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鞍鋼股份有限公司
ANGANG STEEL COMPANY LIMITED*

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

(Stock Code: 0347)

2013 ANNUAL RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Operating income amounted to RMB75,329 million
- Total profit amounted to RMB728 million
- Profit for the year attributable to shareholders of the Company amounted to RMB770 million
- Basic earnings per share amounted to RMB0.106 (Year of 2012: basic loss per share RMB0.556)
- The financial data contained in this announcement was prepared in accordance with the PRC ASBE

In this announcement, the following expressions shall have the following meanings unless the context indicates otherwise:

"Angang Holding"	Anshan Iron & Steel Group Complex* (鞍山鋼鐵集團公司), the immediate holding company of the Company, which currently holds approximately 67.80% of the equity interest of the Company and a major enterprise in the iron and steel industry of the PRC;
"Angang Putian"	Angang Cold Rolled Steel Plate (Putian) Co., Limited* (鞍鋼冷軋鋼板(莆田)有限公司), a limited liability company incorporated in Putian, Fujian Province, the PRC in the business of steeling production, processing and distribution;
"Angang Tiantie"	Tianjin Angang Tiantie Cold Rolled Sheets Co. Limited* (天津鞍鋼天鐵冷軋薄板有限公司), a company incorporated in Tianjin, the PRC;
"Board"	the board of directors of the Company;
"Company"	Angang Steel Company Limited* (鞍鋼股份有限公司);
"Group"	the Company and its subsidiaries;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
"PRC"	the People's Republic of China (for the purpose of this announcement, excluding Hong Kong and Macau Special Administrative Region);
"PRC ASBE"	Accounting Standards for Business Enterprises — Basic Standard and 38 Specific Standards issued by the Ministry of Finance of the PRC and application guidance, bulletins and other relevant accounting regulations issued thereafter collectively; and
"Reporting Period"	the 12-month period from 1 January 2013 to 31 December 2013.

PRINCIPAL ACCOUNTING FIGURES AND FINANCIAL INDICATORS

Unit: RMB' million

Items	**2013**	2012		Changes over the preceding year *(%)*	2011	
		Prior to adjustment	After adjustment	After adjustment	Prior to adjustment	After adjustment
Operating income	**75,329**	77,748	78,214	–3.69	90,423	91,289
Operating profit	**664**	–5,563	–5,390	112.32	–3,446	–3,217
Total profit	**728**	–5,496	–5,320	113.68	–3,281	–3,049
Net profit attributable to shareholders of the Company	**770**	–4,157	–4,025	119.13	–2,146	–1,978
Net profit attributable to shareholders of the Company after extraordinary items	**695**	–4,207	–4,077	117.05	–2,270	–2,105
Net cash flow from operating activities	**10,563**	1,453	2,568	311.33	4,663	5,797
Basic earnings per share *(RMB/share)*	**0.106**	–0.575	–0.556	119.06	–0.297	–0.273
Diluted earnings per share *(RMB/share)*	**0.106**	–0.575	–0.556	119.06	–0.297	–0.273
Basic earnings per share after extraordinary items *(RMB/share)*	**0.096**	–0.581	–0.564	117.02	–0.314	–0.291
Diluted earnings per share after extraordinary items *(RMB/share)*	**0.096**	–0.581	–0.564	117.02	–0.314	–0.291
Returns on net assets on weighted average basis *(%)*	**1.64**	–8.54	–8.29	Increase by 9.93 percentage points	–4.09	–3.76
Return on net assets on weighted average basis after extraordinary items *(%)*	**1.48**	–8.64	–8.39	Increase by 9.87 percentage points	–4.33	–4.01

Items	At the year end of 2013	At the year end of 2012		Changes over the preceding year (%)	At the year end of 2011	
		Prior to adjustment	After adjustment	After adjustment	Prior to adjustment	After adjustment
Total assets	**92,865**	101,237	103,337	–10.13	102,988	105,013
Total liabilities	**45,775**	53,008	54,304	–15.71	50,683	51,841
Equity attributable to shareholders of the Company	**47,026**	46,598	47,358	–0.70	50,751	51,570
Net assets per share attributable to shareholders of the Company *(RMB/share)*	**6.50**	6.44	6.55	–0.76	7.01	7.13
Assets-liability ratio *(%)*	**49.29**	52.36	52.55	Decrease by 3.26 percentage points	49.21	49.37
Total share capital	**7,235**	7,235	7,235	—	7,235	7,235

EXTRAORDINARY ITEMS AND AMOUNTS AFFECTED ON PROFIT:

Unit: RMB' million

	Extraordinary items	**2013**	2012	2011
1	Gains or losses from disposal of non-current assets	**–9**	11	7
2	Government subsidies (except for government subsidies which are closely related to the Company's normal operations, in compliance with requirements of the national policies and entitled continuously in a fixed amount or quantity in conformity with the applicable standards) attributable to gains or losses for the period	**113**	63	190
3	Net gains/losses of subsidiaries during the current period from business combinations under the common control from the beginning of the period to the combination date	**–2**	–	–
4	Other non-operating income and expenses apart from those stated above	**–2**	–4	–28
5	Effect of income tax	**–25**	–18	–42
	Total	**75**	52	127

Note: for extraordinary items, "+" refer to gains or incomes, "-" refer to losses or expenditures.

OPERATING RESULTS FOR 2013

The Group recorded a net profit attributable to shareholders of the Company of RMB770 million and a basic earnings per share of RMB0.106 for the year ended 31 December 2013 as compared to a net loss attributable to shareholders of the Company of RMB4,025 million for the year ended 31 December 2012.

PROFIT DISTRIBUTION

As audited and confirmed by Ruihua Certified Public Accountants (Special General Partnership), the Company recorded a net profit of RMB770 million attributable to shareholders of the Company for the year of 2013 in accordance with the PRC ASBE. At the year end of 2013, profit distributable to shareholders of the Company amounted to RMB5,054 million. On the basis of the total share capital consisting 7,234,807,847 shares, the Board proposes to distribute cash dividend of RMB0.027 per share (including tax) to shareholders for the year of 2013, which amounts to RMB195 million of the distributable profits. Upon implementing such proposal, distributable profits of RMB4,859 million will remain. This proposal shall be subject to consideration at the forthcoming 2013 annual general meeting.

DIVIDEND FOR THE RECENT THREE YEARS

Unit: RMB' million

Year	Amounts of cash dividends (including tax)	Net profit attributable to the shareholders of the Company in the consolidated financial statement during the year	Percentage of the net profit attributable to the shareholders of the Company in the consolidated financial statement *(%)*
2013	195	770	25.32
2012	0	–4,025	0
2011	0	–1,978	0

Note: Net profits attributable to shareholders of the Company for the years of 2011 and 2012 are post-adjustment amounts.

BUSINESS REVIEW

In 2013, the steel and iron industry of China remained sluggish. The contradictory relationship between supply and demand was still severe. The price of iron ore remained high but that of steel stayed low. Steel and iron enterprises were confronting enormous pressure. Faced with such difficult situation, the Company focused on resolving constraints which hindered its development with focus on various aspects such as adjusting its operating model, reforming its internal systems, enhancing profitability of key areas and improving productivity. It has achieved the operation goal of conversion from losses to profitability for the year.

