effort to seize orders for increasing the ratio of direct and self marketing; and strengthened the production-marketing linked mechanism for improving customer satisfaction. During the reporting period, the Group's total sales of steel products amounted to 8,671,000 tonnes, in which sales of steel plates, section steels, wire rods, train wheels and rims amounted to 3,747,000 tonnes, 1,289,000 tonnes, 3,550,000 tonnes and 85,000 tonnes, respectively.

4.1.3 Financial position and exchange risks

As at 30 June 2013, the total amount of loans borrowed by the Group amounted to RMB19,358million, including loans of RMB14,215 million for working capital and long-term loans of RMB5,143million. Except for foreign currency loans amounting to US$487 million and HKD7,001 millon, among which US$172 million and HKD7,001 million were import bill advance, all other loans were denominated in Renminbi. Except for US dollar loans amounting to US$245 million with interest rates of LIBOR plus a fixed percentage, among the Renminbi loans of the Group, loans amounting to RMB5,854 million carried fixed interest rates and loans amounting to RMB4,918 million carried floating interest rates. Also, the Group issued corporate bonds of RMB5.5 billion in 2011, and issued mid-term notes of RMB3.8 billion in total in 2010 and 2011. During the reporting period, the Group has paid RMB1 billion for the mid-term notes that was issued in 2010. The amounts of all the Group's loans varied according to the scale of production and construction projects. Other than the short-term loans of RMB30 million of the Group's subsidiary, Maanshan (Shanghai) Industrial Trading Co., Ltd. were overdue, the Group had no overdue loans.

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 RMB52,250 million.

As at 30 June 2013, the Group's cash and bank balances amounted to RMB8,309 million. Bills receivable amounted to RMB8,992 million. Proceeds of sales received constituted a substantial part of the cash and bank balances and bank acceptance bills.

The 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 2012". 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, the global economic landscape will remain complex with an unbalanced recovery trend in major economies. The U.S. economy and employment have improved, but the negative impact of the fiscal spending cuts on economic growth may increase; there was slight improvement in the Japanese economy, but domestic demand remains weak; the situation in the euro zone looks more difficult as the size of debts is increasing further. Moreover, the increased expectation for America's exit from the quantitative easing policy has rendered the global economic trend more variable. China will plan to maintain steady growth, adjust structure, promote reform and aggressively boost effective demand, with focus on pushing forward transformation and upgrade to continue deepening the reform and opening-up policy, as well as on safeguarding and improving people's livelihood.

Overcapacity of the domestic iron and steel industry will remain in the long run, and iron and steel enterprises will continue to encounter a challenging production and operations situation in the second half. However, the State Council's plan to push for revamping the regime for railway investment and financing in the second half to accelerate the construction of railways in the middle and western parts as well as in poverty-stricken areas will help fuel economic growth. The implementation of MIIT's "Regulatory Requirements for the Iron and Steel Industry" and an array of increasingly stringent environmental policies will help eliminate obsolete production capacity and ease the imbalance between supply and demand to a certain extent.

In the second half, the Company's top priority is to reduce losses and make profits, continue to maintain low inventory, make every effort to seize orders, carry out production at full capacity, improve customer satisfaction and upgrade comprehensive cost reduction and efficiency enhancement initiatives. Its major initiatives are as follows:

➢ Seize market opportunities and improve the level of operations and efficiency. Strengthen the analysis, research and judgment of market tracking to swiftly and accurately respond to market changes, and timely modify marketing and procurement strategies. With respect to procurement, seize the opportunity to make procurement in off-season periods, continuously improve bargaining power for procurement, increase the proportion of categories for tender invitations, flexibly make use of fund payment methods, regulate the management of vendors and vigorously reduce the procurement prices. As to sales, after stabilizing the existing marketing channels and superior categories, strive to open up new channels (including overseas markets), step up the development of direct supply customers and key projects to continuously increase direct supply ratio, and improve the level of planning and setting of the prices of products through research on market segments and analysis of competitors to continuously narrow the price gaps with competitors;

➢ Strengthen fundamental management, maintain a stable order in production and consolidate the basis for cost reduction and efficiency enhancement. Maintain balanced, stable and smooth long-period operation of the pre-iron making system and steel rolling system; push forward a flexible overhaul mechanism and carry out zero-failure operation of equipment to ensure zero accidents and failures for key engine sets and production lines.

➢ Step up the tackling of technical problems regarding quality to improve customer satisfaction. Take effective measures in the management, technical and operational aspects to accurately diagnose the root causes of instability in product quality; understand customers' needs for the use of products; improve product technical designs; build up a technology research platform to step up efforts to tackle repetitive quality problems for continuous improvement of product quality and manufacturing standards.