(1) Optimizing production structure and operating steadily and efficiently

During the Reporting Period, the Group produced 21,630,700 tons of iron, 20,817,000 tons of steel and 19,369,500 tons of steel products, representing an increase of 6.62%, 6.05% and 1.46%, respectively, as compared with the same period of the previous year. Sale of steel products reached 19,018,300 tons, representing an increase of 0.75% as compared with the same period of the previous year. The Group also realized a 98.19% sale-to-production ratio for steel products.

In 2013, the Company strengthened its management of production and operation in accordance with the principle of "steady and smooth operations, growth in scale, structural adjustment, index improvement, reduction in energy consumption to create profitability". It coordinated the production in the Company and Bayuquan Branch Company (鮁魚圈分公司) and improved the quality of operation comprehensively. It optimized the production structure and balance of materials and reasonably adjusted coal blending and ore proportioning. It strengthened its monitoring of blast furnace, optimized technology and solved the bottleneck issues of production thereby increasing the production volume steadily.

(2) A keen focus on key stages, achieved new breakthrough in cost reduction and efficiency enhancement

The Company optimized the procurement strategy continuously thereby significantly reducing the procurement costs. The Company analyzed the market in order to purchase at low prices and avoid high prices. It pinpointed spot resources prior to the occurrence of low prices to reduce procurement cost. It optimized the procurement structure and expanded its scope of sourcing. It introduced high price-to-performance resources and promoted optimization of the structure of coal blending and ore proportioning.

It strived to overcome technological bottlenecks and continuously improved its major techno-economic indices. It pressed ahead the improvement in coal quality and reduction of tar and implemented technological measures such as oxidized pulverization (富氧大噴吹) to reduce the consumption of coke. It optimized the balance of the systems and the connection of production and sales to improve the execution of contracts. It deeply explored the potential of waste steel and adjusted the structure of steel and iron materials to reduce the cost of cast iron. Making fine adjustments to coal blending and ore proportioning, proactively connecting with the raw materials market. It fully utilized the synergy of coordination between the Company and external resources and recycled the internal miscellaneous material resources in order to operate with low raw material costs. In 2013, 17 major technological and economic indices of the Company's headquarter achieved year-on-year improvement, among which six were the best in history. 16 major technological and economic indices of Bayuquan Branch Company obtained year-on-year improvement, among which 13 were the best in history.

There was comprehensive improvement in its lean management. The benefit created by energy consumption was up at a new level. The Company insisted on the principle of "more recycling, maintaining of power generation, zero diffusion, benefit creation", perfecting the connection among the procedures of iron-making, steel-making and steel-rolling to enhance the efficiency of energy utilization. It improved the efficiency of recycling of residual heat and energy. It promoted multi-scale water tariff management and the new water consumption recorded a new breakthrough. Composite energy consumption per ton of steel of the Company of the year was the best in history, which accelerated the implementation of contracted energy management projects effectively. 19 contractual energy management projects were commenced during the year. Energy operation and management was strengthened. Energy selling and distribution channels were broadened. Varieties of energy products for sale were diversified.

It optimized its logistics management system in order to achieve significant reduction in the logistics cost. It cancelled excessive inventories, shortened the procurement radius in accordance with the principle of "concentration, efficiency and services". Leveraging its advantage of integration and intensification of logistics and resources, and gradually affirmed its greater logistics management and control mode. In terms of production logistics, intensive management and regional linkage were implemented to enhance logistics efficiency. In terms of sales logistics, it organized large ships for transportation and implemented "one-bill sales (一票制銷售)". Logistics operations in Southern China region have been operating very efficiently.

The Company actively expanded financing channels and significantly reduced financing costs through various means including issuing, discounting and endorsing bills, interest payment by purchaser, import and export documentary bills and financing business, rolling over loans in accordance with discount interest rates, providing loans by swapping bills issuing short-term financing bills and letter of credit, adjusting borrowing structure so as to allocate funds and alternative financing flexibly.

(3) Enhancing marketing with great efforts, sales and marketing has reached new level

The Company strengthened the exploration of directly supplied enterprises and new customers. Senior management of the Company led teams to visit a number of downstream key users such as China National Petroleum Corporation（中石油）, Sinopec, China Railway Corporation and FAW (一汽) to extend the cooperation with its strategic customers. The effect of the cooperation was good.

It innovated its channels and repositioned the sales branches with reference to the changes of demand in the market. It adjusted and refined its regional layout, in particular sales branches such as Ningbo Company (寧波公司) and Yantai Company (煙台公司) were newly established. It implemented innovative sales approaches, such as launching in various regions spot retailing, bidding, entrusted sales, online sales and other methods for products such as hot rolled, medium and thick plates, cold rolled, galvanized steel and other products.

It established a commercial platform especially for the Company by cooperating with a third party professional website thereby achieving a breakthrough in its online sales and is gradually developing towards electronic commerce.

It also closely monitored major engineering projects. The Company was the bid winner of various important engineering projects, including the projects of Bridge Plates for the Verrazano Bridge of the United States (50W Corten Steel for construction of bridges) and Guangxi Beihai Liquefied Natural Gas Tank of Sinopec (9Ni steel plates for 160,000 cubic tank engineering). It completed the Project of PetroChina Tangshan Liquefied Natural Gas (9Ni steel plates for 160,000 cubic tank engineering).

It established a positive interactive system of internal and external trading market and actively expanded its market share of exportation. It introduced structural adjustment in its export products and strived to expand the exportation of high value-added products. The sales for export settlement of the year amounted to 1,725,100 tons.

(4) Strengthening the capacity of technological development and research, steadily implementing the strategy of quality products and varieties

The result of technological development and research is excellent. The Company launched 196 technological research projects in the year, among which 22 were national projects, 16 were significant research and development projects. It received 29 awards including the Metallurgical Science and Technology Progress Award (冶金科技進步獎). In terms of the management intellectual property rights, 641 patents were accepted by the state, among which 341 were patents of invention. 642 patents were authorized by the state, among which 132 were authorized patents of invention.

The development of new products, leading exclusive products and strategic products was accelerating. 105 new products were filed in the year. It entered into 102 agreements for new products development. It distributed 130 product quality plans and developed 109 new steel types. It mainly refined 56 key types of steel which accumulatively produced 9,920,000 tons, representing a year-on-year increase of 1,750,000 tons. The Company reinforced quality survey and improvement on its "3Hs" products, namely high technology, high added value and high sales volume. The key quality indicators improved continually, and significant economic benefits were accomplished. In particular, satisfactory results were accomplished by quality survey and improvement activities such as the replacement of ingot casting slab with low-cost continuous-casting slab, the development of the thick plate and carbon steel production line into a production line of quality carbon steel and low-cost and quality alloy products, as well as the development of ultra high-strength plates for ships.

It enhanced its technological services to its customers and closely cooperated with the downstream enterprises. It entered into technological cooperation agreements with nine enterprises such as TIPO Group (中油天寶). The Company ensured satisfactory promotion and application of its three major product series of steel plates for nuclear power by entering into new product supply and technology agreements with users such as Shandong Nuclear Power Equipment Manufacturing Co., Ltd., Dongfang Electric Corporation, Dalian Shipbuilding Industry Co., Ltd. and Harbin Turbine Company Limited.

(5) Optimizing internal systems and improving corporate management quality

It optimized its institutional settings and accelerated innovation in its systems. It optimized and integrated the marketing, procurement, logistics, energy management and control businesses and resources of the Company, and established five major functional centers.

The Company strengthened the corporate management as part of its efforts to upgrade the management quality. It implemented multi-scale performance management and promoted differentiated appraisal which effectively created organic linkage between the work targets, performance and income. The Company's "Management of Cost Reduction and Efficiency Enhancement for the Iron Smelting Enterprise in Response to Tough Market Situation"(《應對嚴峻市場形勢的煉鐵企業降本增效管理》) won the second prize of the Twentieth National-level Enterprises Management Innovations (第二十屆國家級企業管理創新成果二等獎), while Bayuquan Branch Company's "Reform of the Market-oriented Operational Mechanism Focusing on Cost Control at Different Levels" (《以層級成本控制為核心的市場化運營機制變革》) was recognised as the Eighth National Successful Management Case of Outstanding Enterprises (第八屆全國優秀企業管理成功案例).

The Company enhanced the safety and environmental protection so as to achieve green production. Strictly implementing the accountability system of safe production, the Company promoted "One Position with Dual Responsibilities"(一崗雙責), which improved the management and control of safety. The environment in the production area continued to improve, achieving the goal of zero accident of significant environmental pollution. The work of green iron and steel saw continuous progress as the Company implemented energy saving and emission reduction, improved recycling economy and fostered efficiency in the use of energy.

THE DEVELOPMENT PLAN OF THE COMPANY IN 2014

1. Future Development Strategies

The Company will enhance its independent innovation, optimize the industrial layout, build high-quality bases, improve its core competitiveness, implement green manufacturing and achieve scientific development.

2. Operation Plan for the Year of 2014

2014 is a critical year for the Company to reaffirm its basis of conversion from losses to profitability, improve its profitability and accomplish the targets of transformation and upgrades. Following the guideline of "elements integration, efficiency and professionalism, wastes reduction and recycling", the Company will strive to "prevent and control risks in order to stabilise the operating environment, use the benchmarking to determine the gap and expand the index margin, optimize the structure and adjust the portfolio with a view to enhancing the capacity to create benefits, break down the targets to specify the responsibility for each project", in order to improve the quality and efficiency of operation and ensure that each production and operation task of the year can be completed.

(1) Implement target based benefit creation model in order to enhance the capacity of reform and innovation.

(2) Expand the production scale in order to enhance the capacity of stable production and efficiency.

(3) Adjust the product mix in order to enhance the capacity of innovation and benefits creation.

(4) Improve the techno-economic indicators in order to enhance the capacity of reducing cost and enhancing efficiency.

(5) Strengthen the energy management in order to enhance the capacity of creating benefits through energy.

(6) Implement management improvements in order to enhance lean management capability.

3. Plans for funding requirements

For the year of 2014, capital investment of RMB6,413 million is planned to be injected into the Group's main construction projects such as the chemical coke oven renovation project (phase 5) the North-South coal field renovation project and the chemical tar plant renovation and other external investments.

The main sources of funding for the Group in 2014 are: ultra-short-term financing bills, short-term financing bills, medium-term notes, cash flows generated by operating activities and bank loans.

ANALYSIS OF FINANCIAL INFORMATION

1. Overview

Unit: RMB' million

Item	Reporting Period	Corresponding period of the previous year	Increase/ decrease of the Reporting Period as compared with the corresponding period of the previous year *(%)*	Explanation and reasons for significant change
Operating income	75,329	78,214	–3.69	
Operating costs	66,929	75,892	–11.81	
Marketing expenses	1,743	1,359	28.26	*Note1*
Administrative expenses	3,270	3,041	7.53	
Financial expenses	1,218	1,846	–34.02	*Note 2*
Total profit	728	–5,320	113.68	*Note 3*
Net profit attributable to shareholders of the Company	770	–4,025	119.13	*Note 3*
Net cash flow	–1,997	563	–454.71	*Note 4*

Notes:

Note 1. Marketing expenses in the year increased by RMB384 million as compared with the corresponding period of the previous year, mainly attributable to (i) the increase in sales and (ii) the increase in transportation expenses following the increase in the volume of sales settlement of steel by CIF prices as part of the Company's efforts in optimizing its logistics management.

Note 2. Financial expenses in the year decreased by RMB628 million as compared with the corresponding period of the previous year, mainly attributable to the fact that the Company expanded its financing channels and allocated the funds as alternatives to financing through issuance of notes, discounted bills, endorsement, interest payments payable by buyers, financing for bills purchased of import and export, renewal of concessional loans, replacement of loans with medium term notes, issuance of short-term financing bills, issuance of letter of credit, and restructuring of borrowing structure, which decreased the impact of financing costs.

Note 3. Total profit for the year increased by RMB6,048 million over the corresponding period last year, net profit attributable to shareholders of the company increased by RMB4,795 million, mainly due to (i) the decline of prices of raw materials and fuel, decrease in depreciation, increase in production volume, reduction in energy consumption, improvement of blending of ores, improvement of the techno-economical standards, thereby reducing the costs of production; (ii) the decrease in financing cost; and (iii) the increase in investment return and profit of other businesses.

Note 4. Net cash flow for the year has decreased by RMB2,560 million as compared with the previous year, which was mainly attributable to (i) an increase of RMB7,995 million in net cash inflow from operating activities as compared with the previous year arising from the decrease in cash paid for goods and services for the year; (ii) a decrease of RMB232 million in net cash outflow from investing activities as compared with the previous year due to the increase in cash inflow following the increase in cash received from investment income and the increase in income from projects trials; and (iii) an increase of RMB10,787 million in net cash outflow from financing activities as compared with the previous year as cash repaid for loans exceeded cash received from borrowings during the year.

2. Income

Is the Company's income from sales of goods greater than its income from provision of services?

☑ Yes ☐ No

Industry Classification	Item	**2013**	2012	Year-on-year increase/ decrease *(%)*
Steel rolling process industry	Sales volume *(0'000 tons)*	1,901.83	1,887.60	0.75
	Production volume *(0'000 tons)*	1,936.95	1,909.11	1.46
	Stock volume *(0'000 tons)*	105.06	79.64	31.92

Explanation should be given on year-on-year changes of more than 30% in relevant figures

☑ Applicable ☐ Not applicable

The stock volume of the finished products of the Company increased as compared with the end of the previous year, mainly attributable to the fact that the Company developed the sales of spot goods in response to the trend in the steel market which led to an increase in the stock volume of finished goods at the end of the year.

Material changes or adjustment in products or services during the Reporting Period

☐ Applicable ☑ Not applicable

Sales to major customers of the Company

Total sales of the top five customers *(RMB million)*	14,406
Proportion of total sales of the top five customers over total sales for the year *(%)*	19.12

Top five customers of the Company

No.	Customer Name	Sales amount *(RMB million)*	As a percentage of total sales amount in the year *(%)*
1	Customer A	3,939	5.23
2	Customer B	3,267	4.34
3	Customer C	2,789	3.70
4	Customer D	2,312	3.07
5	Customer E	2,099	2.78
Total		14,406	19.12

3. Cost

Industry Classification:

Unit: RMB' million

Industry Classification	Item	2013 Amount	2013 As a percentage of operating costs (%)	2012 Amounts	2012 As a percentage of operating costs (%)	Year-on-year increase/decrease (%)
Steel rolling process industry	Raw materials	**30,505**	**45.69**	33,893	44.81	–10.00
	Ancillary materials	**3,799**	**5.69**	3,963	5.24	–4.14
	Spare parts and tools	**995**	**1.49**	1,089	1.44	–8.63
	Fuel	**16,645**	**24.93**	20,573	27.20	–19.09
	Power supplies	**5,869**	**8.79**	6,308	8.34	–6.96
	Employee remuneration	**2,804**	**4.20**	2,269	3.00	23.58
	Depreciation	**3,806**	**5.70**	5,453	7.21	–30.20
	Others	**2,342**	**3.51**	2,089	2.76	12.11
	Total	**66,766**	**100.00**	75,637	100.00	–11.73