4.2 Principal operation by industry and products

Unit: RMB Million

Business segment/ product segment	Operating income	Operating cost	Gross profit margin (%)	Year-on-year increase/(decrease) of operating income (±%)	Year-on-year increase/(decrease) of operating cost (±%)	Year-on-year increase/(decrease) of gross profit margin
Iron and steel	30,046	29,182	2.88	–9.11	–14.84	Increase by 6.54 percentage points
Product segment						
Steel plates	13,505	12,724	5.78	3.10	–7.35	Increase by 10.62 percentage points
Section steels	4,286	4,247	0.91	–4.61	–7.31	Increase by 2.89 percentage points
Wire rods	11,086	11,112	–0.23	–5.74	–4.34	Decrease by 1.46 percentage points
Train wheels and wheel rims	804	650	19.15	1.39	–1.37	Increase by 2.25 percentage points

The connected transactions which arose from the Group's selling of its products and providing labour services to the controlling shareholder and its subsidiaries totaled RMB60.35 million during the reporting period.

4.3 Analysis of 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	50.13	18,524	–5.09
Jiangsu	12.35	4,565	–30.59
Shanghai	9.22	3,408	–20.11
Zhejiang	5.68	2,098	–37.73
Guangdong	4.52	1,670	–18.02
Other PRC regions	15.76	5,824	98.91
Exports	2.34	864	–54.33

4.4 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 s at the end of the reporting period *(%)*	Gain/loss generated during the reporting period *(RMB)*
1	601857	PetroChina	584,500	35,000	266,350	54.41	–16,450
2	601186	China Railway Construction	181,600	20,000	84,000	17.16	–49,200
3	601390	China Railway Group	158,400	33,000	80,520	16.44	–19,800
4	601898	China Coal Energy	201,960	12,000	58,680	11.99	–12,120
Total			1,126,460	/	489,550	100	–97,570

4.5 Projects financed by other than fundraising proceeds

Unit: RMB Million

Project name	Project amount	Project progress
1,580mm hot rolling project at No.4 steel & rolling plant	2,950	Equipment assembling and debugging stage
Hot-rolled pickling plate project at No.4 steel & rolling plant	1,008	Equipment assembling and debugging stage
Silicon steel project phase 2	1,494	Pre-production stage
Total	5,452	/

4.6 A significant changes of profit alert and explanation from the Company who expects a 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 of a greater increase in the prices of raw materials despite a rise in the prices of steel products from July, and the Company's upgrade in cost reduction and efficiency enhancement initiatives. Moreover, the Company was still at a loss as at the end of the reporting period.

5 SIGNIFICANT MATTERS

5.1. Major 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
Board of Directors was informed of litigation brought by the Company's one subsidiary, Maanshan Masteel Yuyuan Logistics Co., Ltd. ("Logistics Company"), over trade dispute with suppliers. To recover the outstanding goods and payment, Logistics Company already instituted civil proceedings before the Intermediate People's Court at Maanshan city on 21 September 2012.	http://www.sse.com.cn; http://www.hkex.com.hk
Board of Directors approved Logistics Company of filing an application for restructuring to the court, and carrying out the liquidation as led by the court.	http://www.sse.com.cn; http://www.hkex.com.hk
The court accepted Logistics Company's case for restructuring.	http://www.sse.com.cn; http://www.hkex.com.hk

5.2 Insolvency or restructuring related matters

Other than event stated in section 5.1, no insolvency or restructuring related matters occured during the reporting period

5.3 Asset transactions and merger of companies

Summary and type of the case	Information source
To dispose to parent company of some assets not related to the principal iron and steel operations	http://www.sse.com.cn; http://www.hkex.com.hk
To enter into an Equity and Asset Disposal Agreement and related continuing connected transaction agreements	http://www.sse.com.cn; http://www.hkex.com.hk

5.4 Guarantees

Unit: Million Currencies: US$

External guarantees provided by the Company (Excluding guarantees provided for controlled subsidiaries)	
Total guarantee amount during the reporting period	0
Total balance of guarantees at the end of the reporting period	0
Total guarantees provided for controlled subsidiaries by the Company	
Total guarantee amount provided for subsidiaries during the reporting period	0
Total balance of guarantees provided for subsidiaries at the end of the reporting period	55
Total guarantee amount provided by the Company (including guarantees for controlled subsidiaries)	
Total guarantee amount	55
Proportion of total guarantee amount to the Company's assets (%)	1.63
Including:	
Guarantee amount provided for shareholders, the de facto controller and connected parties	0
Guarantee amount provided directly or indirectly for entities with gearing ratio exceeding 70%	0
Total guarantee amount exceeding 50% of net assets	0
Total amount of the three guarantees mentioned above	0

5.5 Post Balance Sheet Events

As at 18 July 2013, "The Resolution of the Possible Disposal of Some of the Company's Assets Not Related to the Principal Iron and Steel Operations (the "Possible Disposal") to Magang (Group) Holding Company Limited" was considered and approved by the board of the Company. The assets to be disposed include subsidiary's equity and some branch companies' assets which are not related to the principal iron and steel operations. The total net assets to be disposed are not anticipated to exceed 20% of the net asset of the audited consolidated financial statement for the most recent financial year.

6 SHARE MOVEMENT AND SHARE HOLDING

6.1 The number of shareholders and shareholding structure

Unit: Shares

Total number of shareholders at the end of the reporting period	348,607

Shareholding of the top ten shareholders

Name of shareholder	Type of shareholders	As a percentage to number of shares held (%)	Total number of shares held	Number of shares held with selling restrictions	Number of pledged or frozen shares
Magang (Group) Holding Company Limited	State-owned shareholder	50.47	3,886,423,927	0	0
HKSCC (Nominees) Limited	Foreign shareholder	22.17	1,707,063,898	0	Unknown
中國建設銀行－鵬華價值優勢股票型證券投資基金	Others	0.69	52,999,969	0	Unknown
張沐城	Others	0.30	23,000,000	0	Unknown
王勇	Others	0.27	20,950,000	0	Unknown
何文華	Others	0.16	11,983,587	0	Unknown
張武	Others	0.12	9,000,000	0	Unknown
白計平	Others	0.11	8,209,900	0	Unknown
張俊英	Others	0.10	7,520,000	0	Unknown
肖國文	Others	0.07	5,695,758	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	3,886,423,927	RMB-denominated ordinary shares
HKSCC (Nominees) Limited	1,707,063,898	Overseas-listed foreign shares
中國建設銀行－鵬華價值優勢股票型證券投資基金	52,999,969	RMB-denominated ordinary shares
張沐城	23,000,000	RMB-denominated ordinary shares
王勇	20,950,000	RMB-denominated ordinary shares
何文華	11,983,587	RMB-denominated ordinary shares
張武	9,000,000	RMB-denominated ordinary shares
白計平	8,209,900	RMB-denominated ordinary shares
張俊英	7,520,000	RMB-denominated ordinary shares
肖國文	5,695,758	RMB-denominated 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 concerned parties.

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

During the first half of 2013, 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 2013, 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 FINANCIAL REPORT

11.1 No changes in accounting policy and accounting estimation during the reporting period

11.2 No correction on previous accounting errors during the reporting period

11.3 Financial statement

CONSOLIDATED AND COMPANY BALANCE SHEET

30 June 2013

Renminbi Yuan

ASSETS:	*Note*	**30 June 2013 Group Unaudited**	31 December 2012 Group Audited	**30 June 2013 Company Unaudited**	31 December 2012 Company Audited
CURRENT ASSETS:					
Cash and bank balances		**8,309,393,100**	9,782,424,115	**5,992,135,810**	6,359,785,755
Financial assets held for trading		**489,550**	587,120	**489,550**	587,120
Bills receivable	4	**8,992,037,467**	8,060,760,260	**5,181,294,439**	5,001,092,227
Trade receivables	5	**1,448,141,906**	1,411,927,109	**2,032,106,675**	1,785,315,692
Dividends receivable		**46,800,000**	46,800,000	**64,889,303**	66,475,194
Interest receivable		**1,400,935**	4,846,087	**–**	5,159,705
Prepayments	6	**1,395,699,427**	2,037,721,944	**1,195,527,842**	1,044,242,745
Other receivables		**675,444,442**	469,008,747	**445,964,139**	279,377,529
Inventories		**12,385,138,272**	11,250,937,262	**7,903,322,302**	8,172,351,955
Loans and advances to customers		**158,937,879**	215,562,806	**–**	–
Total current assets		**33,413,482,978**	33,280,575,450	**22,815,730,060**	22,714,387,922
NON-CURRENT ASSETS:					
Long term equity investments		**1,221,232,090**	1,210,311,409	**6,716,083,963**	6,708,697,609
Investment properties		**1,033,585**	4,400,618	**16,783,888**	17,188,937
Fixed assets		**30,518,511,082**	32,478,798,396	**26,124,881,279**	27,725,274,143
Construction materials		**472,387,050**	673,731,960	**312,048,922**	350,239,732
Construction in progress		**8,803,628,940**	5,697,669,676	**5,249,033,767**	4,115,011,626
Intangible assets		**2,061,473,572**	1,963,421,181	**1,132,975,319**	1,148,988,370
Deferred tax assets		**692,822,285**	702,255,349	**662,169,377**	679,495,010
Total non-current assets		**43,771,088,604**	42,730,588,589	**40,213,976,515**	40,744,895,427
TOTAL ASSETS		**77,184,571,582**	76,011,164,039	**63,029,706,575**	63,459,283,349

CONSOLIDATED AND COMPANY BALANCE SHEET (CONTINUED)