Major suppliers of the Company

Total purchases attributable to the top five suppliers *(RMB million)*	35,505
Proportion of total purchases attributable to the top five suppliers over total purchases for the year *(%)*	60.62

Top five suppliers of the Company

No.	Suppler Name	Purchase amount *(RMB million)*	As a percentage of total purchase amount in the year *(%)*
1	Purchaser A	14,095	24.07
2	Purchaser B	13,928	23.78
3	Purchaser C	3,178	5.43
4	Purchaser D	2,771	4.73
5	Purchaser E	1,533	2.61
Total		35,505	60.62

4. Expenses

Unit: RMB' million

Financial indicators	Reporting Period	Corresponding period of the previous year	Increase/ decrease of the Reporting Period as compared with the corresponding period of the previous year *(%)*
Marketing expenses	1,743	1,359	28.26
Administrative expenses	3,270	3,041	7.53
Financial expenses	1,218	1,846	–34.02
Income tax expenses	–27	–1,068	97.47

Note 1: Financial expenses in the year decreased as compared with the corresponding period of the previous year, mainly attributable to the fact that the Company expanded its financial channels and allocated the funds as alternatives to financing through issuance of notes, discounted bills, endorsement, interest payments payable by buyers, financing for bills purchased of import and export, renewal of concessional loans, replacement of loans with medium term notes, issuance of short-term financing bills, issuance of letter of credit, and restructuring of borrowing structure, which decreased the impact of financing costs.

Note 2: Income tax expenses in the year increased as compared with the last year, mainly attributable to the fact that the Company recorded operating loss in the previous year and recognised deferred income tax.

5. R&D expenditure

Item	**2013**	2012	Year-on-year increase/ decrease *(%)*
R&D expenditure for the current period included in profit or loss for the period	**2,108**	2,157	–2.27
R&D expenditure for the current period recognised as intangible assets	**—**	—	—
Total R&D expenditure	**2,108**	2,157	–2.27
Proportion of total R&D expenditure over net assets attributable to the parent company*(%)*	**4.48**	4.55	–0.07
Proportion of total R&D expenditure over operating income *(%)*	**2.80**	2.76	0.04

6. Cash flow

Unit: RMB' million

Item	**2013**	2012	Year-on-year increase/ decrease *(%)*
Sub-total of cash inflow from operating activities	**67,154**	76,549	–12.27
Sub-total of cash outflow from operating activities	**56,591**	73,981	–23.51
Net cash flow from operating activities	**10,563**	2,568	311.33
Sub-total of cash inflow from investing activities	**707**	278	154.32
Sub-total of cash outflow from investing activities	**3,297**	3,100	6.35
Net cash flow from investing activities	**–2,590**	–2,822	8.22
Sub-total of cash inflow from financing activities	**27,924**	53,639	–47.94
Sub-total of cash outflow from financing activities	**37,894**	52,822	–28.26
Net cash flows from financing activities	**–9,970**	817	–1,320.32
Net increase of cash and cash equivalents	**–1,997**	563	–454.71

Reasons for a year-on-year change of more than 30% for the relevant amounts:

☑ Applicable ☐ Not applicable

1. An increase of RMB7,995 million in net cash inflow from operating activities for the year as compared with the previous year was mainly attributable to the decrease in cash paid for goods and services for the year as a result of the Company making procurement at appropriate time and the decrease in the market prices.

2. An increase of RMB429 million in cash inflow from investing activities for the year as compared with the previous year was mainly attributable to the increase in cash received from investment income and the increase in income from project trials.

3. A decrease of RMB25,715 million in cash inflow from financing activities for the year as compared with the previous year was mainly attributable to the decrease in bank borrowings caused by the Company expanding the financing channels through measures such as trade financing for import and export.

4. A decrease of RMB10,787 million in net cash flows from financing activities for the year as compared with the previous year was mainly attributable to the fact that the cash repaid for loans exceeded cash received from borrowings during the year.

5. A decrease of RMB2,560 million in net increase of cash and cash equivalents for the year as compared with the previous year was mainly attributable to (i) an increase of RMB7,995 million in net cash inflow from operating activities as compared with the previous year arising from the decrease in cash paid for goods and services for the year; (ii) a decrease of RMB232 million in net cash outflow from investing activities as compared with the previous year due to the increase in cash inflow following the increase in cash received from investment income and the increase in income from projects trials; and (iii) an increase of RMB10,787 million in net cash outflow from financing activities as compared with the previous year as cash repaid for loans exceeded cash received from borrowings during the year.

Explanations on Reasons for Significant Differences in Cash Flow from Operating Activities and Net Profit of the Company during the Reporting Period

☐ Applicable ☑ Not applicable

7. Liquidity and financial resources

As at 31 December 2013, the Group had long-term loans (exclusive of loans due within one year) of RMB3,044 million with interest rates ranging from 5.535% to 5.895% per annum. Under the terms of three to twenty-five years, the loans will fall due during the period from 2015 to 2018. The loans are mainly used for replenishing working capital and project borrowings. The Group's long-term loans due within one year amounted to RMB1,271 million.

In 2013, with good credibility, the Group was reviewed and rated by the rating committee of China Chengxin International Credit Rating Co., Ltd. (中誠信國際信用評級有限責任公司) with a credit rating of "AAA". In 2013, ten financial institutes which had strategic cooperation with the Company had given credits to the Company. Therefore, the Group is capable of repaying its debts when they become due.

As at 31 December 2013, the Group had a total capital commitment of RMB4,424 million, which was primarily attributable to the construction and renovation contracts entered into but not yet performed or partially performed, and the external investment contracts entered into but not yet performed or partially performed.

8. Foreign exchange risk

The Group adopts locked exchange rates in settling its transactions with export and import agents for export product sales, import and procurement of raw materials and other equipment for projects, therefore the Group is not subject to any significant foreign currency risk arising from foreign currency transactions.

9. Composition of the principal businesses in 2013

Principal businesses of the Group by industry and products

Unit: RMB' million

	Operating income	Operating cost	Gross profit margin *(%)*	Increase/ decrease in operating income as compared with the corresponding period of the previous year *(%)*	Increase/ decrease in operating cost as compared with the corresponding period of the previous year *(%)*	Increase/ decrease in gross profit margin as compared with the same corresponding of the previous year *(%)*
By industry						
Steel pressing and processing industry	75,091	66,766	11.09	–3.72	–11.73	8.07
By products						
Hot-rolled sheets products	26,266	24,018	8.56	–3.35	–9.37	6.07
Cold-rolled sheets products	26,493	22,438	15.31	–11.19	–21.76	11.45
Medium and thick plates	9,123	8,210	10.01	–3.18	–8.59	5.33

Notes:

1) The decrease in operating income from hot-rolled sheets products as compared with the corresponding period of the previous year was primarily due to the decrease in the prices of steel products. The decrease of operating cost was due to (i) the Company made procurement at appropriate time to lower the cost and the decrease in the market prices, which reduced the procurement cost of raw materials and fuels and (ii) the decrease in the processing cost attributable to the Company's efforts in increasing the products output, improving the techno-economic indices, reducing energy consumption, optimising the blending of ores, and reducing the depreciation fees. The increase in gross profit margin was mainly attributable to (i) the production of products with higher profitability levels as the Company endeavored to adjust the product mix and (ii) a more significant decrease in the cost of the Company as compared with the decrease in steel prices.