30 June 2013

Renminbi Yuan

LIABILITIES AND SHAREHOLDERS' EQUITY:	*Note*	**30 June 2013 Group Unaudited**	31 December 2012 Group Audited	**30 June 2013 Company Unaudited**	31 December 2012 Company Audited
CURRENT LIABILITIES:					
Customer deposits		**1,210,898,981**	565,167,982	**–**	–
Repurchase agreements		**540,120,812**	494,753,998	**–**	–
Short term loans		**12,897,262,098**	9,777,449,423	**4,308,934,249**	4,970,468,532
Bills payable	7	**6,844,859,656**	5,096,302,242	**3,151,649,000**	1,552,887,366
Accounts payable	8	**7,279,480,609**	7,029,326,670	**11,581,029,049**	7,982,070,150
Deposits received		**6,364,365,441**	6,122,954,555	**4,309,901,712**	4,595,208,580
Payroll and benefits payable		**298,108,917**	228,107,066	**207,951,358**	119,617,400
Taxes payable		**(419,830,980)**	(331,007,320)	**(159,879,583)**	(217,257,558)
Interests payable		**484,275,080**	205,268,222	**481,975,197**	207,613,733
Dividends payable		**81,392,794**	80,492,522	**6,296,662**	6,146,772
Other payables		**1,113,491,942**	1,058,965,107	**778,645,861**	809,058,988
Non-current liabilities due within one year		**1,317,965,700**	1,335,542,400	**1,317,965,700**	1,335,542,400
Total current liabilities		**38,012,391,050**	31,663,322,867	**25,984,469,205**	21,361,356,363
NON-CURRENT LIABILITIES:					
Long term loans		**5,143,470,300**	9,914,180,000	**7,356,163,800**	11,817,407,500
Bonds payable		**8,270,544,430**	8,261,992,704	**8,270,544,430**	8,261,992,704
Deferred income		**584,595,222**	618,997,012	**557,748,554**	592,659,282
Deferred tax liabilities		**38,757,833**	40,614,884	**–**	–
Total non-current liabilities		**14,037,367,785**	18,835,784,600	**16,184,456,784**	20,672,059,486
Total liabilities		**52,049,758,835**	50,499,107,467	**42,168,925,989**	42,033,415,849
SHAREHOLDERS' EQUITY:					
Share capital		**7,700,681,186**	7,700,681,186	**7,700,681,186**	7,700,681,186
Capital reserve		**8,329,067,663**	8,329,067,663	**8,338,358,399**	8,338,358,399
Special reserve		**11,193,433**	14,768,610	**–**	–
Surplus reserve		**3,750,928,170**	3,750,928,170	**2,964,168,101**	2,964,168,101
General reserve		**55,650,161**	55,650,161	**–**	–
Retained profits		**2,912,214,895**	3,245,037,973	**1,857,572,900**	2,422,659,814
Including: Proposed cash dividend	9	**–**	–	**–**	–
Exchange fluctuation reserve		**(60,832,960)**	30,510,424	**–**	–
Equity attributable to equity holders of the parent		**22,698,902,548**	23,126,644,187	**20,860,780,586**	21,425,867,500
Minority interests		**2,435,910,199**	2,385,412,385	**–**	–
Total shareholder's equity		**25,134,812,747**	25,512,056,572	**20,860,780,586**	21,425,867,500
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**77,184,571,582**	76,011,164,039	**63,029,706,575**	63,459,283,349

CONSOLIDATED AND COMPANY INCOME STATEMENT (Unaudited)

For the six months ended 30 June 2013

Renminbi Yuan

Items	*Note*	**For the six months, ended 30 June 2013 Group**	For the six months, ended 30 June 2012 Group	**For the six months, ended 30 June 2013 Company**	For the six months, ended 30 June 2012 Company
Revenue	10	**36,952,562,339**	40,586,883,357	**28,406,184,227**	32,219,786,508
Less: Cost of sales	10	**35,243,795,361**	40,167,763,006	**27,397,270,636**	32,463,272,397
Taxes and surcharges		**134,915,427**	90,417,990	**108,379,714**	58,940,625
Selling expenses		**183,696,105**	180,209,788	**108,402,129**	136,633,545
Administrative expenses		**683,662,180**	675,703,240	**442,659,437**	436,175,984
Financial expenses		**625,836,335**	808,083,153	**540,654,229**	680,065,432
Assets impairment losses		**477,830,557**	586,932,504	**478,376,386**	556,658,817
Loss on fair value changes		**97,570**	24,540	**97,570**	24,540
Add: Investment income		**69,382,866**	53,560,520	**78,815,095**	207,821,737
including: share of profits of associates and jointly controlled entities		**49,520,681**	53,438,048	**51,466,354**	60,814,995
Operating loss		**(327,888,330)**	(1,868,690,344)	**(590,840,779)**	(1,904,163,095)
Add: Non-operating income		**84,830,273**	67,465,313	**44,958,231**	41,182,979
Less: Non-operating expenses		**3,055,983**	1,783,592	**1,857,411**	750,251
including: net loss/(gain) on disposal of non-current assets		**1,702,335**	(881,020)	**1,412,016**	(1,242,416)
Loss before tax		**(246,114,040)**	(1,803,008,623)	**(547,739,959)**	(1,863,730,367)
Less: Income tax	11	**77,113,128**	71,724,968	**17,346,955**	3,036,568
Net loss		**(323,227,168)**	(1,874,733,591)	**(565,086,914)**	(1,866,766,935)
Including: Net profit attributable to the acquiree prior to business combination under common control		**–**	11,496,935		
Less: Minority interests		**9,595,910**	17,945,419		
Net loss attributable to equity holders of the parent		**(332,823,078)**	(1,892,679,010)		
EARNINGS PER SHARE:	12				
Basic (cents)		**(4.32)**	(24.58)		
Diluted (cents)		**(4.32)**	(24.58)		
Other comprehensive income:					
Exchange fluctuation reserve		**(91,343,384)**	(6,492,214)	**–**	–
Total comprehensive income		**(414,570,552)**	(1,881,225,805)	**(565,086,914)**	(1,866,766,935)
Attributable to:					
Equity holders of the parent		**(424,166,462)**	(1,899,171,224)		
Minority interests		**9,595,910**	17,945,419		

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited)

For the six months ended 30 June 2013

Renminbi Yuan

30 June 2013

	Attributable to equity holders 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/(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
(ii) Others	–	–	–	–	–	–	–	–	–	–
4) Profits appropriation										
(i) Distribution to the minority shareholders	–	–	–	–	–	–	–	–	(8,098,096)	(8,098,096)
5) Special reserves										
(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 STATEMENT OF CHANGES IN EQUITY (Unaudited)

For the six months ended 30 June 2012

Renminbi Yuan

30 June 2012

	Attributable to equity holders of parent									
	Share capital	Capital reserve	Special reserves	Surplus reserves	General reserve	Retained profits	Exchange fluctuation reserve	Sub-total	Minority interests	Total shareholders' equity
At 31 December 2011	7,700,681,186	8,338,358,399	–	3,442,866,348	–	7,456,020,890	16,483,680	26,954,410,503	1,978,339,214	28,932,749,717
Business combination under common control	–	420,000,000	–	1,271,040	127,104	11,392,935	–	432,791,079	91,257,072	524,048,151
1. At 1 January 2012 (Restated)	7,700,681,186	8,758,358,399	–	3,444,137,388	127,104	7,467,413,825	16,483,680	27,387,201,582	2,069,596,286	29,456,797,868
2. Increase/(decrease) during the year										
1) Net profit/(loss)	–	–	–	–	–	(1,892,679,010)	–	(1,892,679,010)	17,945,419	(1,874,733,591)
2) Other comprehensive income	–	–	–	–	–	–	(6,492,214)	(6,492,214)	–	(6,492,214)
3) Adjustment to business combination under common control	–	(429,290,736)	–	–	–	–	–	(429,290,736)	–	(429,290,736)
Total comprehensive income	–	(429,290,736)	–	–	–	(1,892,679,010)	(6,492,214)	(2,328,461,960)	17,945,419	(2,310,516,541)
4) Capital contribution and withdrawal by shareholders										
(i) Capital contribution by minority shareholders	–	–	–	–	–	–	–	–	348,000,000	348,000,000
(ii) Others	–	–	–	4,142,402	–	–	–	4,142,402	–	4,142,402
5) Profits appropriation										
(i) Distribution to the minority shareholders	–	–	–	–	–	–	–	–	(25,522,334)	(25,522,334)
6) Special reserves										
(i) Additions	–	–	42,808,024	–	–	–	–	42,808,024	–	42,808,024
(ii) Used	–	–	(42,808,024)	–	–	–	–	(42,808,024)	–	(42,808,024)
3. At 30 June 2012	7,700,681,186	8,329,067,663	–	3,448,279,790	127,104	5,574,734,815	9,991,466	25,062,882,024	2,410,019,371	27,472,901,395

CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2013

Renminbi Yuan

		For the six months ended 30 June	
		2013	2012
		Unaudited	Unaudited
1.	Cash flows from operating activities:		
	Cash received from sale of goods or rendering of services	**43,267,584,026**	49,619,052,613
	Refunds of taxes	**30,700,900**	19,881,502
	Net decrease in loans and advances to customers	**57,196,897**	–
	Net increase in repurchase agreements	**45,366,814**	–
	Net increase in customer deposits	**645,730,999**	–
	Cash received for interest charges, fees and commissions	**93,092,742**	27,841,752
	Cash received relating to other operating activities	**8,342,396**	4,838,230
	Sub-total of cash inflows	**44,148,014,774**	49,671,614,097
	Cash paid for goods and services	**(36,484,040,595)**	(43,319,324,235)
	Net increase in loans and advances to customers	**–**	(156,467,546)
	Net decrease in repurchase agreements	**–**	(68,180,659)
	Net decrease in customer deposits	**–**	(262,986,827)
	Cash paid to and on behalf of employees	**(2,356,167,479)**	(2,296,665,938)
	Cash paid for all taxes	**(1,141,528,277)**	(847,823,821)
	Cash paid for interest charges, fees and commissions	**(11,313,510)**	(4,992,995)
	Cash paid relating to other operating activities	**(396,436,092)**	(381,420,404)
	Sub-total of cash outflows	**(40,389,485,953)**	(47,337,862,425)
	Net cash flows from operating activities	**3,758,528,821**	2,333,751,672
2.	Cash flows from investing activities:		
	Cash received from investment income	**130,955,833**	130,768,685
	Net cash received from disposal of fixed assets, intangible assets and other long term assets	**2,431,799**	7,390,324
	Net cash received from disposal of subsidiaries and other affiliates	**7,098,066**	–
	Cash received due to decrease in pledged deposits, net	**332,362,593**	–
	Cash received relating to other investing activities	**12,212,013**	8,210,000
	Sub-total of cash inflows	**485,060,304**	146,369,009
	Cash paid for acquisitions of fixed assets, intangible assets and other long term assets	**(3,318,419,052)**	(2,475,435,589)
	Cash paid for acquisitions of investments	**(58,480,000)**	(95,500,000)
	Cash paid for purchasing subsidiaries	**–**	(429,290,736)
	Cash paid due to increase in pledged deposits, net	**–**	(1,165,963,955)
	Sub-total of cash outflows	**(3,376,899,052)**	(4,166,190,280)
	Net cash flows from investing activities	**(2,891,838,748)**	(4,019,821,271)

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

For the six months ended 30 June 2013

Renminbi Yuan

		For the six months ended 30 June	
		2013	2012
		Unaudited	Unaudited
3.	Cash flows from financing activities:		
	Cash received from borrowings	**11,572,038,827**	21,918,158,148
	Cash received from capital contribution	**49,000,000**	348,000,000
	Including: capital contribution by minority shareholders	**49,000,000**	348,000,000
	Sub-total of cash inflows	**11,621,038,827**	22,266,158,148
	Cash repayments of borrowings	**(13,067,699,636)**	(22,586,648,594)
	Cash paid for distribution of dividend or profits and for interest expenses	**(372,855,673)**	(603,105,732)
	Including: dividend paid to minority shareholders by subsidiaries	**(8,098,096)**	(16,454,362)
	Sub-total of cash outflows	**(13,440,555,309)**	(23,189,754,326)
	Net cash flows from financing activities	**(1,819,516,482)**	(923,596,178)
4.	Effect of foreign exchange rate changes on cash	**(187,842,013)**	18,033,115
5.	Net decrease in cash and cash equivalents	**(1,140,668,422)**	(2,591,632,662)
	Add: Balance of cash and cash equivalents at beginning of period	**7,577,117,817**	9,302,476,206
6.	Balance of cash and cash equivalents at end of period	**6,436,449,395**	6,710,843,544

1. ACCOUNTING POLICIES

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

As at 30 June 2013, the Group's current liabilities exceeded current assets by RMB 4.6 billion. The Company's directors had fully considered available financial source of the Group, included but not limited to the bank facilities of RMB 36.7 billion that the group had obtained but not used as at 30 June 2013. Based on the assessment, the directors of the Company believed that the Group has sufficient resources to keep on operating on the ongoing basis in the foreseeable future in no less than 12 months after the approval of the financial statement. Therefore, the board of directors prepared the financial statement for the six month ended 30 June 2013 based on an ongoing basis.

The accounting policies and basis of preparation adopted in the preparation of the interim consolidated financial statements are the same as those used in the annual financial statements ended 31
December 2012.

2. DISPOSAL OF A SUBSIDIARY

	Place of incorporation and registration	Business Nature	Percentage of equity	Percentage of voting right	Reason of loss of control
Anhui Masteel Stereoscopic Auto-parking Equipments Company Limited	Anhui, PRC	Manu-Facturing	100%	100%	(i)

(i) Anhui Masteel Stereoscopic Auto-parking Equipments Company Limited ("Masteel Auto-parking ") was indirectly held subsidiary of the Company, in which Anhui Masteel Holly Industrial Co., Ltd.("Holly Industrial") and Maanshan Iron &Steel (HK) Limited("Ma Steel (HK)") owned share holding of 75% and 25%, respectively. On 9 April 2013, Holly Industrial transferred all its shares in Masteel Auto-parking to a third party ("the transferee") with a consideration of RMB14.46 million, and the disposal date was 9 April 2013. The net assets of Masteel Auto-parking on the disposal date was RMB 9.95 million, and its net loss from the beginning of the year to the disposal date was RMB 0.38 million. After the completion of the disposal, Ma Steel (HK)'s share holding in Masteel Auto-parking remained at 25%. According to Masteel Auto-parking's new Article of Association, its board of directors contains 3 directors, one of which was appointed by Ma Steel (HK), and the other two were appointed by the transferee, as a result the transferee had gained control over Masteel Auto-parking. Therefore, Masteel Auto-parking was changed into an associate of the Group.