2) The decrease in operating income from cold-rolled sheets products as compared with the corresponding period of the previous year was primarily due to (i) the decrease in the prices of products and (ii) the decrease in the product sales of the Group as Angang Tiantie was no longer consolidated into the financial statement of the Group after the Company's sales of 45% equity interests in Angang Tiantie. The decrease of operating cost was due to (i) the decrease in the processing cost attributable to the Company's efforts in reducing the costs through improving the economic and technical standards, reducing the energy consumptions and lowering the depreciation fees; (ii) the decrease in the purchase prices of raw materials and fuels following the Company making procurement at appropriate time and the decrease in the market prices and (iii) the decrease in the product sales volume. The increase in gross profit margin was mainly attributable to (i) the production of products with higher profitability levels as the Company endeavored to adjust the product mix and (ii) a more significant decrease in the cost of the Company as compared with the decrease in steel prices.

3) The decrease in operating income from medium and thick plates as compared with the corresponding period of the previous year was primarily due to the decrease in the product prices. The decrease of operating cost was due to (i) the decrease in the processing cost attributable to the Company's unswerving promotion of the costs reduction and efficiency enhancement which lowered the depreciation fees and (ii) the decrease in the purchase prices of raw materials and fuels following the Company making procurement at appropriate time and the decrease in the market prices. The increase in gross profit margin was mainly attributable to (i) the production of products with higher profitability levels as the Company endeavored to adjust the product mix and (ii) a more significant decrease in the cost of the Company as compared with the decrease in steel prices.

Segmental information of operating revenue of the Group by geographical locations of sales

Unit: RMB' million

	Operating revenue from main operation	Increase/ decrease in operating revenue from main operation as compared with the previous year *(%)*
Northeast China	27,728	–0.62
North China	5,882	–30.65
East China	18,326	3.44
South China	14,832	–0.23
Central south China	843	–6.53
Northwest China	461	1.32
Southwest China	183	6.94
Export sales	6,836	–8.84
Total	75,091	–3.72

ANALYSIS OF ASSETS AND LIABILITY

1. Significant changes in assets

Unit: RMB' million

	End of 2013		End of 2012			
	Amount	**As a percentage of total assets** *(%)*	Amount	As a percentage of total assets *(%)*	Increase/ decrease *(%)*	Explanation for significant change
Monetary assets	**1,126**	**1.21**	3,123	3.02	–1.81	—
Account receivables	**2,134**	**2.30**	1,895	1.83	0.47	—
Inventories	**12,356**	**13.31**	11,498	11.13	2.18	—
Long-term equity investments	**3,128**	**3.37**	2,711	2.62	0.75	—
Fixed assets	**45,452**	**48.94**	51,308	49.65	–0.71	—
Construction in progress	**5,756**	**6.20**	9,751	9.44	–3.24	—

2. Significant change in liabilities

Unit: RMB' million

	2013		2012			
	Amount	**As a percentage of total assets** *(%)*	Amount	As a percentage of total assets *(%)*	Increase/ decrease *(%)*	Explanation for significant change
Short-term loans	**9,241**	**9.95**	15,130	14.64	–4.69	—
Long-term loans	**3,044**	**3.28**	8,364	8.09	–4.81	—

3. Assets and liabilities measured at fair value

Unit: RMB' million

Item	Opening balance	Gains or losses arising from changes in fair value for the period	Gains or losses arising from changes in fair value reported in equity	Impairment made for the period	Purchase in the current period	Disposal in the current period	Closing balance
Financial assets							
Of which:							
1. Financial assets measured at fair value through profit and loss (excluding derivative financial assets)	–	–	–	–	–	–	–
2. Derivative financial assets	–	–	–	–	–	–	–
3. Available-for-sale financial assets	101	–	-34	–	–	–	56
Sub-total of financial assets	101	–	-34	–	–	–	56
Investment properties	–	–	–	–	–	–	–
Productive biological assets	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–
Total	101	–	-34	–	–	–	56
Financial liabilities	–	–	–	–	–	–	–

Material changes in assets during the Reporting Period

☐ Yes ☑ No

4. Gearing ratio

As at 31 December 2013 and as at 31 December 2012, the Group's ratio of equity to liability was 1.03 times and 0.90 time respectively.

5. Pledge of assets

As of 31 December 2013, the Group had no pledge of assets.

6. Contingent liabilities

As of 31 December 2013, the Group had no contingent liabilities.

ANALYSIS ON THE CORE COMPETITIVENESS

In 2013, the Company accelerated its research and development with a view to improving the efficiency in product development. It enhanced the overall quality management and implemented the strategies concerning intellectual property and technical standards. Leveraging its advantages in independent innovation, the Company brought about more new products, exclusive products with leading technology and strategic products. All these efforts significantly improved the Company's capacity of independent innovation and mastery of core technology.

1. Core technologies of the products

In 2013, the Company applied for patents for its iron and steel products, mainly including steel plates for automobiles and appliances, steels for military industry, steel for pipelines, electrical steel, plates for engineering machines, steel plates for hull and marine engineering purposes, steel for oil well pipes and steels for buildings and bridges.

(1) Steel plates for automobiles and appliances

The development of steel plates for automobiles focused on the advanced high-strength steel products, including duplex stainless steel, high manganese transformation induced plasticity (TRIP) steel and twinning induced plasticity (TWIP) steel. In particular, the strength grades of duplex stainless steel were DP780, DP800, DP980 and DP1000, high manganese TRIP steel were TRIP600 and TRIP980 while TWIP steel were TWIP980 and TWIP1180. Among such newly developed products, some were able to be supplied, and some were on trial for user comments, while some were still undergoing industrial test or industrial trial manufacturing. As for the steel plates for appliances, the product of AC450Q was developed and after the performance tests including hot rolling, cold rolling and acid pickling, the steel met the standards in the index of strength of extension, extensibility and other aspects.

(2) Steel for pipelines

The Company made impressive achievements in both the rolled and plate steel technology. It developed X80M steel for pipelines for low temperature services with the features of non-molybdenum, good fracture toughness, wide and thick type and low costs, and the X70M plate steel for pipelines to be used in deep sea. The high-grade X90 and X100 began to be tested and analyzed and were put into industrial trial production. The Company optimized X42 and X52, the fine seamless steel with the feature of HIC resistance and the special steel for pipelines, the strength of which is lower than 300 MPa.

(3) Electrical steel

As for the grain-oriented electrical steel, the Company put more efforts in the R&D of the production technology. It developed a number of technologies applied in the fields of efficient production of high magnetic induction grain-oriented electrical steel, increasing the yields of ordinary grain-oriented electrical steel through tempering, low-cost production of grain-oriented electrical steel and production of grain-oriented silicon steel using thin and medium slab in short process. As for the high magnetic variety, Hi-B120, Hi-B110 and Hi-B105 can be supplied to clients in bulk while Hi-B100 was undergoing R&D and trial manufacturing. In addition, the Company made breakthrough in the ultra-thin strip of grain-oriented electrical steel used for medium frequency with low iron loss and the thickness of <0.10mm. The product has started industrial trial-production. As for the non-oriented electrical steel, the Company had conducted research in the re-crystallization of hot-rolled plate and improvement of hot rolling structure. The Company also made breakthroughs in the research of conversion technologies between the grain-oriented and non-oriented electrical steels. For the first time, the Company has mastered the patent technology of cross production between the grain-oriented and non-oriented electrical steels.