3. OPERATING SEGMENT INFORMATION

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 and Economics Corporation and Maanshan (Shanghai) Industral Trading Co., Ltd..

➢ Trading of steel, iron ores and raw materials: Ma Steel International Trade and Economics Corporation and Maanshan (Shanghai) Industral Trading Co., Ltd..

➢ 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 Group Financial Co., Ltd. ("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.

Products and service information

External principal operating income

	For the six months ended 30 June	
	2013	2012
	Unaudited	Unaudited
	RMB	*RMB*
Sale of steel products	**29,680,878,570**	31,987,380,276
Sale of steel billets and pig iron	**364,639,204**	1,068,450,235
Sale of coke by-products	**468,415,809**	368,477,625
Others	**1,388,090,950**	3,132,578,631
Total	**31,902,024,533**	36,556,886,767

Geographical information

External principal operating income

	For the six months ended 30 June	
	2013	2012
	Unaudited	Unaudited
	RMB	*RMB*
The PRC	**31,038,470,291**	34,715,434,303
Overseas	**863,554,242**	1,841,452,464
Total	**31,902,024,533**	36,556,886,767

Non-current assets

	For the six months ended 30 June	
	2013	2012
	Unaudited	Unaudited
	RMB	*RMB*
The PRC	**42,869,390,827**	41,815,111,602
Overseas	**208,875,492**	213,221,638
Total	**43,078,266,319**	42,028,333,240

The non-current asset information above is based on the location of assets and excludes financial instruments and 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
	2013	2012
	Unaudited	Audited
	RMB	*RMB*
Bank acceptance bills	**8,988,854,472**	8,054,237,399
Commercial acceptance bill	**3,182,995**	6,522,861
	8,992,037,467	8,060,760,260

Certain of the Group's bank acceptance bills amounting to RMB58,480,165 were secured to banks to issue bank acceptance bills to suppliers (31 December 2012: RMB152,972,397).

5. TRADE RECEIVABLES

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

The ageing of trade receivables is analysed below:

	30 June 2013 Unaudited ***RMB***	31 December 2012 Audited *RMB*
Within one year	**1,310,287,720**	1,322,714,407
One to two years	**128,739,319**	66,792,389
Two to three years	**12,958,751**	7,233,443
Over three years	**10,243,980**	30,263,476
	1,462,229,770	1,427,003,715
Less: Provision for bad debts	**14,087,864**	15,076,606
Total	**1,448,141,906**	1,411,927,109

An analysis of the amount of provisions for bad debts being written off in the current reporting period:

Reason	**30 June 2013 Unaudited** ***RMB***	31 December 2012 Audited *RMB*
Bankrupt or liquidated debtors	**988,742**	455,560

6. PREPAYMENTS

The ageing of prepayment balance is analysed as follows:

	30 June 2013 (Unaudited)		31 December 2012 (Audited)	
	Balance ***RMB***	**ratio (%)**	Balance *RMB*	ratio (%)
Within one year	**1,276,185,541**	**91**	1,680,045,765	83
One to two years	**87,394,759**	**6**	306,432,163	15
Two to three years	**25,261,466**	**2**	42,159,100	2
Over three years	**6,857,661**	**1**	9,084,916	–
Total	**1,395,699,427**	**100**	2,037,721,944	100

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

7. BILLS PAYABLE

	30 June 2013 Unaudited ***RMB***	31 December 2012 Audited *RMB*
Bank acceptance bills	**6,399,859,656**	4,573,802,242
Commercial acceptance bills	**445,000,000**	522,500,000
Total	**6,844,859,656**	5,096,302,242

As at 30 June 2013 and 31 December 2012, the ageing of the Group's bills payable were all within six months.

The bills payable amounting to RMB6,844,859,656 (31 December 2012: RMB5,096,302,242) are due in the next accounting year. As at the balance sheet date, certain of the Group's bills payable were secured by certain amount of other monetary assets and bank acceptance bills.

8. ACCOUNTS PAYABLE

The ageing analysis of accounts payable as follows:

	30 June 2013 Unaudited ***RMB***	31 December 2012 Audited *RMB*
Within one year	**6,985,063,856**	6,585,456,835
One to two years	**170,485,538**	341,987,841
Two to three years	**44,282,633**	38,302,737
Over three years	**79,648,582**	63,579,257
	7,279,480,609	7,029,326,670

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

9. DIVIDEND

The board of directors do not recommend the payment of any interim dividend for the six months ended 30 June 2013 (30 June 2012: Nil).