(4) Plates for engineering machines

As for the plates for engineering machines, the Company developed heat and abrasion resistant clad sheet steel, high strength glass-lined steel and high quality bearing steel, including the series of Q460JSC, 600JSC, Q550, Q690 and Q1200 and the series of NM360, NM400, NM450 and NM500. In particular, NM500 has met the standards in terms of hardness of surface and 40mm section and mechanical property test with the maximum strength of extension reaching 1800 MPa.

(5) Steel plates for hull and marine engineering purposes

As a response to the massive demand for the steel plates for hull and marine engineering purposes, the Company developed the 690-grade ultra-high-strength steel plates for hull and marine engineering purposes. The product has the features of high strength, highly difficult in manufacturing and high value-adding. Its yield strength is 695~760 MPa, strength of extension is 780~920 MPa, and elongation is 15.8%~20.4%, the average reduction of area (Z) is ≥35%.

(6) Steel for oil well pipes

In the field of steel for oil well pipes, the Company developed two new products of N80Q-grade ERW oil casing pipe and P110 external-upset tubing. Both the products have completed formulating the quality plan for industrial trial manufacturing and product supply and technology agreements, and can be supplied in bulk.

(7) Steel for buildings and bridges

The Company developed the earthquake resistant steel with the ultra-low yield point (yield strength between 80~100 MPa), namely the 40~60mm thick tubular pipe steel. The new product ended the situation of mainly depending on imports for such earthquake resistant steel in China. The steel has sound performance in low-cycle fatigue, and can be used in the high-rise buildings for earthquake-resistant purposes. As for the steel for bridges, the Company developed the new G50 steel. The product has been used in the construction of Verrazano-Narrows Bridge in New York, the largest suspension bridge in America.

2. Core technologies

(1) Patent technology of steelmaking

In the field of steelmaking, pre-treatment of molten iron, various refining processes and converter steelmaking processes were principally optimised. The pre-treatment of molten iron for desilication and dephosphorization with CAS-OB and ANS-OB refining furnace can solve the problems of peroxidation of molten steel caused by traditional argon stirring and slag entrapping with unique advantages in heating molten steel, alloying and removing inclusions.

(2) Patent technology of continuous-cast

In the field of continuous-cast, the patent technologies of continuous-cast slab quality improvement and continuous-cast operation enhancement were developed principally. The treatment of liquid steel purification with external electric field and adoption of quality rating system for casting machine slab can achieve the optimisation of quality of casting blank, prevention of cold-bending and crack of slab, reduction of segregation degree of C elements on casting blank and improvement of equiaxial crystal ratio of solidification structure of ingots.

(3) Patent technology of steel rolling process

In the field of steel rolling process, technologies of cold rolling and annealing, optimisation of rolling for improvement of rolled product quality and performance, rolled billet heating as well as control of slab and plate cut was developed with emphasis. The solution to prevent defects of surface scratching caused by hot rolled strip passing through finishing mill in empty was to directly winder non-oriented electrical steel strip and improve coiling temperature in order to achieve the recrystallization of hot-rolled sheet.

(4) Technology of tiny out-phase molten steel purification generated in situ in metallurgical melt

The Company developed the AS-CT tiny out-phase molten steel purification technology with the independent intellectual property rights, which can control the level of full oxygen below 10 ppm, content of phosphorus in low-carbon steel stabilised at 40 ppm and minimum content of phosphorus stabilised below 20 ppm. The technology of RH enhancing jetting of carbonate powder from gas pipeline for the purpose of rapid decarbonization RH-AS was developed for the first time. The establishment of smelting model of high carbon and low oxygen with ultra low carbon steel enriched the functions of RH to maintain the content of carbon in IF steel below 10 ppm, so as to build a low-carbon and economical clean steel production platform with Angang features.

3. Core technologies of energy-saving, emission reduction and green manufacturing

(1) Steel rolling heating furnace technology with thermal storage and heat transfer

Cooperating with Northeast University and Shanghai Jiade, the Company developed the steel rolling heating furnace technology with thermal storage and heat transfer and addressed the shortcomings of domestic heart-storing style heating furnace, such as serious fluctuation in the furnace pressure, short life span of key equipments, unstable production and high production cost. The Company brought out its steel rolling heating furnace technology with thermal storage and heat transfer with independent intellectual property rights, significantly boosted the economical indicators such as energy consumption of steel per ton, oxidization and burning loss, and heating quality, making it one of the pioneers in this technology internationally.

(2) New technology of reducible dustwallow containing iron treatment

The new technology of dustwallow containing iron treatment was independently developed by the Company to solve the technological difficulties of low-cost treatment and recycle of dustwallow containing zinc in the iron and steel industry. With metallurgical dustwallow such as iron, carbon and zinc as raw material, the technology is worked out as precasting block mass containing iron and zinc through the processes of burdening, mixing and pressing into balls, utilising existing equipment and waste heat resources of iron and steel enterprises, and placing them into high-temperature molten iron tank or converter to achieve a rapid reduction and separation of dustwallow containing iron for the purpose of recycling iron and zinc.

CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES OF THE GROUP DURING THE REPORTING PERIOD

In accordance with the actual situation of fixed assets of the Group, relevant departments re-evaluated and approved the actual service life of each class of fixed assets and decided to adjust depreciation life of fixed assets since 1 January 2013, which was approved at the 39th meeting of the fifth session of Board by way of vote. The details are as follows:

	Before change		After change	
Class of fixed assets	**Estimated life span** *(year)*	**Depreciation rate each year** *(%)*	**Estimated life span** *(year)*	**Depreciation rate each year** *(%)*
Property	30	3.17	40	2.38
Buildings	30	3.17	40	2.38
Conductor facilities	15	6.33	19	5.00
Machinery facilities	15	6.33	19	5.00
Power equipment	10	9.50	12	7.92
Transportation facilities	10	9.50	10	9.50
Tools and apparatus	5	19.00	5	19.00
Management tools	5	19.00	5	19.00

This change of accounting estimates posed no effect on the business scope of the Group, but led to a decrease of RMB1,200 million in the depreciation of fixed assets and an increase of RMB900 million in the shareholders' interest and net profit of the Company in 2013.

CHANGES IN THE CONSOLIDATION SCOPE DURING THE REPORTING PERIOD OF THE GROUP

On 30 January 2013, the Company convened its first extraordinary general meeting in 2013 for consideration and approval of the following resolutions: Resolution in relation to Assets Exchange between the Company and Angang Group International Trade Corporation (《關於本公司與鞍鋼集團國際經濟貿易公司進行資產置換的議案》) and Resolution in relation to the Equity Transfer between the Company and Anshan Iron & Steel Group Complex (《關於本公司與鞍山鋼鐵集團公司進行股權轉讓的議案》). Pursuant to the above resolutions, the Company exchanged its 80% equity interest in Angang Putian with the assets of the domestic trade business of Angang Group International Trade Corporation* (鞍鋼集團國際經濟貿易公司) ("Angang Trade") (including equity interest in nine domestic trading subsidiaries) while Angang Holding acquired 45% equity interest of Angang Tiantie owned by the Company. The aforementioned assets exchange and share transfer transactions were completed on 31 January 2013.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the Reporting Period, there was no purchase, sale or redemption by the Company or any of its subsidiaries of its listed securities.

CORPORATE GOVERNANCE PRACTICE

With shares listed on both the Hong Kong Stock Exchange and Shenzhen Stock Exchange, the Company is committed to improving its corporate governance in accordance with international corporate governance standards. The Board and the management understand that they are responsible for establishing good corporate governance practices and procedures and the strict implementation of such practices and procedures, in order to protect the interests of the shareholders and maximise the investment return for the shareholders in the long term.

AUDIT COMMITTEE

The audit committee and the management of the Company have jointly examined the Company's accounting policies and have discussed the issues in relation to the auditing, internal control and financial statements of the Company (including reviewing the audited financial statements for the year ended 31 December 2013).

MATERIAL GUARANTEE

During the Reporting Period, there were no material guarantee provided by the Company, nor material guarantee subsisting in this Reporting Period.

ANNUAL GENERAL MEETING

The annual general meeting of the Company for 2013 will be held on Wednesday, 4 June 2014. A notice to convene the annual general meeting and the annual report of the Company for 2013 will be published and delivered to the H shareholders of Company as required by the Hong Kong Listing Rules in due course.

CONSOLIDATED BALANCE SHEET

As of 31 December 2013

Unit: RMB' million

Assets	*Note*	31 Dec.2013	31 Dec. 2012
Current assets:			
Cash at banks and on hand		**1,126**	3,123
Financial assets held for trading			
Notes receivable		**10,623**	9,388
Accounts receivable	2	**2,134**	1,895
Prepayments		**3,042**	2,966
Dividend receivable			7
Other receivables		**18**	73
Inventories		**12,356**	11,498
Non-current assets due within 1 year			
Other current assets			8
Total current assets		**29,299**	28,958
Non-current assets:			
Available-for-sale financial assets		**56**	101
Long-term equity investments		**3,128**	2,711
Investment properties			
Fixed assets		**45,452**	51,308
Construction in progress		**5,756**	9,751
Construction material		**26**	243
Intangible assets		**6,147**	6,759
Long term deferred expenses			
Deferred income tax assets		**3,001**	3,506
Other non-current assets			
Total non-current assets		**63,566**	74,379
Total assets		**92,865**	103,337

Liabilities and shareholders' equity	*Note*	**31 Dec.2013**	31 Dec. 2012
Current liabilities:			
Short-term loans		**9,241**	15,130
Notes payable		**47**	3,343
Accounts payable	3	**15,343**	5,866
Advances from customers		**4,031**	5,520
Employee benefits payable		**281**	313
Tax and surcharges payable		**(550)**	(1,356)
Interest payable		**196**	96
Other payables		**1,944**	2,678
Non-current liabilities due within 1 year		**1,271**	7,501
Other current liabilities		**6,001**	6,005
Total current liabilities		**37,805**	45,096
Non-current liabilities:			
Long-term loans		**3,044**	8,364
Bonds payable		**3,971**	
Deferred income tax liabilities		**20**	29
Other non-current liabilities		**935**	815
Total non-current liabilities		**7,970**	9,208
Total liabilities		**45,775**	54,304
Shareholders' equity:			
Share capital		**7,235**	7,235
Capital reserve		**31,136**	32,080
Special reserve		**21**	44
Surplus reserve		**3,580**	3,580
Undistributed profits	4	**5,054**	4,419
Subtotal of Shareholders' equity attributable to shareholders of parent company		**47,026**	47,358
Minority interests		**64**	1,675
Total shareholders' equity		**47,090**	49,033
Total liabilities and shareholders' equity		**92,865**	103,337

CONSOLIDATED INCOME STATEMENT

For the 12-month period ended 31 December 2013

Unit: RMB' million

Items		*Note*	2013	2012
1. Operating income			**75,329**	78,214
Including:	Operating income	5	**75,329**	78,214
2. Operating costs			**75,220**	84,018
Including:	Operating costs	5	**66,929**	75,892
	Business tax and surcharges	6	**194**	182
	Marketing expenses		**1,743**	1,359
	Administrative expenses		**3,270**	3,041
	Financial expenses	8	**1,218**	1,846
	Impairment losses on assets		**1,866**	1,698
Add:	gains/losses from fair value variation			
	Investment income		**555**	414
Including:	Income from investment in joint ventures and associates		**533**	404
3. Operating profit			**664**	(5,390)
Add:	Non-operating income		**158**	119
Less:	Non-operating expenses		**94**	49
Including:	Losses on non-current assets disposal		**89**	41
4. Profit before income tax			**728**	(5,320)
Less:	Income tax expenses	9	**(27)**	(1,068)
5. Net profit			**755**	(4,252)
Net profit attributable to shareholders of parent company			**770**	(4,025)
Gains/losses attributable to minority shareholders			**(15)**	(227)

Items	Note	2013	2012
6. Earning per share			
(1) Basic earnings per share *(RMB Yuan/share)*	10	**0.106**	(0.556)
(2) Diluted earnings per share *(RMB Yuan/share)*	10	**0.106**	(0.556)
7. Other comprehensive income		**(34)**	7
8. Total comprehensive income		**721**	(4,245)
Share of total comprehensive income attributable to shareholders of parent company		**736**	(4,018)
Share of total comprehensive income attributable to minority interest		**(15)**	(227)

NOTES *(Expressed in RMB' million, unless otherwise specified)*

1. BASIS OF PREPARATION

The financial statements of the Group are prepared on the assumption of going concern principle based onthe actual transactions and events, under the Accounting Standards for Business Enterprise issued by the Ministry of Finance of PRC on 15 February 2006 and 38 specific accounting standards, the subsequent application guidelines, interpretations and other related rules ("Enterprise Accounting Standards"), and the disclosure requirements announced by the China Securities Regulatory Commission in Public Offering of Securities of the Company Information Disclosure Rule No. 15 - Financial Report of the General Provisions (2010 Amendment).

2. ACCOUNTS RECEIVABLE

(1) Nature of accounts receivable

	Closing balance			
	Book value		**Bad debt provision**	
Items	**Balance**	**Percentage** *(%)*	**Balance**	**Percentage** *(%)*
Accounts receivable with significant single amount subject to individual impairment	**1,921**	**90**		
Other accounts receivable with insignificant single amount subject to individual impairment	**213**	**10**		
Total	**2,134**	**100**		

	Opening balance			
	Book value		Bad debt provision	
Items	Balance	Percentage *(%)*	Balance	Percentage *(%)*
Accounts receivable with significant single amount subject to individual impairment	1,613	85	4	
Other accounts receivable with insignificant single amount subject to individual impairment	292	15	6	2
Total	1,905	100	10	2

Note: The majority of the clients of the Group were required to advance the full amount by cash or bank acceptances before delivery; for sales on credit, the term of credit ranges from1 to 4 months since the bill issuing date.