10. REVENUE AND COST OF SALES

Revenue is stated as follows:

	For the six months ended 30 June	
	2013	2012
	Unaudited	Unaudited
	RMB	*RMB*
Principal operating income	**31,902,024,533**	36,556,886,767
Other operating income	**5,050,537,806**	4,029,996,590
Total	**36,952,562,339**	40,586,883,357

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	
	2013	2012
	Unaudited	Unaudited
	RMB	*RMB*
Principal cost of sales	**30,242,742,825**	36,122,156,047
Other cost of sales	**5,001,052,536**	4,045,606,959
Total	**35,243,795,361**	40,167,763,006

11. INCOME TAX

	For the six months ended 30 June	
	2013	2012
	Unaudited	Unaudited
	RMB	*RMB*
Mainland China:		
Current income tax expense	**43,247,408**	34,814,627
Adjustments in respect of current tax of previous periods	**(6,317,977)**	122,531
Deferred tax expense	**7,576,012**	12,083,051
Current income expense in HK (ii)	**7,873,632**	–
Current income expense in overseas	**24,734,053**	24,704,759
Total	**77,113,128**	71,724,968

Relationship between income tax and profit before tax:

	For the six months ended 30 June	
	2013	2012
	Unaudited	Unaudited
	RMB	*RMB*
Loss before tax	**(246,114,040)**	(1,803,008,623)
Tax at the applicable tax rate of 25% (i)	**(61,528,510)**	(450,752,156)
Effect of different tax rates of subsidiaries	**81,084**	(52,870)
Expenses not deductible for tax	**10,892,403**	20,358,889
Adjustments in respect of current tax of previous periods	**(6,317,977)**	122,531
Other tax concessions	**(5,000,852)**	(5,468,489)
Income not subject to tax	**(6,759,401)**	(2,307,983)
Tax losses not recognised	**167,819,165**	524,774,310
Tax losses utilised	**(9,206,195)**	(14,104)
Profits and losses attributable to jointly-controlled entities and associates	**(12,866,589)**	(14,935,160)
Tax charge at the Group's effective rate	**77,113,128**	71,724,968

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

(ii) Income tax for a subsidiary in Hong Kong has been provided at the rate of 16.5% on the profits arising in Hong Kong during the 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 authorised by the State Council to issue shares in Hong Kong in 1993 which, at the time of writing, was still being applied. The notice stated that the difference in corporate income tax ("CIT") arising from the expired preferential rate and the applicable rate should be settled according to the provisions of "Law on the Administration of Tax Collection".

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

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

Certain subsidiaries of the Company were high technology enterprises which shall be subject to corporate income tax at the rate of 15%. Income tax for a subsidiary in Hong Kong has been provided at the rate of 16.5% on the profits arising in Hong Kong during the period. Other oversea subsidiaries located elsewhere have been calculated at the rates of tax of 30% prevailing in the countries, in which the subsidiaries operate, based on existing legislation, interpretations and practices in respect thereof.

12. EARNINGS PER SHARE

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

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

	For the six months ended 30 June	
	2013	2012
	Unaudited	Unaudited
	RMB	*RMB*
Net loss attributable to equity holders of the parent	**(332,823,078)**	(1,892,679,010)
Weighted average number of ordinary shares in issue during the period	**7,700,681,186**	7,700,681,186
Basic earnings per share (cents)	**(4.32)**	(24.58)

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 2013 and the first half of 2012 there was no diluted item to adjust the Group's basic earnings per share.

13. CONTINGENT LIABILITIES

(a) Guarantee

As at 30 June 2013, the Company granted guarantees amounting to approximately RMB0.340 billion (31December 2012: approximately RMB0.346 billion) to banks in connection with facilities granted to its subsidiaries. As at 30 June 2013, there were no facilities utilised (31 December 2012: Nil).

(b) Difference of corporate income tax

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

14. NET CURRENT ASSETS

	The Group		The company	
	30 June 2013	31 December 2012	**30 June 2013**	31 December 2012
	Unaudited	Audited	**Unaudited**	Audited
	RMB	*RMB*	***RMB***	*RMB*
Current assets	**33,413,482,978**	33,280,575,450	**22,815,730,060**	22,714,387,922
Less: Current liabilities	**38,012,391,050**	31,663,322,867	**25,984,469,205**	21,361,356,363
Net current (liabilities)/assets	**(4,598,908,072)**	1,617,252,583	**(3,168,739,145)**	1,353,031,559

15. TOTAL ASSETS LESS CURRENT LIABILITIES

	The Group		The company	
	30 June 2013	31 December 2012	**30 June 2013**	31 December 2012
	Unaudited	Audited	**Unaudited**	Audited
	RMB	*RMB*	***RMB***	*RMB*
Total assets	**77,184,571,582**	76,011,164,039	**63,029,706,575**	63,459,283,349
Less: Current liabilities	**38,012,391,050**	31,663,322,867	**25,984,469,205**	21,361,356,363
Total assets less current liabilities	**39,172,180,532**	44,347,841,172	**37,045,237,370**	42,097,926,986

By order of the Board
Ding Yi
Chairman

22 August 2013
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