(2) Aging of account receivables

Items	Closing balance			
	Book Value		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	**2,128**	**100**		
1 to 2 years	**5**			
2 to 3 years				
Over 3 years	**1**			
Total	**2,134**	**100**		

Items	Opening balance			
	Book Value		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	**1,888**	**99**	10	1
1 to 2 years	**15**	**1**		
2 to 3 years				
Over 3 years	**2**			
Total	**1,905**	**100**	10	1

3. ACCOUNTS PAYABLE

Items	Closing balance		Opening balance	
	Balance	Percentage (%)	Balance	Percentage (%)
Within 1 year	**15,232**	**99**	5,794	99
1 to 2 years	**44**		20	
2 to 3 years	**2**		10	
Over 3 years	**65**	**1**	42	1
Total	**15,343**	**100**	5,866	100

4. UNDISTRIBUTED PROFITS

Items	This year	Last year
Opening balance	**4,419**	8,635
Increase of the year	**770**	(4,025)
Including: Net profit transferred this year	**770**	(4,025)
Other adjustment factors		
Decrease of the year	**135**	191
Including: Extraction of surplus reserve this year		1
Extraction of general risk provisions this year		
Distribution of cash dividend this year		
Conversed capital		
Other decreases	**135**	190
Closing balance	**5,054**	4,419

Note:

(1) The Company transferred and assigned its 80% of equity interest of Angang Putian to Angang Trade in exchange for the domestic trade business assets, thus forming a business combination under common control, and the decrease of RMB135 million of undistributed profit is the profit distributed to the original shareholders by the domestic trade business assets before the completion date of transfer.

(2) On 28 March 2014, the Board proposed to distribute cash dividend of RMB0.027 per share to shareholders which amounts to RMB195 million. This proposal shall be subject to consideration at general meeting of the shareholders of the Company. The cash dividend proposed after the balance sheet date was not recognised as liabilities at the balance sheet date.

5. OPERATING INCOME AND OPERATING COSTS

(1) Operating income and operating costs

Items	**This year**	Last year
Operating income from main business	**75,091**	77,993
Other operating income	**238**	221
Total	**75,329**	78,214
Operating cost for main business	**66,766**	75,637
Other operating cost	**163**	255
Total	**66,929**	75,892

(2) Main business by industry

	This year		Last year	
Name of industry	**Operating income from main business**	**Operating cost from main business**	Operating income from main business	Operating cost from main business
Ferrous metal smelting and steel rolling process	**75,091**	**66,766**	77,993	75,637
Total	**75,091**	**66,766**	77,993	75,637

(3) Main business by products

Name of products	**This year** Operating income from main business	Operating cost from main business	Last year Operating income from main business	Operating cost from main business
Hot rolled products	**26,266**	**24,018**	27,176	26,500
Cold rolled products	**26,493**	**22,438**	29,830	28,680
Medium -thick plate	**9,123**	**8,210**	9,423	8,982
Others	**13,209**	**12,100**	11,564	1,1475
Total	**75,091**	**66,766**	77,993	75,637

(4) Operating income by region

Regions	**This year** Operating income	Operating cost	Last year Operating income	Operating cost
China	**68,493**	**60,477**	70,715	68,638
Overseas	**6,836**	**6,452**	7,499	7,254
Total	**75,329**	**66,929**	78,214	75,892

(5) Operating income from top five customers

Period	Operating income from top five customers	Proportion *(%)*
This year	10,703	14
Last year	9,338	12

6. BUSINESS TAXES AND SURCHARGES

Items	This year	Last year
Resources tax and business tax	**4**	7
City maintenance and construction tax	**111**	102
Educational surcharge and local educational surcharge	**79**	72
Custom duty		1
Total	**194**	182

7. DEPRECIATION AND AMORTIZATION

Items	This year	Last year
Depreciation of fixed assets	**4,087**	5,534
Amortization of intangible assets	**164**	167
Total	**4,251**	5,701

8. FINANCIAL EXPENSES

Items	This year	Last year
Interest expense	**1,502**	2,239
Less: Interest income	**23**	32
Less: Capitalized interest expense	**261**	363
Exchange gain or loss	**(25)**	(51)
Less: Capitalized exchange gain or loss		
Others	**25**	53
Total	**1,218**	1,846

9. INCOME TAX EXPENSES

Items	This year	Last year
Income tax calculated according to the Tax Law and the relevant regulations	**6**	48
Changes on deferred income tax expenses	**(33)**	(1,116)
Total	**(27)**	(1,068)

The income tax of the Group is incurred in China. The enterprise income tax is calculated based on 25% of its taxable income.

10. BASIC EPS AND DILUTED EPS

For the Company, the basic earnings per share shall be calculated at the current net profits attributable to shareholders of ordinary shares divided by the weighted average number of ordinary shares issued to the public.

(1) Basic EPS and diluted EPS

	This year		Last year	
Net profit	**Basic EPS** ***(RMB Yuan/ share)***	**Diluted EPS** ***(RMB Yuan/ share)***	Basic EPS *(RMB Yuan/ share)*	Diluted EPS *(RMB Yuan/ share)*
Net profit attributable to ordinary shareholders	**0.106**	**0.106**	(0.556)	(0.556)
Net profit (exclusive of non-operating profit) attributable to ordinary shareholders	**0.096**	**0.096**	(0.564)	(0.564)

(2) Calculation of basic EPS and diluted EPS

(i) Calculation of the current net profits belonging to the shareholders of ordinary shares when calculating the basic earnings per share:

Items	This year	Last year
Net profit attributable to ordinary shareholders	**770**	(4,025)
Including: Net profit attributable to continuing operations	**770**	(4,025)
Net profit (exclusive of non-operating profit) attributable to ordinary shareholders	**695**	(4,077)
Including: Net profit attributable to continuing operations	**695**	(4,077)

(ii) Calculation of the weighted average number of ordinary shares issued to the public when calculating the basic earnings per share:

Items	This year	Last year
The number of ordinary shares issued to the public in the beginning of the year	**7,235**	7,235
Plus:the weighted average number of ordinary shares issued this year		
Minus:the weighted average number of ordinary shares repurchased this year		
The number of ordinary shares issued to the public in the end of the year	**7,235**	7,235

(iii) As the Company does not have diluted potential ordinary shares, the diluted EPS equals to the basic EPS.

11. SEGMENT REPORTING

The Group has one segment according to business category which is production and sale of iron and steel products.

12. CAPITAL COMMITMENTS

(1) SIGNIFICANT CAPITAL COMMITMENTS

Items	**As at 31 Dec. 2013**	As at 31 Dec. 2012
Investment contracts entered but not performed or performed partially	**1,402**	353
Construction and renovation contracts entered but not performed or performed partially	**3,022**	1,206
Total	**4,424**	1,559

(2) PERFORMANCE OF THE CAPITAL COMMITMENT OF PREVIOUS PERIOD

As of 31 December 2013, the Group's capital commitment has been performed according to its pervious commitment.

13. NET CURRENT ASSETS

Items	**Closing balance**	Opening balance
Current assets	**29,299**	28,958
Less: current liabilities	**37,805**	45,096
Net current assets/(liabilities)	**(8,506)**	(16,138)

14. TOTAL ASSETS LESS CURRENT LIABILITIES

Items	Closing balance	Opening balance
Total assets	**92,865**	103,337
Less: current liabilities	**37,805**	45,096
Total assets less current liabilities	**55,060**	58,241

By Order of the Board
ANGANG STEEL COMPANY LIMITED
Ma Lianyong
Executive Director and Secretary to the Board

Anshan City, Liaoning Province, the PRC
28 March 2014

As at the date of this announcement, the Board comprises the following Directors:

Executive Directors:
Zhang Xiaogang
Tang Fuping
Yang Hua
Wang Yidong
Ma Lianyong

Independent Non-executive Directors:
Li Shijun
Chen Fangzheng
Qu Xuanhui
Kwong Chi Kit, Victor

* *For identification purpose only*